RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

RAMSAY HEALTH CARE LIMITED

INDEX

SECTION 1

RESULTS FOR ANNOUNCEMENT

TO THE MARKET

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.1 HIGHLIGHTS OF RESULTS

	% increase/ (decrease)	2005 $'000	2004 $'000
Revenue and other income from continuing operations	94.9%	1,062,348	545,042
Profit from continuing operations before income tax expense	48.6%	54,163	36,440
Profit from continuing operations after tax attributable to members	52.0%	36,555	24,045
Profit from discontinued operations after tax	100.0%	4,796	-
Net profit for the period attributable to members *	72.0%	41,351	24,045

*: The term members is inclusive of the CARES shareholders

Dividends – Ordinary Shares	**Amount per security**	**Franked amount per security**
Current year - Interim dividend	10.5¢	10.5¢
Previous corresponding period - Interim dividend	8.5¢	8.5¢
Record date for determining entitlements to the interim dividend	1 April 2006	
Date the interim current year dividend is payable	12 April 2006	

The results are for the 6 months ended 31 December 2005. The comparative results are for the 6 month period ended 31 December 2004.

RAMSAY HEALTH CARE LIMITED

1.2 COMMENTARY ON RESULTS

Commentary on results follows.

1.2 COMMENTARY ON RESULTS.

RAMSAY HEALTH CARE ANNOUNCES 80% HALF YEAR PROFIT RISE ON STRONG RESULTS FROM EXISTING AND ACQUIRED HOSPITALS

Financial Highlights

- Core* net profit after tax up 80% to $44.4 million
- Core EPS after allowing for preference dividend rose 17% to 22.2 cents
- Revenue increased 94% to $1,056 million
- EBITDA up 96% to $131.1 million
- Net profit after tax up 72% to $41.4 million
- Interim Dividend 10.5 cents, fully franked, up 24%

** Before non-recurring charges and divested operations*

Overview

Australia's largest private hospital operator Ramsay Health Care Limited today announced an 80% rise in core net profit after tax (before non-recurring items and divested operations) to $44.4 million for the six months to 31 December 2005, up from $24.6 million in the previous corresponding half year.

This core net profit result includes the first full six months of trading from the Affinity hospitals which Ramsay acquired in April 2005, but excludes the earnings from the 19 divested hospitals. All results are on an A-IFRS adjusted basis.

Including earnings from the divested hospitals, the net profit before non-recurring charges was up 100% to $49.2 million.

After non-recurring charges, net profit after tax was $41.4 million, 72% above the $24.0 million reported for the previous corresponding six months.

Directors have declared a fully franked interim dividend of 10.5 cents per share, up 24% from 8.5 cents in the previous corresponding half-year. The dividend reinvestment plan remains in place at a 2.5% discount to the market price, but its underwriting has been withdrawn due to the strength of the company's cash flow.

Ramsay recorded non-recurring charges of $7.8 million (net of tax) in the six month period for costs and provisions related to the $1.4 billion Affinity acquisition and associated debt and equity financing.

1.2 COMMENTARY ON RESULTS. – (Continued)

The non-recurring charges also include one-off insurance costs to reduce risk and bring the acquired hospitals in line with Ramsay's existing insurance risk profile.

Included in these one-off charges are restructuring and integration costs associated with the Affinity acquisition. These costs are in line with the company's expectations and its strategy to identify and remove as many of these costs as possible.

Six months to 31 December 2005	Consolidated result (continuing Ramsay and Affinity hospitals)	Affinity	Ramsay
Admissions (% inc)	117%	4.6%	6.3%
Revenue (% inc)	94%	8%	10%
EBITDAR (% inc)	85%	20%	6%
EBIT (% inc)	101%	52%	7%
EBITDAR margin	13.6%	12.8%	14.3%

Ramsay Managing Director Pat Grier said:

