RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2004

INDEX

SECTION 1

RESULTS FOR ANNOUNCEMENT TO THE MARKET

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	% increase/ (decrease)	2004 $'000	2003 $'000
Revenues from ordinary activities	16%	769,273	663,601
Profit from ordinary activities before income tax expense	6%	56,670	53,545
Profit from ordinary activities after income tax expense	4%	38,353	37,055
Net profit for the period attributable to members	4%	38,353	37,055

Dividends	Amount per security	Franked amount per security
Current year - Interim dividend - Final dividend	 7.5¢ 10.0¢	 7.5¢ 10.0¢
Total dividend	17.5¢	17.5¢
Previous corresponding period - Interim dividend - Final dividend	 6.5¢ 9.0¢	 6.5¢ 9.0¢
Total dividend	15.5¢	15.5¢
Record date for determining entitlements to the dividend	5:00 pm Thursday, 21 October 2004	
Date the final current year dividend is payable	29 October 2004	

The results are for the 12 months ended 30 June 2004. The comparative results are for the 12 month period ended 30 June 2003.

SECTION 2

APPENDIX 4E

FINANCIAL INFORMATION
FOR THE YEAR ENDED
30 JUNE 2004

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N.   57 001 288 768

APPENDIX 4E FINANCIAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2004

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

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APPENDIX 4E FINANCIAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2004

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RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Revenues:					
Operating revenue		767,659	662,177	3,119	2,997
Dividends received		445	-	-	9,303
Interest income		784	861	1	2
Proceeds on sale of assets		385	563	-	-
Total revenue from ordinary activities	2	769,273	663,601	3,120	12,302
Details of Expenditure:					
Personnel costs		(414,034)	(359,918)	(160)	(160)
Occupancy costs		(31,557)	(27,513)	-	-
Medical consumables and supplies		(187,088)	(157,532)	-	(3)
Cost of services		(29,666)	(26,238)	(1,007)	(768)
Depreciation and amortisation	3 (a)	(28,305)	(24,725)	-	-
Borrowing cost expense (excluding specific item)	3 (a)	(16,396)	(13,674)	-	-
Carrying value of assets sold		(908)	(456)	-	-
Specific items					
- Due Diligence costs associated with Mayne's Bid	3 (c)	(2,493)	-	-	-
- Unamortised borrowing costs written off	3 (c)	(2,156)	-	-	-
Total expenses from ordinary activities		(712,603)	(610,056)	(1,167)	(931)
Profit from ordinary activities before income tax expense		56,670	53,545	1,953	11,371
Income tax expense relating to ordinary activities	4	(18,317)	(16,490)	(586)	(620)
Profit from ordinary activities after income tax expense		38,353	37,055	1,367	10,751
Net profit		38,353	37,055	1,367	10,751
Net profit attributable to members of Ramsay Health Care Limited		38,353	37,055	1,367	10,751
Net increase in asset revaluation reserve		-	101	-	-
Decrease in retained profits on adoption of revised accounting standards: AASB 1028 "Employee Benefits"		-	(643)	-	-
Total revenue, expenses and valuation adjustment recognised directly in equity		-	(542)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		38,353	36,513	1,367	10,751
Basic earnings per share (cents per share)	33	29.8 cents	28.9 cents		
Diluted earnings per share (cents per share)	33	29.8 cents	28.9 cents		
Unfranked dividends per share (cents per share)	5	Nil cents	Nil cents		
Franked dividends per share (cents per share)	5	17.5 cents	15.5 cents		

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
CURRENT ASSETS					
Cash assets		22,488	16,880	46	195
Receivables	6	74,773	67,751	74	66
Inventories	7	12,849	11,189	-	-
Other	8	11,346	13,766	-	-
TOTAL CURRENT ASSETS		121,456	109,586	120	261
NON CURRENT ASSETS					
Receivables	9	-	-	-	-
Other financial assets	10	305	245	139,997	149,997
Property, plant & equipment	11	519,084	512,548	-	-
Intangible assets	12	7,996	6,744	-	-
Deferred tax assets	13, 4	25,062	21,976	263	1,669
Other	14	16,266	2,953	-	-
TOTAL NON CURRENT ASSETS		568,713	544,466	140,260	151,666
TOTAL ASSETS		690,169	654,052	140,380	151,927
CURRENT LIABILITIES					
Accounts payable	15	82,831	79,115	12	11
Interest-bearing liabilities	16	7,545	28,593	-	-
Provisions	17	29,133	26,941	940	780
Current tax liabilities	4	11,971	11,481	611	-
TOTAL CURRENT LIABILITIES		131,480	146,130	1,563	791
NON CURRENT LIABILITIES					
Accounts payable	18	-	-	15,498	6,923
Interest-bearing liabilities	19	225,956	198,570	-	-
Provisions	20	30,470	24,856	-	-
Deferred tax liabilities	21, 4	31,674	31,367	-	1,368
TOTAL NON CURRENT LIABILITIES		288,100	254,793	15,498	8,291
TOTAL LIABILITIES		419,580	400,923	17,061	9,082
NET ASSETS		270,589	253,129	123,319	142,845
SHAREHOLDERS' EQUITY					
Contributed equity	22	121,870	121,490	121,870	121,490
Reserves	23	54,533	54,533	-	-
Retained profits	23	94,186	77,106	1,449	21,355
TOTAL SHAREHOLDERS' EQUITY		270,589	253,129	123,319	142,845

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		766,734	650,148	3,111	2,931
Payments to suppliers & employees		(670,573)	(586,971)	(944)	(2,931)
Dividends Received		445	-	-	9,303
Income tax paid		(21,042)	(3,239)	-	-
Borrowing costs paid		(17,506)	(14,597)	-	-
Interest received		784	861	1	2
GST received		30,318	31,215	-	-
GST paid		(12,631)	(10,139)	-	-
Expenditure on capitalised borrowing costs		(2,788)	(19)	-	-
Net cash flows from operating activities	25 (a)	73,741	67,259	2,168	9,305
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	11(c)	(34,112)	(80,698)	-	-
Purchase of business	25(d) & (e)	(2,938)	(15,744)	-	-
Prepayment for Investment in Benchmark	14	(13,478)	-	-	-
Proceeds from sale of property, plant and equipment		385	563	-	-
Net cash flows used in investing activities		(50,143)	(95,879)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		379	1,900	378	1,901
Dividends paid		(21,273)	(16,688)	(21,273)	(16,688)
Repayment of finance lease - principal		(774)	(1,094)	-	-
Borrowings – receipts other		9,400	55,882	18,578	5,662
Borrowings – repayment other		(5,722)	-	-	-
Net cash flows used in financing activities		(17,990)	40,000	(2,317)	(9,125)
Net increase/(decrease) in cash held		5,608	11,380	(149)	180
Add opening cash brought forward		15,011	3,631	195	15
Decrease in restricted cash balances		1,869	-	-	-
CLOSING CASH CARRIED FORWARD	25 (b)	22,488	15,011	46	195

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out below:

(a) Basis of Accounting

The financial report has been prepared in accordance with the historical cost convention, except for property and certain plant and equipment, measured at fair value.

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

(b) Changes in Accounting Policy

The accounting policies adopted are consistent with those of the previous year.

(c) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Ramsay Health Care Limited (the parent entity) and all entities which Ramsay Health Care Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

All intercompany balances and transactions including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) Foreign Currencies

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year, or where applicable the contractual exchange rate.

All exchange differences arising on settlement or restatement are brought to account in determining the profit or loss for the financial period.

(e) Cash

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Interest is taken up as income on an accrual basis.

(g) Inventories

Inventories are recorded using the FIFO method and valued at the lower of cost and net realisable value. Inventories include medical and food supplies to be consumed in providing future patient services.