> "This is a very pleasing result, including the first full six months contribution from the Affinity hospitals. The results confirm that we have managed the completion of a very large acquisition well while continuing to grow profitability at our existing hospitals.
>
> "The Affinity hospitals are tracking to our expectations and we are already achieving synergies identified at the time of the acquisition. We were only able to actively manage the hospitals we acquired from September, when the Australian Competition and Consumer Commission (ACCC) lifted the 'hold separate' arrangement, and we are satisfied with what we have seen so far and the potential to improve earnings and explore expansion opportunities at these facilities.
>
> "During the six month period, we realised strong prices for the hospitals we were required to divest, allowing us to expedite our commitment to reduce debt in a timely manner. Our de-leveraging has been faster and divestment proceeds better than we expected at the time of the acquisition.
>
> "Ramsay's existing portfolio is performing very well. We continue to see strong demand for our hospital services across the portfolio and we are well placed to achieve our financial and operational targets for the full 2006 financial year."
>
> "Our focus for the rest of the year is on successfully implementing the integration plan for Affinity, continuing to focus on our core hospital management expertise, and to effectively use our robust cash flows to reduce gearing and to invest in enhancing the quality of the Ramsay portfolio," Mr Grier said.

1.2 COMMENTARY ON RESULTS. – (Continued)

<u>Divestments and Debt Reduction</u>

On 5 September, Ramsay announced the sale of 14 hospitals to Healthscope for $490 million, significantly higher than initial expectations for the sale of these facilities.

On 12 December, a sale price of over $88 million was announced for the sale of the remaining five hospitals the ACCC required Ramsay to sell.

Following these divestments, Ramsay's hospital portfolio now comprises 72 facilities, including the three hospitals in Indonesia

The proceeds from the hospital divestments were greater than expected due to the higher price received for the assets, as well as the greater number of hospitals divested (19 compared with an initial expectation of 14).

The divestment proceeds have been applied against senior debt. Net debt has been reduced from approximately $1.4 billion at the time of the Affinity acquisition to approximately $850 million at end-December 2005. This is expected to be further reduced to approximately $765 million following financial close on the divestment of the remaining five hospitals.

Net cash flows from operating activities increased by 38%, from $48.1million to $66.7million.

<u>Ramsay Hospitals</u>

During the half year, Ramsay management continued to focus on the efficient micro-management of the existing hospital portfolio, resulting in continued cost containment and improved profitability.

Excluding Affinity, Ramsay hospitals recorded organic EBIT growth of 11% for the half year period, with all divisions performing strongly. Admissions rose 6.3% in the six month period.

<u>Affinity</u>

Affinity hospitals are performing to expectations and the integration is well underway and is on track to be neutral to mildly accretive to core EPS in FY 2006 and accretive to core EPS in FY 2007 and beyond.

The Indonesian hospitals are trading strongly, with EBIT up 8.4% in the half year over the previous corresponding six months.

Based on the synergies already realised and the early implementation of the integration plan, Ramsay is on track to achieve the pre-tax cost synergies previously identified of approximately $35 million per annum by the end of FY2008. Approximately 45% of these pre-tax synergies are expected to be achieved in FY2006, the first full year.

In addition, Ramsay is on track to achieve the previously identified pre-tax revenue synergies of approximately $15 million per year by end FY2008. Approximately 50% of these synergies are expected to be achieved in FY2007.

1.2 COMMENTARY ON RESULTS. – (Continued)

Aged Care

Ramsay continues to explore the sale of its aged care business following the strategic review of all its assets, announced in August last year.

As part of the rationalisation of the portfolio, the home care business, Silver Circle, has been sold to the Little Company of Mary.

Residential aged care facilities are trading in line with expectations that the business would be slightly earnings per share dilutionary in the 2006 year.

Outlook

Barring unforeseen circumstances, Ramsay is targeting second half core net profit and core EPS to match the level of the first half, translating to low double digit growth in core EPS for the year.

Beyond FY2006, Ramsay is confident the profit contribution from the former Affinity hospitals will see further increases in earnings.

In addition, following a review of all capital expenditure and due to the faster than expected reduction in debt, Ramsay is formulating plans to invest in brownfields capacity expansion. Ramsay has capacity to invest up to $300 million for this program.

This investment in brownfields development, which has been a strong contributor to the company's profitable growth over the past few years, is expected to provide the next phase of growth on top of the Affinity contribution.

Ramsay expects to announce further details on this planned expansion in coming months.

The company also continues to explore opportunities to expand in Asia.

Contacts:

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Managing Director
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Gavin Anderson & Company
(02) 9552 4499 or 0413 940 180

1.2 COMMENTARY ON RESULTS. – (Continued)

Summary of Financial Performance

	Half-year ended 31 December $000's		
	2005 **AIFRS**	**2004** **AIFRS**	**% inc**
Operating Revenue	1,056,241	544,608	94
EBITDAR[1]	143,720	77,831	85
EBITDA	131,107	66,911	96
EBIT	98,392	48,985	101
Core Net Profit After Tax [2]	44,394	24,648	80
Net Profit After Tax – Divested Operations	4,796	-	
Non-recurring Items (net of tax)	(7,839)	(603)	
Net Profit After Tax	41,351	24,045	72
EPS (cents per share) [3]	20.4¢	18.5¢	10
Core EPS (cents per share) [4]	22.2¢	19.0¢	17
Interim dividend (cents per share) fully franked	10.5¢	8.5¢	24

(1) Earning before Interest, Tax, Depreciation, Amortisation, and Rent
(2) Core Net Profit after Tax, before non-recurring items and divested operations.
(3) EPS is based upon Net Profit After Tax adjusted for the preference dividend
(4) Core EPS is based upon Core Net Profit After Tax adjusted for the preference dividend

SECTION 2

FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED

31 DECEMBER 2005

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

APPENDIX 4D

FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

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DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2005.

DIRECTORS

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

Names

P.J. Ramsay AO – Non-Executive Chairman
M.S. Siddle – Non-Executive Deputy Chairman
I.P.S. Grier - Managing Director
B.R. Soden - Finance Director
M.L.Brislee – Non-executive Director (resigned 22 November 2005)
A.J. Clark AM – Non-Executive Director
P.J. Evans - Non-Executive Director
R.H. McGeoch AM - Non-Executive Director
K.C.D. Roxburgh - Non-Executive Director

REVIEW OF OPERATIONS

Revenue and other income from continuing operations rose 95% in the half year to $1,062 million. The 2006 first half results include the first full six months of trading from the Affinity hospitals which Ramsay acquired in April 2005, but does not include the earnings from the 19 divested hospitals. All results are on an A-IFRS adjusted basis.

After non-recurring charges, net profit after tax was $41.4 million, 72% above the $24.1 million reported for the previous corresponding six months.

Directors have declared a fully franked interim dividend of 10.5 cents per share, up from 8.5 cents in the previous corresponding half-year.

Ramsay recorded non-recurring charges of $7.8 million (net of tax) in the six month period for costs and provisions related to the $1.4 billion Affinity acquisition and associated debt and equity financing.

The non-recurring charges also include one-off insurance costs to reduce risk and bring the acquired hospitals in line with Ramsay's existing insurance risk profile.

AUDITOR'S INDEPENDENCE DECLARATION

The written Auditor's Independence Declaration in relation to the review of the half-year financial report has been included at page 15, and forms part of this report.

DIRECTORS' REPORT (CONTINUED)

ROUNDING

The amounts contained in this report and in the half-year financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

P.J Ramsay	I.P.S. Grier
Chairman	Director

Sydney, 27 February 2006

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

ERNST & YOUNG

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

In relation to our review of the financial report of Ramsay Health Care Limited for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Neil Wykes
Partner
27 February 2006