(h) Investments

Investments are valued at the lower of cost and recoverable amount. Dividends, distributions, and interest are brought to account when received.

(i) Recoverable Amount

Non current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have been discounted to their present value, using a market determined risk adjusted discount rate.

(j) Property, Plant and Equipment

Cost and Valuation

Property, plant and equipment, including land and buildings of licensed private hospitals are measured on a fair value basis. At each reporting date, the value of each asset in these classes is reviewed to ensure that it does not differ materially from the assets fair value at that date. Where necessary, the asset is revalued to reflect its fair value. Any surplus on revaluation is credited directly to the asset revaluation reserve and excluded from income. Any net downward revaluation of the class of assets in excess of the asset revaluation reserve previously recognized for that class of asset, is recognised as an expense. Potential capital gains tax on assets acquired after the introduction of capital gains tax has not been taken into account in determining the fair value.

The cost of property, plant and equipment constructed within the Group includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overhead. Interest payable and related borrowing costs are capitalised on qualifying assets having a total value in excess of $100,000, subject to the overall effect of such capitalisation not being to overstate the recoverable amount of such asset. Costs related to development projects are capitalised from the time the Company becomes the successful tenderer.

Any gain or loss on the disposal of assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds from disposal and is included in the results of the Group in the period of disposal.

Depreciation

All property, plant and equipment including capitalised leasehold assets, but excluding freehold land are depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Costs of renewal and replacement of surgical instruments are charged directly against revenue.

Hospital and bed licences are stated at fair value and no amortisation has been provided against these assets as the Directors believe that the life of such licences is of such duration, and the residual value would be such that the amortisation charge, if any, would not be material.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is provided on a straight line basis on all property, plant and equipment other than freehold land.

Major depreciation periods are:

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

There has been no change in the depreciation periods from prior year.

(k) Intangible Assets

Goodwill

Purchased goodwill and goodwill arising on consolidation represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight line basis over the period during which benefits are expected to be received. These periods range between 10 and 20 years.

(l) Trade, Other Payables, Sundry Creditors and Accrued Expenses

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the principal amount of the outstanding consideration payable on the acquisition of an asset**.**

(m) Interest Bearing Liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(n) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Finance Leases

Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the statement of financial performance.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(o) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
- other types of employee benefits;

are recognised against profits on a net basis in their respective categories.

The chief entity and controlled entities contribute to industry and individual superannuation funds. The entity contributes to the funds at various agreed contribution levels, which are not less than the statutory minimum. Any contributions made to the superannuation plans are recognised against profits when due.

The value of the employee share option scheme described in note 22 is not being charged as an employee benefits expense.

(p) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Patient Revenue

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

Interest

Interest is accrued on a daily basis based on the principal amount and prevailing interest rate.

Dividends

Dividends are recognised when received.

Rental Revenue

Rental income is recognised on an accruals basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income Tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Where assets are revalued no provision for potential capital gains tax has been made.

The income tax expense for the year is calculated using the 30% tax rate.

Goods and Services Tax (GST)

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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Earnings per Share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(t) Insurance

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

Medical Malpractice Insurance

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

Insurance Funding

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

(u) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(v) Derivative financial instruments

Interest rate swaps

Ramsay Health Care Ltd enters into interest rate swap agreements that are used to convert the variable interest rate of its long term borrowings to long term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the company’s policy not to recognised interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

(w) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

2. REVENUE FROM ORDINARY ACTIVITIES

	Consolidated		Ramsay Health Care Limited	
	2004 $000	2003 $000	2004 $000	2003 $000
Revenue from operating activities:				
Revenue from services	752,253	646,252	-	-
Management fees				
Controlled entities (fully owned)	-	-	619	497
Rental income				
Other persons/corporations	6,773	6,624	-	-
Guarantee fee				
Controlled entities (fully owned)	-	-	2,500	2,500
Bad debts recovered	44	53	-	-
Income from ancillary services	8,589	9,248	-	-
Total revenue from operating activities	767,659	662,177	3,119	2,997
Revenue from non-operating activities:				
Dividends and distributions				
Other persons/corporations	445	-	-	-
Controlled entities (fully owned)	-	-	-	9,303
Interest				
Controlled entities (fully owned)	-	-	1	2
Other persons/corporations	784	861	-	-
Proceeds on sale of property, plant and equipment	385	563	-	-
Total revenue from outside the operating activities	1,614	1,424	1	9,305
Total revenues from ordinary activities	769,273	663,601	3,120	12,302

	Consolidated		Ramsay Health Care Limited	
	2004 $000	2003 $000	2004 $000	2003 $000
3. EXPENSES AND LOSSES / (GAINS)				
(a) Expenses				
Amortisation of non-current assets:				
- Goodwill	658	606	-	-
- Leasehold improvements	405	282	-	-
- Capitalised leased assets	469	721	-	-
	1,532	1,609	-	-
Depreciation of non-current assets:				
- Plant and equipment	19,226	16,980	-	-
- Buildings	7,547	6,136	-	-
	26,773	23,116	-	-
Total depreciation and amortisation	28,305	24,725	-	-
Bad and doubtful debts:				
- Trade debtors	295	289	-	-
Rental - operating leases	5,837	5,701	-	-
Contributions to superannuation funds	25,194	21,569	-	-
Borrowing costs:				
- Interest expense				
Other persons/corporations	16,284	13,410	-	-
- Finance charges - lease liability	112	264	-	-
- Other Borrowing costs associated with 2004 refinancing	2,788	-	-	-
Total Borrowing Costs	19,184	13,674	-	-
Less: Borrowing Costs Capitalised	(2,788)	-	-	-
Total Borrowing Costs Expensed	16,396	13,674	-	-
(b) Losses / (Gains)				
Net (gain) / loss on disposal of property, plant and equipment	523	(107)	-	-
(c) Specific Items				
- Due diligence costs associated with the unsuccessful bid for Mayne's Hospital portfolio	2,493	-	-	-
- Write off of borrowing costs associated with 2001 refinancing	2,156	-	-	-
	4,649	-	-	-

4. INCOME TAX

The prima facie tax on profit from ordinary activities differs from the income tax provided in the financial statements as follows:

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Profit from ordinary activities before income tax		56,670	53,545	1,953	11,381
Prima facie tax on profit from ordinary activities at 30% (2003: 30%)		17,001	16,063	586	3,414
Tax effect of permanent differences:					
- Net allowable deductions/add backs		1,316	427	-	-
- Tax effect of prior year timing differences and tax losses not previously brought to account		-	-	-	-
- Rebateable Dividends		-	-	-	(2,794)
Income tax expense attributable to ordinary activities		18,317	16,490	586	620

Deferred tax assets and liabilities

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Current tax payable		11,971	11,481	611	-
Provision for deferred income tax – non-current	21	31,674	31,367	-	1,368
Future income tax benefit – non-current	13	25,062	21,976	263	1,668

Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, Ramsay Health Care Ltd and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group intend to enter into a tax sharing arrangement to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The head entity of the tax consolidated group is Ramsay Health Care Ltd. Ramsay Health Care Ltd has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	Consolidated		Ramsay Health Care Limited	
	2004 $000	**2003 $000**	**2004 $000**	**2003 $000**
(a) Dividends paid during the year:				
(i) Interim dividend paid				
- Franked dividends – ordinary (7.5 cents per share) (2003:6.5 cents per share)	9,670	8,360	9,670	8,360
(ii) Previous year final dividend paid				
- Franked dividends – ordinary (9 cents per share) (2003:Nil cents per share)	11,603	-	11,603	-
- Unfranked dividends – ordinary (Nil cents per share) (2003: 6.5 cents per share)	-	8,328	-	8,328
	21,273	16,688	21,273	16,688
(b) Dividend proposed and not recognised as a liability:				
(i) Current year final dividend proposed				
- Franked dividends – ordinary (10 cents per share) (2003:9 cents per share)	12,893	11,604	12,893	11,604
(c) 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% (2003: 30%)	-	-	12,796	583
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	-	-	21,792	-
- franking debits that will arise from the payment of dividends as at the end of the financial year	-	-	(9,579)	(3,581)
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	-	-	-	4,164

* 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 group.