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated 2005 $000	Consolidated 2004 $000
Continuing operations			
Revenue and other income			
Revenue from services		1,056,226	544,602
Profit on disposal of assets		163	13
Interest income		5,944	421
Other income		15	6
Total revenue and other income		**1,062,348**	**545,042**
Employee benefits costs		(559,267)	(288,862)
Occupancy costs		(49,210)	(27,666)
Service costs		(39,093)	(20,505)
Medical consumables and supplies		(277,556)	(140,667)
Depreciation and amortisation		(32,880)	(17,936)
Total expenses, excluding finance costs		**958,006**	**495,636**
Profit from continuing operations before tax, specific items and finance costs		**104,342**	**49,406**
Finance costs		(38,978)	(12,363)
Specific items			
Borrowing costs associated with divestment hospitals		(2,602)	-
One-off net insurance expense to reduce "Incurred But Not Reported" liability		(4,227)	-
Restructuring and integration costs - Affinity		(4,372)	-
Restructuring and integration costs – Benchmark		-	(603)
Profit before income tax		**54,163**	**36,440**
Income tax expense		(17,608)	(12,395)
Profit after tax from continuing operations		**36,555**	**24,045**
Discontinued operations			
Profit after tax from discontinued operations	2	4,796	-
Net profit for the period		**41,351**	**24,045**
Profit attributable to minority interests		-	-
Net profit attributable to members of the parent		**41,351**	**24,045**
Earnings per share (cents per share)			
- basic and diluted for profit (before CARES dividend) for the half-year		**24.1**	**18.5**
- basic and diluted for profit (before CARES dividend) from continuing operations		**21.3**	**18.5**
- basic and diluted for profit (after CARES dividend) for the half-year	8	20.4	18.5
- basic and diluted for profit (after CARES dividend) from continuing operations	8	17.6	18.5
Franked dividends paid per share (cents per share)	3	11.5	10.0

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
BALANCE SHEET
AS AT 31 DECEMBER 2005

	Notes	Consolidated As at 31/12/2005 $000	Consolidated As at 30/06/2005 $000
ASSETS			
Current Assets			
Cash and cash equivalents		76,341	57,584
Trade receivables		211,509	219,256
Inventories		37,910	48,673
Other financial asset	4	249,520	-
Other current assets		44,500	50,735
		619,780	376,248
Non-current assets classified as held for sale	2	106,714	559,593
Total Current Assets		726,494	935,841
Non-current Assets			
Other financial assets		3,293	3,000
Property, plant & equipment		1,140,698	1,185,120
Goodwill		573,353	611,800
Deferred income tax asset		95,340	108,205
Non-current receivables		34,026	38,361
Total Non-current Assets		1,846,710	1,946,486
TOTAL ASSETS		2,573,204	2,882,327
LIABILITIES			
Current Liabilities			
Trade and other payables		236,554	240,157
Interest-bearing loans and borrowings		122,206	20,120
Derivatives		3,675	-
Provisions		162,841	198,677
Income tax payable		5,891	18,357
		531,167	477,311
Liabilities directly associated with non-current assets classified as held for sale	2	20,214	84,593
Total Current Liabilities		551,381	561,904
Non-current Liabilities			
Interest-bearing loans and borrowings		1,056,682	1,398,608
Provisions		72,927	63,020
Deferred income tax liabilities		86,620	85,170
Total Non-current Liabilities		1,216,229	1,546,798
TOTAL LIABILITIES		1,767,610	2,108,702
NET ASSETS		805,594	773,625
EQUITY			
Issued capital	7	418,185	398,615
Treasury shares		(1,001)	-
Convertible adjustment rate equity securities (CARES)		252,165	252,165
Other reserves		(988)	762
Retained profits		136,823	121,456
Parent interests		805,184	772,998
Minority interests		410	627
TOTAL SHAREHOLDERS' EQUITY		805,594	773,625

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated 2005 $000	Consolidated 2004 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,296,739	555,723
Payments to suppliers & employees		(1,159,123)	(477,115)
Income tax paid		(18,715)	(17,507)
Finance costs		(52,192)	(12,946)
Net cash flows from operating activities		66,709	48,155
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(32,377)	(26,606)
Interest received		6,930	421
Proceeds from sale of hospitals		225,480	-
Acquisition of subsidiary, net of cash received		(466)	(123,438)
Proceeds from sale of property, plant and equipment		163	1,192
Net cash flows from/ (used in) investing activities		199,730	(148,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	40,000
Issue costs paid		-	(800)
Dividends paid		(6,382)	(12,893)
Repayment of principal to Bondholders		(4,335)	-
Repayment of finance lease - principal		(919)	(1,505)
Proceeds from borrowings		-	107,415
Purchase of ordinary shares		(1,001)	
Repayment of borrowings		(235,045)	(41,230)
Net cash flows (used in)/ from financing activities		(247,682)	90,987
Net increase/(decrease) in cash and cash equivalents		18,757	(9,289)
Net foreign exchange differences		-	-
Cash and cash equivalents at beginning of period		57,584	22,488
Cash and cash equivalents at end of period	5	76,341	13,199

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Attributable to equity holders of the parent								Minority Interest	Total Equity
CONSOLIDATED	**Issued capital $000**	**Treasury Shares $000**	**Convertible Preference Shares - CARES $000**	**Equity Based Payment Reserve $000**	**Retained Earnings $000**	**Net Unrealised Gains Reserve**	**Other Reserves $000**	**Total $000**	**$000**	**$000**
At 1 July 2004	121,914	-	-	145	114,020	-	-	236,079	-	236,079
Equity issue costs	(800)	-	-	-	-	-	-	(800)	-	(800)
Total income/(expense) for the period recognised directly in equity	(800)	-	-	-	-	-	-	(800)	-	(800)
Profit for the period	-	-	-	-	24,045	-	-	24,045	-	24,045
Total income for the period	(800)	-	-	-	24,045	-	-	23,245	-	23,245
Share placement	40,000	-	-	-	-	-	-	40,000	-	40,000
Equity dividends	-	-	-	-	(12,893)	-	-	(12,893)	-	(12,893)
Cost of share based payment	-	-	-	422	-	-	-	422	-	422
At 31 December 2004	161,114	-	-	567	125,172	-	-	286,853	-	286,853

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Attributable to equity holders of the parent								Minority Interest	Total Equity
CONSOLIDATED	**Issued capital $000**	**Treasury Shares $000**	**Convertible Preference Shares - CARES $000**	**Equity Based Payment Reserve $000**	**Retained Earnings $000**	**Net Unrealised Gains Reserve**	**Other Reserves $000**	**Total $000**	**$000**	**$000**
At 1 July 2005	398,615	-	252,165	988	121,456	-	(226)	772,998	627	773,625
Effect of change in accounting policy for interest rate hedges	-	-	-	-	-	(6,445)	-	(6,445)	-	(6,445)
Currency translation differences	-	-	-	-	-	-	938	938	-	938
Equity issue costs	(32)	-	-	-	-	-	-	(32)	-	(32)
Net gains on cash flow hedges	-	-	-	-	-	2,770	-	2,770	-	2,770
Total income/(expense) for the period recognised directly in equity	(32)	-	-	-	-	(3,675)	938	(2,769)	-	(2,769)
Profit for the period	-	-	-	-	41,351	-	-	41,351	-	41,351
Total income/(expense) for the period	(32)	-	-	-	41,351	(3,675)	938	38,582	-	38,582
Shares purchased for Executive Performance Share Plan	-	(1,001)	-	-	-	-	-	(1,001)	-	(1,001)
Minority interest relating to disposal/acquisition of subsidiary	-	-	-	-	-	-	-	-	(217)	(217)
Equity dividends – issued capital	-	-	-	-	(19,602)	-	-	(19,602)	-	(19,602)
Equity dividends – CARES	-	-	-	-	(6,382)	-	-	(6,382)	-	(6,382)
Share placement	19,602	-	-	-	-	-	-	19,602	-	19,602
Cost of share based payment	-	-	-	987	-	-	-	987	-	987
At 31 December 2005	418,185	(1,001)	252,165	1,975	136,823	(3,675)	712	805,184	410	805,594

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Ramsay Health Care Limited as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by Ramsay Health Care Limited and its controlled entities during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(c) below.