The tax rate at which paid dividends have been franked is 30% (2003: 30%). 100% of the proposed dividends will be franked at the rate of 30% (2003: 30%).

6. RECEIVABLES (CURRENT)

	Consolidated		Ramsay Health Care Limited	
	2004 $000	2003 $000	2004 $000	2003 $000
Trade debtors	67,834	64,627	-	-
Provision for doubtful debts	(2,148)	(2,328)	-	-
	65,686	62,299	-	-
Other debtors	9,476	5,731	74	66
Provision for doubtful debts	(389)	(279)	-	-
	9,087	5,452	74	66
	74,773	67,751	74	66

Terms and Conditions:

Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Credit sales are mainly on 15 to 30 day terms, dependent on the conditions of specific contracts.

Concentration of Credit Risk:

The economic entity's maximum exposure to credit risk at balance date is the carrying value of those assets as indicated in the balance sheet. This does not take into account the value of any security held in the event of other entities/parties failing to perform their obligations under the financial instruments in question.

The economic entity's credit risk is low in relation to trade debtors because the majority of transactions are with the Government and Health Funds. Other debtors primarily relates to rental and ancillary services. Concentration of credit risk on trade debtors arise as follows:

	Consolidated Maximum Credit Risk Exposure			
	Percentage of Total Trade Debtors (%)		$000	
	2004	2003	2004	2003
Health funds	68	70	44,705	43,556
Government	21	21	13,864	13,181
Other	11	9	7,117	5,562
	100	100	65,686	62,299

	Note	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
7. INVENTORIES (CURRENT)					
Amount of medical and food supplies to be consumed in providing future patient services - at cost		12,849	11,189	-	-
8. OTHER ASSETS (CURRENT)					
Prepayments		11,346	13,766	-	-
9. RECEIVABLES (NON-CURRENT)					
Amounts receivable from controlled entities		-	-	-	-
		-	-	-	-

Refer to note 32 for the details of the terms and conditions of related party receivables.

10. OTHER FINANCIAL ASSETS (NON-CURRENT)

Investments at cost comprise:

	Note	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Ordinary Shares:					
- Listed on a prescribed stock exchange		25	10	-	-
- Other		138	110	-	-
		163	120	-	-
Units in unit trust:					
- Listed on a prescribed stock exchange		77	60	-	-
- Unsecured notes – unlisted		65	65	-	-
		142	125	-	-
		305	245	-	-
Investment in controlled entities:					
- Unlisted shares and units	10 (a)	-	-	139,997	149,997
		305	245	139,997	149,997

Listed shares and units are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are received from the investee.

Unlisted shares and notes are carried at the lower of cost or recoverable amount. Distributions are recognised as income when received.

10. OTHER FINANCIAL ASSETS (NON-CURRENT) (continued)

10 (a) Investments in controlled entities

Investments in controlled entities comprise:

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2004 %	2003 %	2004 $000	2003 $000
Retrogen Sdn Bhd # (in liquidation)	Malaysia	-	100%	-	10,000
RHC Nominees Pty Limited	Australia	100%	100%	*	*
RHC Developments Pty Limited and its Controlled entities:	Australia	100%	100%	139,997	139,997
Health Care Development Unit Trust	-	100%	100%		
Ramsay Health Care Investments Pty Limited and its controlled entities:	Australia	100%	100%	*	*
Ramsay Hospital Holdings Pty Limited	Australia	100%	100%	*	*
Ramsay Hospital Holdings (Queensland) Pty Limited	Australia	100%	100%	*	*
Ramsay Aged Care Holdings Limited and its controlled entity Pty Ltd	Australia	100%	100%		
Ramsay Aged Care Pty Limited	Australia	100%	100%		
Ramsay Aged Care Properties Pty Ltd	Australia	100%	-		
Glad Pty Limited	Australia	100%	-		
Ramsay Centauri Pty Limited and its controlled entities:					
Alpha Healthcare Limited and its controlled entities	Australia	100%	100%		
Alpha Pacific Hospitals Pty Limited	Australia	100%	100%		
Alpha Westmead Private Hospital Pty Limited	Australia	100%	100%		
APL Hospital Holdings Pty Ltd	Australia	100%	100%		
Bowral Management Company Pty Limited	Australia	100%	100%		
Health Care Corporation Pty Limited	Australia	100%	100%		
Herglen Pty Limited	Australia	100%	100%		
Balance carried forward				139,997	149,997

10. OTHER FINANCIAL ASSETS (NON-CURRENT) (continued)

10 (a) Investments in controlled entities (continued)

	Country of Incorporation	Beneficial Percentage Held 2004 %	Beneficial Percentage Held 2003 %	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Balance brought forward				139,997	149,997
Ramsay Centauri Pty Limited and its controlled entities (continued):					
Alpha Healthcare Limited and its controlled entities (continued):					
Illawarra Private Hospital Holdings Pty Limited	Australia	100%	100%		
Mt Wilga Pty Limited	Australia	100%	100%		
Northern Private Hospital Pty Limited	Australia	100%	100%		
Sibdeal Pty Limited	Australia	100%	100%		
Simpac Services Pty Limited	Australia	100%	100%		
Westmead Private Hospital Pty Limited	Australia	100%	100%		
Workright Pty Limited	Australia	100%	100%		
Ramsay Health Care Australia Pty Limited and its controlled entities:	Australia	100%	100%		
Ramsay Professional Services Pty Limited	Australia	100%	100%		
Phiroan Pty Limited	Australia	100%	100%		
New Farm Hospitals Pty Limited	Australia	100%	100%		
Ramsay Health Care (Victoria) Pty Limited	Australia	100%	100%		
Adelaide Clinic Holdings Pty Limited	Australia	100%	100%		
Ramsay Health Care (South Australia) Pty Limited	Australia	100%	100%		
North Shore Private Hospital Pty Limited	Australia	100%	100%		
E Hospital Pty Limited	Australia	100%	100%		
Ramsay Health Care Services (QLD) Pty Limited	Australia	100%	-		
Ramsay Health Care Services (VIC) Pty Limited	Australia	100%	-		
Ramsay Health Care Services (WA) Pty Limited	Australia	100%	-		
Balance carried forward				139,997	149,997

10. OTHER FINANCIAL ASSETS (NON-CURRENT) (continued)

10 (a) Investments in controlled entities (continued)

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2004 %	2003 %	2004 $000	2003 $000
Balance brought forward				139,997	149,997
Ramsay Health Care Australia Pty Limited and its controlled entities (continued):	Australia	100%	100%		
Ramsay Health Care (Asia Pacific) Pty Limited and its controlled entities:	Australia	100%	100%		
Ramsay Health and Management Services Sdn Bhd # (in liquidation)	Malaysia	100%	100%		
				139,997	149,997

Audited by other member firms of Ernst & Young International
* Denotes $2.00

	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
11. PROPERTY, PLANT AND EQUIPMENT				
Licensed private hospitals at fair value (a)	441,620	439,020	-	-
Leasehold improvements – at cost	10,980	10,676	-	-
Less: accumulated amortization	(2,120)	(1,643)	-	-
	8,860	9,033	-	-
Total land and buildings	450,480	448,053	-	-
Plant and equipment				
Plant and equipment – at cost	176,102	154,816	-	-
Less: accumulated depreciation	(108,760)	(92,038)	-	-
	67,342	62,778	-	-
Plant and equipment under lease	3,264	3,709	-	-
Less: accumulated amortization	(2,002)	(1,992)	-	-
	1,262	1,717	-	-
Total plant and equipment	68,604	64,495	-	-
Total property, plant and equipment	519,084	512,548	-	-