Reconciliations of:
- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005,

to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(e) below.

(c) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Ramsay Health Care Limited and its subsidiaries ('the Group'). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. 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 Ramsay Health Care Limited has control.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

(i) Basis of consolidation (Continued)

Sydney Central Coast Linen Service Pty Ltd has been included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date. Accordingly, the consolidated financial statements include the results of Sydney Central Coast Linen Service Pty Ltd for the 19 day period from its acquisition on 12 December 2005. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Minority interests represent the interests in Sydney Central Coast Linen Service Pty Ltd, not held by the Group.

(ii) Foreign currency translation

Both the functional and presentation currency of Ramsay Health Care Limited and its Australian subsidiaries is Australian dollars (A$). Transactions in foreign currencies are initially recorded in the functional currency at 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 balance sheet date. All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

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 currency of the overseas subsidiary (PT Affinity Health Indonesia) is Indonesian Rupiah.
As at the reporting date the assets and liabilities of this overseas subsidiary is translated into the presentation currency of Ramsay Health Care Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation 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.

(iii) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

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

Impairment
The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater 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.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

(iii) Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in the income statement in the period the item is derecognised.

(iv) Finance costs

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

(v) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

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

Goodwill is not amortised.

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

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the 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 circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The goodwill calculated on the acquisition of Affinity was provisional as at 31 December 2005. It will be finalised in the second half of the financial year.

(vi) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

(vii) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(viii) Inventories

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

Inventories include medical and food supplies to be consumed in providing future patient services.

(ix) Trade and other receivables

Trade receivables, which generally have 15-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(x) Cash and cash equivalents

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

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

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

(xi) Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

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

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

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

(xiii) Share-based payment transactions
The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for the cash equivalent of shares (‘cash-settled transactions’), shares or rights over shares (‘equity-settled transactions’) .

There are currently two plans in place to provide these benefits:

- (i) the Executive Incentive Rights Plan (Cash-settled transactions), which provides benefits to executive directors, and
- (ii) the Executive Performance Rights Plan (Equity-settled transactions), which provides benefits to senior executives and executive directors.

The cost of these cash and equity settled transactions with employees is measured by reference to the fair value at the 31 December 2005 and the date at which they were granted, respectively. The fair value is determined by an external valuer using the Monte Carlo model.

In valuing cash and 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, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance 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.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

(xiii) Share-based payment transactions (Continued)

Cash-settled transactions
The cost of the cash-settled transactions is measured initially at fair value at grant date using the Monte Carlo model, taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

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

(xiv) Leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

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

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

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

Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

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

Rental income
Rental income arising on investment properties 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.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

(xvi) Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

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

Deferred income tax is provided on all temporary differences at the balance sheet 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 where the deferred income tax liability 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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 assets and unused tax losses can be utilised:
- except where 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

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 balance sheet date.

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

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

(xviii) Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

Cash flows are included in the Cash Flow Statement 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.

(xix) Derecognition of financial instruments
The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(xx) Derivative financial instruments
The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 for 1 July 2005. Outlined below are the relevant accounting policies for derivative financial instruments and hedging applicable for the years ended 30 June 2005 and ending 30 June 2006.

Accounting policy applicable for the year ended 30 June 2005

The Group enters into interest rate swap agreements that are used to convert the variable interest rate of its borrowings to fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates. It was the Group's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments were recognised as an adjustment to interest expense.

Accounting policy applicable for the year ending 30 June 2006

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate. Such derivative financial instruments are stated at fair value. Derivatives are carried as assets when the fair value is positive and as a liability when the fair value is negative.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

Any gain or loss attributable to the hedged risk on re-measurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges (interest rate swaps) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

(xx) Derivative financial instruments (Continued)
When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

(xxi) 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.

(xxii) Accommodation bond liabilities
Liabilities for accommodation bonds are carried at cost.

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

Diluted EPS for profit is calculated as net profit attributable to members, adjusted for:
- costs of servicing equity 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.