(a) Valuations

The fair values of hospital assets have been determined by reference to director valuations, based upon independent valuations previously obtained. These valuations were performed on 30 June 2003. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

(b) Assets pledged as security

Refer to note 29 Contingent Liabilities.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Reconciliation

Reconciliations of the carrying amounts of hospital land and buildings and plant and equipment at the beginning and end of the current financial year:

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Licensed private hospitals					
Carrying amount at beginning		439,020	374,709	-	-
Additions		10,148	56,613	-	-
Net amount of revaluation increments less decrements	23 (a) (ii)	-	101	-	-
Additions through acquisition of entities/operations		-	13,733	-	-
Depreciation expense	3(a)	(7,547)	(6,136)	-	-
		441,621	439,020	-	-
Leasehold improvements					
Carrying amount at beginning		9,033	7,550	-	-
Additions		232	1,765	-	-
Disposals		(35)	-	-	-
Additions through acquisition of entities/operations	25 (d)	35	-	-	-
Depreciation expense	3(a)	(405)	(282)	-	-
		8,860	9,033	-	-
Plant and equipment at cost					
Carrying amount at beginning		62,778	54,442	-	-
Additions		23,732	22,320	-	-
Disposals		(762)	(178)	-	-
Additions through acquisition of entities/operations	25 (d)	820	3,174	-	-
Depreciation expense	3(a)	(19,226)	(16,980)	-	-
		67,342	62,778	-	-
Plant and equipment under lease					
Carrying amount at beginning		1,717	2,715	-	-
Additions		-	-	-	-
Disposals		(111)	(277)	-	-
Additions through acquisition of entities/operations	25 (d)	124	-	-	-
Depreciation expense	3(a)	(469)	(721)	-	-
		1,261	1,717	-	-
Total property, plant and equipment		519,084	512,548	-	-

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000

12. INTANGIBLE ASSETS

Goodwill		9,737	7,827	-	-
Accumulated amortisation		(1,741)	(1,083)	-	-
		7,996	6,744	-	-

13. DEFERRED TAX ASSETS

Future income tax benefit		25,062	21,976	263	1,669

14. OTHER ASSETS (NON CURRENT)

Capitalised borrowing costs		2,788	4,790	-	-
Accumulated amortisation		-	(1,837)	-	-
		2,788	2,953	-	-
Advance payment for investment in Benchmark Healthcare		13,478	-	-	-
		16,266	2,953	-	-

The amortisation of borrowing costs is included in interest expense.

15. ACCOUNTS PAYABLE (CURRENT)

Accounts payable		49,935	41,205	-	-
Deferred payment		1,133	3,293	-	-
Revenue in Advance		10,072	8,241	-	-
Sundry creditors and accrued expenses		21,691	26,376	12	11
		82,831	79,115	12	11

The deferred payment relates to deferred contingent purchase consideration in relation to the acquisition of Silver Circle.

16. INTEREST BEARING LIABILITIES (CURRENT)

Secured:					
- Bank loans (b)	31	-	18,371	-	-
- Lease liabilities (a)		506	754	-	-
- Loan – insurance funding (c)	31(iv)	7,039	9,468	-	-
		7,545	28,593	-	-

(a) Lease liabilities are effectively secured by the leased asset.
(b) Further information on the bank loans and bank overdraft are set out in notes 29 and 31.
(c) Loan – insurance funding. This loan is carried at the principal amount less any repayments. It is secured by the unexpired position of the insurance policy.

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000

17. PROVISIONS (CURRENT)

	Notes	2004 $000	2003 $000	2004 $000	2003 $000
Employee benefits	24	27,983	25,742	-	-
Surplus lease space		403	662		
Other		747	537	940	780
		29,133	26,941	940	780

18. ACCOUNTS PAYABLE (NON-CURRENT)

	Notes	2004 $000	2003 $000	2004 $000	2003 $000
Amounts payable to controlled entities		-	-	15,498	6,923
		-	-	15,498	6,923

19. INTEREST BEARING LIABILITIES (NON-CURRENT)

	Notes	2004 $000	2003 $000	2004 $000	2003 $000
Secured liabilities:					
- Bank loans	19(a)	225,000	197,229	-	-
- Lease liabilities	19(b)	956	1,341	-	-
		225,956	198,570	-	-

(a) Further information on bank loans are set out in notes 29 and 31.
(b) Lease liabilities are effectively secured by the leased asset.

20. PROVISIONS (NON-CURRENT)

	Notes	2004 $000	2003 $000	2004 $000	2003 $000
Employee benefits	24	18,685	15,310	-	-
Insurance	(a) 1(t)	10,016	6,976	-	-
Surplus lease space		-	649	-	-
Other		1,769	1,921	-	-
		30,470	24,856	-	-

(a) This includes an insurance provision of $3.5 million (2003: $3.6 million) raised to provide for estimated claims relating to the period during which Alpha Healthcare Ltd was insured with HIH and FAI.

20. PROVISIONS (NON-CURRENT) (Continued)

(b) Movements in provisions

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
(i) Insurance					
Carrying amount at the beginning of the financial year		6,976	6,288	-	-
Additional provision		3,155	977	-	-
Amounts utilised during the year		(115)	(289)	-	-
Carrying amount at the end of the financial year		10,016	6,976	-	-
(ii) Surplus lease (current and non-current)					
Carrying amount at the beginning of the financial year		1,311	1,839	-	-
Amounts utilised during the year		(908)	(528)	-	-
Carrying amount at the end of the financial year		403	1,311	-	-

21. DEFERRED TAX LIABILITIES

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Deferred income tax liability		31,674	31,367	-	1,368

		Consolidated		Ramsay Health Care Limited	
	Notes	2004 $000	2003 $000	2004 $000	2003 $000

22. CONTRIBUTED EQUITY

(a) Issued and paid up capital

128,928,506 ordinary shares fully paid (2003: 128,687,756 ordinary shares fully paid)		121,870	121,490	121,870	121,490

	2004		2003	
	Number of Shares	$000	Number of Shares	$000
(b) Movements in share issue:				
Beginning of financial year	128,687,756	121,490	127,556,006	119,590
Issued during the year:				
- exercise of options	240,750	380	1,131,750	1,900
End of financial year	128,928,506	121,870	128,687,756	121,490

(c) Terms and conditions of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

23. RESERVES AND RETAINED PROFITS

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Asset revaluation	23(a)	54,533	54,533	-	-
Retained profits	23(b)	94,186	77,106	1,449	21,355

(a) Reserves

	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Asset revaluation	54,533	54,533	-	-

(i) Nature and purpose of reserves:

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

(ii) Movements in reserve:

	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Balance at beginning of year	54,533	54,432	-	-
Revaluation increments on revaluation of:				
- Licensed Private Hospitals	-	101	-	-
Balance at end of year	54,533	54,533	-	-

(b) Retained profits

	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Balance at the beginning of year	77,106	49,054	21,355	18,964
Net profit attributable to members of Ramsay Health Care Limited	38,353	37,055	1,367	10,751
Adjustment arising from adoption of revised accounting standard:				
AASB 1028 “Employee Benefits”	-	(643)	-	-
AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”	-	8,328	-	8,328
Total available for appropriation	115,459	93,794	22,722	38,043
Dividends provided for or paid	(21,273)	(16,688)	(21,273)	(16,688)
Balance at end of year	94,186	77,106	1,449	21,355

24. EMPLOYEE BENEFITS

	Notes	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
The aggregate employee benefit liability is comprised of:					
- Provisions (current)	17	27,983	25,742	-	-
- Provisions (non-current)	20	18,685	15,310	-	-
- Accrued salaries, wages and on costs		7,285	10,657	-	-
		53,953	51,709	-	-

25. STATEMENT OF CASH FLOWS

	Consolidated		Ramsay Health Care Limited	
	2004 $000	2003 $000	2004 $000	2003 $000
(a) Reconciliation of the net profit after tax to the net cash flows from operations				
Profit from ordinary activities after tax	38,353	37,055	1,367	10,751
Non cash items				
Interest paid to related entity	-	-	(1)	(2)
Amortisation and depreciation	28,305	24,725	-	-
Net (profit)/loss on sale of non current assets	523	(107)	-	-
(Decrease) in profits on adoption of revised accounting standards: AASB 1028 "Employee Benefits"	-	(643)	-	-
Changes in assets and liabilities				
Future income tax benefit	(3,086)	(1,927)	1,405	(1,668)
Receivables	(7,512)	(13,315)	(8)	(66)
Prepayments	2,423	(10,078)	-	-
Intangibles	(1,252)	367	-	-
Creditors	11,235	9,628	161	(157)
Deferred income tax liability	307	3,693	(1,367)	447
Provision for employee benefits	5,616	7,923	-	-
Inventory	(1,661)	(1,543)	-	-
Tax provisions	490	11,481	611	-
Net cash flow from operating activities	73,741	67,259	2,168	9,305
(b) Reconciliation of cash				
Cash balances comprise:				
Cash on hand	43	39	-	-
Cash at bank and on deposit	22,445	16,841	46	195
Restricted cash balances	-	(1,869)	-	-
Closing cash balance	22,488	15,011	46	195

25. STATEMENT OF CASH FLOWS (continued)

(c) Bank facilities

The economic entity has bank borrowing facilities available to the extent of $575,000,000 (2003: $282,541,724). At 30 June 2004 these facilities have been drawn down to $225,000,000 (2003: $215,599,752).

(d) Acquisition of controlled entity in current year

On 7 January 2004, Ramsay Health Care Limited through its wholly owned subsidiary Ramsay Aged Care Holdings Pty Limited purchased the remaining 75 percent of Glad Pty Limited trading as Silver Circle for $4,024,000.

Ramsay Health Care Limited through its wholly owned subsidiary Alpha Healthcare Limited has owned 25 percent of Silver Circle for more than two years.

Silver Circle was established in 1991 and has fast become one of the largest home support businesses in Australia. It provides care and support to people with a wide range of needs, including the elderly, people recovering after a hospital stay or ill health, people who have had personal injuries, people with disabilities, carers of family members, parents of children with special needs and others.

Silver Circle has over 1,500 staff, offering a broad range of services to individual and corporate clients:

- Housekeeping and home care
- Personal care
- Respite care
- Monitoring the well being of at-risk clients
- Mobility assistance
- Home modifications and maintenance to assist independent living.

25. STATEMENT OF CASH FLOWS (continued)

(d) Acquisition of controlled entity in current year (continued)

The components of the acquisition are:

		2004 $000
Consideration		
- cash paid		2,891
- deferred contingent purchase consideration		1,133
- transaction costs		47
		4,071
Net Assets of Glad Pty Ltd at 7 January 2004		
Current assets		
- cash		452
- receivables		5,939
- prepayments		88
- future income tax benefit		403
Non-current assets		
- property plant and equipment	11(c)	979
Current liabilities		
- trade creditors		(167)
- lease liability		(18)
- provisions		(5,106)
Non-current liabilities		
- lease liability		(119)
- provisions		(126)
- deferred tax liability		(26)
Fair value of net tangible assets		2,299
Goodwill arising on acquisition		1,772
		4,071
Net cash effect		
Consideration paid		4,071
Deferred contingent purchase consideration		(1,133)
Cash paid for purchase of controlled entity as reflected in the consolidated financial report		2,938

25. STATEMENT OF CASH FLOWS (continued)

(e) Acquisition of controlled entity in prior year

In November 2002, Ramsay Health Care Limited purchased Calvary Cairns Hospital from the Diocese of Cairns. To reflect the change of ownership, the 141 bed hospital has been renamed Cairns Private Hospital. Cairns Private Hospital is a medical-surgical hospital with a strong regional catchment. The components of the acquisition were:

		2003 **$000**
Consideration		
- Cash paid		16,753
- Cash received		(1,009)
		15,744
Net Assets of Cairns Private Hospital at November 2002		
Current assets		
- Prepayments		52
- Inventories		526
Non-current assets		
- Property, plant and equipment, hospital and bed licenses	11(c)	16,907
Current liabilities		
- Provisions		(500)
Non-current liabilities		
- Provisions		(1,241)
Fair value of net tangible assets		15,744
Net cash effect:		
- Consideration paid		15,744
Cash paid for purchase of 100% of the assets of Cairns Private Hospital as reflected in the consolidated financial report		15,744

26. EXPENDITURE COMMITMENTS

	Note	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
(a) Finance leases					
- not later than one year		562	758	-	-
- later than one year but not later than five years		1,047	1,386	-	-
- later than five years		-	-	-	-
Total minimum lease payments		1,609	2,144	-	-
- future finance charges		(147)	(49)	-	-
- lease liability		1,462	2,095	-	-
- current liability	16	506	754	-	-
- non-current liability	19	956	1,341	-	-
		1,462	2,095	-	-
Total lease liability accrued for:					
Current					
- Surplus lease space (operating lease)(i)	17	403	662	-	-
- Finance leases	16	506	754	-	-
		909	1,416	-	-
Non-current					
- Surplus lease space (operating lease)(i)	20	-	649	-	-
- Finance leases	19	956	1,341	-	-
		956	1,990	-	-
		1,865	3,406	-	-

26. EXPENDITURE COMMITMENTS (continued)

(a) Finance leases (continued)

Finance lease liability: The lease liability is accounted for in accordance with AASB 1008. As at balance date, the economic entity had finance leases with an average lease term of 2 years. The average discount rate implicit in the leases is 8.4% (2003: 8.4%). The security over finance leases is disclosed in note 31.

(i) These commitments represent payments due for vacant leased premises under a non-cancellable operating lease, and have been recognised as a liability in the current financial year, as the remaining payments for the premises will provide no further benefits to the consolidated entity. The payments have been discounted at the rate implicit in the lease.

	Consolidated		Ramsay Health Care Limited	
	2004 $000	2003 $000	2004 $000	2003 $000
(b) Lease expenditure commitments				
Operating leases (non-cancellable):				
Minimum lease payments				
- not later than one year	6,225	6,293	-	-
- later than one year but not later than five years	16,729	17,692	-	-
- later than five years	15,904	17,408	-	-
Aggregate lease expenditure contracted for at balance date	38,858	41,393	-	-
Amounts provided for:				
- surplus lease space - current	403	662	-	-
- non-current	-	649	-	-
	403	1,311	-	-
Amounts not provided for:				
- rental commitments	38,455	40,082	-	-
Aggregate lease expenditure contracted for at balance date	38,858	41,393	-	-

(i) Operating leases have an average lease term of 10 years and an average implicit interest rate of 9% (2003: 9%). Assets which are the subject of operating leases include land and buildings, motor vehicles and items of medical equipment.

Certain assets under leases have been sub-let to third parties. The total of future minimum lease payments expected to be received at the reporting date is $137,500 (2003: $1,270,130).