(d) AASB 1 Transitional exemptions
The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations
AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(d) AASB 1 Transitional exemptions (Continued)

Designation of previously recognised financial instruments
Financial instruments were designated as financial assets or liabilities at fair value through profit or loss or as available-for-sale at the date of transition to AIFRS.

Share-based payment transactions
AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139
The Group has elected to adopt this exemption and has not applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

(e) Reconciliation of total equity as presented under AGAAP to that under AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") are illustrated below.

(i) Reconciliation of total equity as present under AGAAP to that under AIFRS

	CONSOLIDATED		
	30 Jun 2005 $000	31 Dec 2004 $000	01 Jul 2004 $000
Total equity under AGAAP	800,117	319,189	270,589
Adjustments to equity:			
Tax effect of revalued assets now recognised as a deferred tax liability (A)	(16,152)	(16,152)	(16,152)
Writeback of revaluation reserve (B)	(19,145)	(19,145)	(19,145)
Writeback of goodwill amortisation (C)	13,003	2,587	-
Non-recognition of restructuring provision (D)	(7,374)	(603)	-
Writeback of depreciation on assets held for re-sale (E)	1,931	-	-
Other	1,245	977	787
Total equity under AIFRS	773,625	286,853	236,079

(A) The difference between book and tax bases for land and buildings revaluations of $54 million has been tax effected under AASB 116 "Property, Plant and Equipment" at the tax rate of 30%.

(B) Licenses in relation to the hospitals were revalued as part of the total hospital value under AGAAP. Under AASB 138 "Intangible Assets", bed licenses are only able to be revalued where an active market exists. As no active market has been shown to exist, licenses have been written down to cost.

(C) Goodwill is not amortised under AASB 3 "Business Combinations", but was amortised under AGAAP.

(D) Restructuring provisions were recognised under AGAAP as an adjustment to goodwill but do not qualify for recognition as a fair value adjustment to goodwill at acquisition under AASB 3 "Business Combinations". These provisions do qualify for recognition as a liability under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" at the reporting date.

(E) Depreciation is charged under AGAAP for assets held for sale if they are currently in use by the entity. Under AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" depreciation is not charged on assets held for sale and they are carried at the lower carrying amount less costs to sell.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(e) Reconciliation of total equity as presented under AGAAP to that under AIFRS (Continued)

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	CONSOLIDATED	
	Year ended 30 Jun 2005 $000	Half Year ended 31 Dec 2004 $000
Profit after tax as previously reported	30,398	22,296
Writeback of goodwill amortisation (A)	13,003	2,587
Non-recognition of re-structuring provision (B)	(8,674)	(603)
Write back of depreciation on assets held for re-sale (C)	1,931	-
Recognition of expense in relation to the equity settled performance rights plan (D)	(1,252)	(422)
Tax impact of AIFRS	(4,787)	(417)
Other	34	604
Profit after tax under AIFRS	30,653	24,045

(A) Goodwill is not amortised under AASB 3 “Business Combinations”, but was amortised under AGAAP.

(B) Restructuring provisions were recognised under AGAAP as an adjustment to goodwill but do not qualify for recognition as a fair value adjustment to goodwill at acquisition under AASB 3 “Business Combinations”. These provisions do qualify for recognition as a liability under AASB 137 “Provisions, Contingent Liabilities and Contingent Assets” at the reporting date.

(C) Depreciation is charged under AGAAP for assets held for sale if they are currently in use by the entity. Under AASB 5 “Non-current Assets Held for Sale and Discontinued Operations” depreciation is not charged on assets held for sale.

(D) An employee expense was not recognised under AGAAP for equity based employee share plans. Under AASB 2 “Share –based payments”, the Group is required to recognise an expense for those options that were issued to employees under the equity settled performance rights plan.

(ii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

2. DISCONTINUED OPERATIONS

On 5 September 2005, Ramsay Health Care Limited announced it had entered into an agreement with Healthscope Limited under which Healthscope would acquire 14 Affinity hospitals for proceeds of approximately $475 million, conditional on the approval of the Australian Competition and Consumer Commission (ACCC).