Current	138	752	-	-
Non-current	-	518	-	-
	138	1,270	-	-

	Consolidated		Ramsay Health Care Limited	
	2004	2003	2004	2003
	$000	$000	$000	$000

26. EXPENDITURE COMMITMENTS (continued)

(c) Capital expenditure commitments

	Consolidated 2004 $000	Consolidated 2003 $000	Ramsay Health Care Limited 2004 $000	Ramsay Health Care Limited 2003 $000
Estimated capital expenditure contracted for at balance date but not provided for, payable:				
- not later than one year	1,966	19,693	-	-

(d) Commitment to manage and operate the Mildura Base Hospital:

Ramsay Health Care Pty Limited has a 15 year agreement with Mildura Base Hospital Pty Limited to manage and operate the Mildura Base Hospital, in accordance with the Hospital Service Agreement between Mildura Base Hospital Pty Limited and the State of Victoria. Under this agreement Ramsay Health Care Australia Pty Limited takes full operator risk. The Hospital was opened on 19 September 2000.

27. SEGMENTAL INFORMATION

The consolidated entity operates in the private hospital industry segment, predominantly in the geographical segment of Australia.

28. SUPERANNUATION COMMITMENTS

The chief entity and controlled entities contribute 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 assurance companies. The entity contributes to the funds at various agreed contribution levels, which are not less than the statutory minimum.

29. COMMITMENTS

(a) Note Subscription and Multi – Option Facility Agreement

During June 2004 the Consolidated entity signed a new 5 year bank facility for $550 million to replace and expand the existing banking facility. $225 million of this facility was utilized at 30 June 2004 to refinance existing debt. This facility was jointly arranged on a fully underwritten basis by ABN AMRO Bank N.V., (Australian Branch) and ANZ Investment Bank. This facility is currently in the process of being syndicated.

The consolidated entity is subject to a negative pledge and the facility is partially secured as detailed below:

(i) North Shore Private Hospital Pty Limited and Alpha Westmead Private Hospital Pty Limited have given a fixed and floating charge (debenture trust deed) over all its assets;

(ii) Ramsay Hospital Holdings (Queensland) Pty Limited and Ramsay Hospital Holdings Pty Limited have each given a mortgage of their hospital land;

(iii) Ramsay Health Care Limited and Ramsay Health Care Investments Pty Limited, as shareholders of Ramsay Hospital Holdings Pty Limited and Ramsay Hospital Holdings (Queensland) Pty Limited, have mortgaged their shares.

(b) Bilateral Facility/Bank Overdraft

This facility was entered into at the same time the facility mentioned in (a) above, and was provided by Australia and New Zealand Banking Group Limited (ANZ). The limit on this facility for working capital is $25,000,000; which comprises a cash advance facility, overdraft facility and indemnity/guarantee facility. A further transactional facility is also provided which permits the encashment of payroll and other cheques at any ANZ branch.

An amount up to $25,000,000 ranks pari passu with the security provided under (a) above.

Under this facility the consolidated entity has at 30 June 2004 issued bank guarantees totalling $3,950,000 in connection with the financing arrangements for the Mildura Base Hospital and the performance obligations of Ramsay Health Care Australia Pty Limited as operator of the Mildura Base Hospital.

The overdraft facilities previously held by the consolidated entity and Alpha Westmead Private Hospital Pty Ltd were discharged during the 2004 financial year.

(c) Syndicated Loan Facility

In September 2001 the consolidated entity executed a 5 year bank facility for $250 million. (June 2003: $183.1 million of the facility was utilised). This facility was fully repaid in June 2004 by utilising the funds from the facilities mentioned at (a) and (b) above.

(d) Westmead Facility

Alpha Westmead Private Hospital Pty Limited had a Construction and Term Loan Facility Agreement. This bank facility was fully repaid in June 2004 by utilising the funds from the facility mentioned at (a) above.

30. AUDITORS' REMUNERATION

	Consolidated 2004 $	Consolidated 2003 $	Ramsay Health Care Limited 2004 $	Ramsay Health Care Limited 2003 $
Amounts received or due and receivable by the Auditors for:				
Audit of financial statements	469,810	460,139	-	-
Audit of other reports	85,422	34,565	-	-
Other audit related services	10,945	10,945		
Total audit	566,177	505,649	-	-
Other services				
Taxation	134,052	307,233	-	-
Other	327,810	180,081	-	-
Total Other Services	461,862	487,314	-	-
	1,028,039	992,963	-	-

31. BORROWINGS

(a) Accounting Policies

(i) Bilateral Facility and Bank Overdraft:

These facilities are carried at the principal amount. Interest is charged as an expense as it accrues.

(ii) Bank Loans:

The bank loans are carried at the principal amount. Interest is charged as an expense as it accrues.

(b) Terms and Conditions

(i) Bilateral Facility / Bank Overdraft:

- In addition to the facility described in note 31(b) (ii), the consolidated entity entered into a bilateral facility. This facility is provided by Australia and New Zealand Banking Group Limited (ANZ). The limit on this facility for working capital is $25,000,000 ; which comprises a cash advance facility, overdraft facility and indemnity / guarantee facility. A further transactional facility is also provided which permits the encashment of cheques at any ANZ branch and the electronic credits of payroll and other payments. Interest on the overdraft facility is charged at the lender's reference rate.

  Under this facility the consolidated entity has issued bank guarantees totaling $3,950,000 in connection with the financing arrangements for the Mildura Base Hospital and the performance obligations of Ramsay Health Care Australia Pty Limited as operator of the Mildura Base Hospital.

- The overdraft facility previously held by the consolidated entity and Alpha Westmead Private Hospital Pty Ltd was discharged during the 2004 financial year.

31. BORROWINGS (Continued)

(ii) Bank Loans:

- During June 2004 the Consolidated entity signed a new 5 year bank facility for $550 million to replace and expand the existing banking facility. $225 million of this facility was utilized at 30 June 2004 to refinance existing debt. This facility was jointly arranged on a fully inderwritten basis by ABN AMRO Bank N.V., (Australian Branch) and ANZ Investment Bank. This facility is currently in the process of being syndicated.

  The facility consists of several tranches. The interest rate in respect of each tranche is the Bank Bill Rate plus a margin, which is calculated by reference to a leverage grid.

  The interest rate exposures for certain portions of the facility have been fixed by entering into interest rate swap contracts. Effective 9 July 2004, $180 million of the facility was fixed by entering into an interest rate swap contract for the full period of the loan.

  The consolidated entity is subject to a negative pledge and the facility is partially secured as detailed below:

  (iv) North Shore Private Hospital Pty Limited and Alpha Westmead Private Hospital Pty Limited have given a fixed and floating charge (debenture trust deed) over all its assets;

  (v) Ramsay Hospital Holdings (Queensland) Pty Limited and Ramsay Hospital Holdings Pty Limited have each given a mortgage of their hospital land;

  (vi) Ramsay Health Care Limited and Ramsay Health Care Investments Pty Limited, as shareholders of Ramsay Hospital Holdings Pty Limited and Ramsay Hospital Holdings (Queensland) Pty Limited, have mortgaged their shares.

- In September 2001 the consolidated entity signed a 5 year facility agreement for $250 million. This loan was fully re paid in June 2004.

- Alpha Westmead Private Hospital Pty Ltd had a long-term secured committed bank loan facility, which was fully re paid in June 2004. (2003: amount drawn under the facility $32,541,724).

(iii) Lease Liability – Finance Leases:

Lease liabilities are effectively secured by the leased assets.

(iv) Other Loan – Insurance Funding

The insurance funding is secured by the unexpired portion of insurance premiums on policies covered by the insurance funding.

32. RELATED PARTY TRANSACTIONS

Directors

Directors of Ramsay Health Care Limited at 30 June 2004 were:

- P.J. Ramsay
- M.S. Siddle
- M.L. Brislee
- A.J. Clark
- P.J. Evans
- I.P.S. Grier
- B.R. Soden
- R.H. McGeoch
- K.C.D. Roxburgh

Transactions with Directors of Ramsay Health Care Limited and the Group

- Entities associated with Mr Ramsay, Mr Siddle, Mrs Brislee, Mr Clark and Mr Evans:

  Paul Ramsay Holdings Pty Limited has a licence from the economic entity to occupy office space at a commercial arms length licence fee. In addition, any expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited is charged at cost recovery plus a 5% margin. Total amount outstanding at 30 June 2004 is $503 (2003: $13,775).

  During the year costs charged by Paul Ramsay Holdings Pty Limited, for services rendered to the Group amounted to $120,000 (2003: $120,000).

Other related party transactions within the wholly owned group

	2004 $000	2003 $000
Loans from Subsidiaries:		
- Interest free	15,498	6,920

A guarantee fee of $2,500,000 (2003: $2,500,000) is charged by Ramsay Health Care Limited to a subsidiary company for the provision of bank guarantees.

33. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2004 $000	2003 $000
Net profit	38,353	37,055
Earnings used in calculating basic and diluted earnings per share	38,353	37,055
	Number of shares	**Number of shares**
Weighted average number of ordinary shares used in calculating basic earnings per share:	128,808,131	128,121,881
Effect of dilutive securities:		
Share options	-	137,066
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	128,808,131	128,258,947

34. SUBSEQUENT EVENTS

In July 2004 Ramsay Health Care Ltd acquired all the shares in Benchmark Healthcare Group for a total purchase price of $125 million.

The acquisition was funded by debt and cash reserves.

Benchmark operates 10 hospitals in Victoria and South Australia, comprising 980 hospital beds and 68 aged care beds. The total number of beds will rise to 1119 beds in 2005 as a result of capacity expansion currently underway. The Group has annual revenue of approximately $200 million.

Of the 10 hospitals operated by Benchmark, four are owned outright, five are leased and one is operated under a management contract. Under this management contract the owner retains full operator risk.

The purchase increases the number of facilities in Ramsay Health Care's portfolio to 35 and the number of licensed beds to approximately 4,000.

At the date of this report Ramsay Health Care was still in the process of completing the fair value accounting exercise.

35. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Ramsay Health Care Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, Ramsay Health Care Limited has graded impact areas as either high, medium or low. As Ramsay Health Care Limited has a 30 June year-end; priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Ramsay Health Care Limited prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Ramsay Health Care Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments
Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories, which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Hedge Accounting
Under AASB 139 *Financial Instruments: Recognition and Measurement* in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identified the type of hedge – fair value or cash flow;
- Identify the hedge item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This will result in a change in the entity's current accounting policy, which currently does not recognise interest rate swaps in the financial statements. Under the new policy, these interest rate swaps will need to be fair valued and recorded in the balance sheet. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

Goodwill
Under the Australian equivalent to IFRS 3 Business Combinations goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy, which amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of Assets
Under the Australian equivalent to IAS 36 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Share Based Payments
Under AASB 2 *Share Based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income Taxes
Under the Australian equivalent to IAS 12 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact will be recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. It is not expected that there will be any further material impact as a result of adoption of this standard.

Intangible Assets
Under the Australian equivalent to IAS 38, *Intangible Assets*, the following criteria must be met in order to be able to recognise intangible assets:

- Be identifiable;
- Arise as a result of contractual or legal rights or is separable from the business;
- Be controlled by the entity as a result of past events;
- Cannot comprise an assembled workforce; and
- Will result in future economic benefits that are expected to flow from the entity.

Subsequent expenditure on intangible assets should only be capitalised if it is probable that this expenditure leads to increased future economic benefits from that asset.

The intangible asset should be carried at amortised cost less any accumulated impairment losses, unless the asset is revalued. Revaluation is only permitted when there is an active market for the intangible asset.

This will result in a change in the entity's current accounting policy, which currently allows for the revaluation of hospital licences. Under the new policy it is expected that these licences will need to be carried at cost, as there is deemed to be no active market to support their revaluation. The future financial effect of this change in accounting policy is not yet known.

SECTION 3

ANALYST INFORMATION

ANALYST INFORMATION

1) Earnings per share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2004 $'000	2003 $'000
Net profit	38,353	37,055
Earnings used in calculating basic and diluted earnings per share	38,353	37,055
	Number of shares	**Number of shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	128,808,131	128,121,881
Effect of dilutive securities:		
Share options	-	137,066
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	128,808,131	128,258,947
Basic earnings per share	29.8c	28.9c
Diluted earnings per share	29.8c	28.9c

2) Dividends

Dividends	Amount per security	Franked amount per security
Current year		
- Interim dividend	7.5¢	7.5¢
- Final dividend	10.0¢	10.0¢
Total dividend	17.5¢	17.5¢
Previous corresponding period		
- Interim dividend	6.5¢	6.5¢
- Final dividend	9.0¢	9.0¢
Total dividend	15.5¢	15.5¢
Record date for determining entitlements to the dividend	5:00 pm Thursday, 21 October 2004	
Date the final current year dividend is payable	29 October 2004	

Final Dividend	**2004 $'000**	**2003 $'000**
Ordinary Securities	12,893	11,604

The current year final dividend will be franked at the rate of 30% (2003 : 30 %)

The Directors have suspended the dividend reinvestment plan until further notice.

3) NTA backing	**2004**	**2003**
Net tangible asset backing per ordinary share	$2.09	$2.00

4) Acquisition of Silver Circle

On 7 January 2004, Ramsay Health Care Limited through its wholly owned subsidiary Ramsay Aged Care Holdings Pty Limited purchased the remaining 75 percent of Glad Pty Limited trading as Silver Circle for $4,024,000.

Ramsay Health Care Limited through its wholly owned subsidiary Alpha Healthcare Limited has owned 25 percent of Silver Circle for more than two years.

Silver Circle was established in 1991 and has fast become one of the largest home support businesses in Australia. It provides care and support to people with a wide range of needs, including the elderly, people recovering after a hospital stay or ill health, people who have had personal injuries, people with disabilities, carers of family members, parents of children with special needs and others.

Silver Circle has over 1,500 staff, offering a broad range of services to individual and corporate clients.

- Housekeeping and home care
- Personal care
- Respite care
- Monitoring the well being of at-risk clients
- Mobility assistance
- Home modifications and maintenance to assist independent living.

5) Subsequent Events

In July 2004 Ramsay Health Care Ltd acquired all the shares in Benchmark Healthcare Group for a total purchase price of $125million.

The acquisition was funded by debt and cash reserves.

Benchmark operates 10 hospitals in Victoria and South Australia, comprising 980 hospital beds and 68 aged care beds. The total number of beds will rise to 1119 beds in 2005 as a result of capacity expansion currently underway. The Group has annual revenue of approximately $200 million.

Of the 10 hospitals operated by Benchmark, four are owned outright, five are leased and one is operated under a management contract. Under this management contract the owner retains full operator risk.

The purchase increases the number of facilities in Ramsay Health Care's portfolio to 35 and the number of licensed beds to approximately 4,000.

At the date of this report Ramsay Health Care was still in the process of completing the fair value accounting exercise.

6) Annual meeting

The annual meeting will be held as follows:

Place	Shangri-La Hotel 176 Cumberland Street, The Rocks Sydney NSW
Date	23 November 2004
Time	10:30 am
Approximate date the annual report will be available	22 October 2004

SECTION 4

STATUS OF AUDIT

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.

SECTION 5

COMMENTARY ON RESULTS

25 August 2004

RAMSAY HEALTH CARE YEAR CORE NET PROFIT UP 13% TO RECORD RESULT

2004 Financial Year Highlights

- Core net profit after tax rises 13% to a record $42.7 million
- Net profit after tax and non-recurring charges $38.4 million
- Net cash inflow from operations increases 10% to $73.7 million
- Operating revenue increases 16% to $768.1 million
- EBITA up 16% to $77.5 million
- Both EBIT and EBITA margins hold at 10%
- Final Dividend 10 cents per share, fully franked, taking total year dividend to 17.5 cents, up 13% from 15.5 cents
- Refinancing and expansion of Company's debt facilities to fund growth

Overview

Australia's largest listed private hospital operator Ramsay Health Care Limited today announced a 13% increase in core net profit (before non-recurring items and amortisation of goodwill) to a record $42.7 million, up from $37.7 million a year ago.

Net profit after amortisation of goodwill but before non-recurring items was also up 13% to $42.0 million from $37.1 million in the 2003 financial year.

The record result was struck on a 16% rise in revenue to $768.1 million for the full year. EBITDA also rose 16% to $105.7 million.

Directors have declared a fully franked final dividend of 10 cents per share, up from 9.0 cents in the previous corresponding half-year, taking the full year dividend to 17.5 cents up 13% from 15.5 cents for the 2003 financial year.

The company effectively managed costs pressures resulting in both EBITA and EBIT margins remaining at 10%.

As previously announced, the company expensed non-recurring costs (net of tax) of $3.7 million, comprising $2.2 million for costs associated with the unsuccessful consortium bid for the Mayne Hospitals and $1.5 million for the write-off of the remaining unamortised borrowing costs associated with a previous debt refinancing in 2001 due the refinancing announced in June 2004.

Commenting on the result, Ramsay Health Care Managing Director Pat Grier said:

"2004 was a year of challenges but also of opportunities for Ramsay Health Care. Due to the efficient management of our hospitals, our quality portfolio and the realisation of benefits from our expansion program, we recorded double-digit profit growth and maintained our margins despite cost pressures.

"We have delivered on our forecast to achieve core net profit growth of over 10% before non-recurring charges. Importantly, our existing hospital facilities continue to deliver solid organic profit growth around 5% per year.

"During the year, we brought to fruition another phase of our hospital capacity expansion program and we acquired private home care business, Silver Circle. We were also allocated an additional 186 new residential aged care places, bringing to 206 the total number of aged care places that Ramsay will develop – in key population growth areas in Queensland and New South Wales.

"Subsequent to year end, we acquired the Benchmark group of 10 hospitals. With the contribution from Benchmark, organic growth and ongoing capacity expansion, we expect our revenues to exceed $1 billion in the 2005 financial year," Mr Grier said.

<u>Cashflow</u>

During the year, Ramsay Health Care refinanced and expanded its loan facilities to $550 million to fund the Benchmark acquisition, provide the company with scope and flexibility to make additional acquisitions, as well as fund any capacity expansion and to execute the company's aged care strategy.

The new facilities provide the company with additional funding on favourable terms.

Cash flow generation in 2004 was consistent with profitability. Strong cash flow management resulted in gross operating cash flow exceeding EBITDA (pre-non recurring items) of $105.7 million. Net cash inflow from operations increased by $6.5 million to $73.7 million.

<u>Operational highlights</u>

Admissions were approximately 11% above last year, including the contribution from the extra capacity. Without including the extra capacity, admissions were still up 5%.

During the year, Ramsay Health Care achieved satisfactory outcomes from health fund negotiations. Together with cost containment initiatives, this has resulted in the company's overall EBITA margin remaining at 10%.

Benefits from Ramsay Health Care's expansion program in existing hospitals are continuing to flow through to earnings. Returns from these investments are already meeting our expectations.

Greenslopes, in Brisbane, and Hollywood, in Perth, continue to record strong admission rates and the extra capacity added at these facilities has been immediately met with increased demand.

In NSW, the redeveloped Lake Macquarie Private Hospital, where additional beds and theatres were added, is performing well above our initial expectations.

Cairns Private Hospital's transformation from a not-for-profit facility and integration into the Ramsay Health Care portfolio is proceeding well and the hospital is currently performing above expectations on many measures.

Benchmark Healthcare Acquisition

On July 1, 2004, Ramsay Health Care finalised the purchase of the 10 Benchmark hospitals in Victoria and South Australia. The total number of beds will rise from 980 to 1,119 beds in 2005 as a result of capacity expansion currently underway. The Benchmark Group of hospitals has annual revenue of approximately $200 million.

The purchase has increased the number of facilities in Ramsay Health Care's portfolio to 35 and the number of licensed beds to approximately 4,000 and will bring group annual revenues to more than $1 billion.

"This strategically significant acquisition has made us a truly national hospital operator. We now have a stronger presence in Victoria and South Australia which gives us the opportunity to consider bolt-on hospital purchases in those states," Mr Grier said.

"While it is less than two months since we completed this acquisition, everything we have seen of the hospitals operations gives us confidence that the purchase will meet our investment expectations.

"As previously foreshadowed, we expect Benchmark to be earnings per share accretive (pre-amortisation of goodwill) in the first full year after acquisition. Looking further ahead, we expect the profit contribution from these hospitals to improve substantially as the extra capacity and medical specialties come onstream and through the realization of integration and management synergies.

Aged Care

Ramsay Health Care continues to pursue its strategy to expand into aged care both through acquisitions and greenfields development.

Mr Grier said the company had considered numerous acquisitions ranging from bigger groups to individual facilities. None so far has been brought to fruition because they did not fit Ramsay Health Care's investment criteria or satisfactory arrangements have not been concluded.

"Expanding into aged care is a long term plan for Ramsay and as we've said all along we are investigating the best and most value-enhancing entry points that complement our existing core private hospital portfolio.

"The sector is fragmented and consolidation is slow. There are many opportunities in aged care, we just have to ensure the ones we choose are right for us.

"In the meantime, we are aggressively implementing our greenfields development plans.

"Under our development program, Ramsay has secured and continues to apply for new licences in order to develop suitable facilities and where possible attract accommodation bonds.

"We plan to develop between 500 and 600 aged care places over the next three years," Mr Grier said.

Silver Circle, purchased in January 2004, is operating well and Ramsay Health Care is actively investigating further acquisition opportunities in the home care business.

Outlook

Mr Grier said based on continuing solid organic growth, further benefits from the expansion program, and the contribution from the Benchmark hospitals, the company is targeting strong growth of at least 10% in core net profit for the current financial year, barring unforeseen circumstances.

This target does not include the benefits from any potential acquisitions the company may make in either the hospital or aged care sectors.

Contact:

Mr Pat Grier	Paula Hannaford
Managing Director	Director
Ramsay Health Care	Gavin Anderson & Company
(02) 9433 3444	(02) 9552 4499 or 0413 940 180

Attachment: Summary Financial Performance

Attachment: Summary of Financial Performance

	Year Ended 30 June 2004 $000's		
	2004	**2003**	**%**
Operating Revenue	768,104	662,177	16
EBITDA	105,761	90,976	16
EBITA	77,591	66,964	16
Net Profit before tax	61,320	53,545	15
NPAT before non-recurring items	42,046	37,055	14
Non-recurring items (net of tax)	(3,693)	-	
Net Profit After Tax	38,353	37,055	4
Core Net Profit After Tax (1)	42,705	37,661	13
EPS (cents per share)	29.8	28.9	3
Core EPS (cents per share) (1)	33.1	29.3	13
Full-year dividend (cents per share) fully franked	17.5	15.5	13

(1) Core Net Profit and Core Earnings per Share are before amortisation of goodwill and non-recurring items