The major classes of assets and liabilities for the 14 hospitals to be sold to Healthscope are as follows:

	000's
Assets	
Other assets	62,034
Property, plant & equipment	279,782
Goodwill	217,777
Non-current assets classified as held for sale	559,593
Liabilities	
Provisions	(55,528)
Other	(29,065)
Liabilities directly associated with non-current assets classified as held for sale	(84,593)
Proceeds on sale	475,000

The net cash inflows on disposal of the 14 hospitals sold to Healthscope is as follows:

Cash and cash equivalents	475,000
Less: Cash in Escrow at 31 December 2005	(249,520)
Reflected in cashflow statement	225,480

At 31 December 2005 the sale of these hospitals was complete.

On 12 December 2005, Ramsay Health Care Limited announced it had entered into an agreement with BCN Group Pty Limited to sell the remaining 5 hospitals the ACCC required it to sell for total proceeds in excess of $88 million. The sale of these hospitals is expected to be completed in February 2006.

The results of these 19 hospitals for the six months ended 31 December 2005 have been presented below:

Revenue	243,332
Expenses	(219,712)
Gross profit	23,620
Finance costs	(16,067)
Pre-tax profit	7,553
Income tax expense	(2,266)
Less disposal of outside equity interest	(491)
Net profit attributable to discontinued operations	4,796

2. DISCONTINUED OPERATIONS (Continued)

The major classes of assets and liabilities for the 5 hospitals to be sold to BCN Group Pty Limited and 6 medical suites measured at the lower of carrying amount and fair value less costs to sell at 31 December 2005 are as follows:

	000's
Assets	
Trade receivables	15,722
Inventories	2,446
Other assets	1,494
Property, plant & equipment	47,716
Goodwill	39,336
Non-current assets classified as held for sale	106,714
Liabilities	
Trade and other payables	(8,707)
Provisions	(10,249)
Interest bearing liabilities	(771)
Other	(487)
Liabilities directly associated with non-current assets classified as held for sale	(20,214)
Proceeds expected on sale	86,500

Earnings per share (cents per share):

Basic from discontinued operation	2.8
Diluted from discontinued operation	2.8

	Consolidated	
	As at 31/12/2005 $000	**As at 30/06/2005 $000**
3. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES		
(a) Dividend paid during the period:		
Previous year final dividend paid		
- Franked dividends – ordinary (11.5 cents per share) (2004: 10.0 cents)	19,602	12,893
(b) Dividends proposed and not recognised as a liability		
Interim dividend proposed		
- Franked dividends – ordinary (10.5 cents per share) (2004: 8.5 cents)	18,116	11,903

The tax rate at which paid dividends have been franked is 30% (2004: 30%). 100% of the proposed dividends will be franked at the rate of 30% (2004: 30%).

	Consolidated	
	As at 31/12/2005 $000	As at 30/06/2005 $000

4. OTHER FINANCIAL ASSETS

	249,520	-

Once approval is obtained from the relevant State Government agencies in NSW and Victoria for the transfer of the Licenses, the monies will be released from the Escrow Account and used to repay Finance Debt. This repayment of Finance Debt is a lapse of time and process issue, contingent only on the transfer of the Licenses.

	Consolidated	
	2005 $000	2004 $000

5. RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash balances comprise:		
Cash at bank	76,341	13,199

6. SEGMENT INFORMATION

The consolidated entity operates in the private health care industry segment (hospitals and aged care), predominantly in the geographical segment of Australia.

7. CONTRIBUTED EQUITY

	As at 31/12/05 $000	As at 30/06/05 $000
(a) Issued and paid up capital		
172,532,910 ordinary share fully paid (30 June 2005: 170,378,468 ordinary shares fully paid)	418,185	398,615

	Number of shares	$000
(b) Movements in share issue		
Balance at 30 June 2005	170,378,468	398,615
Issued during the period		
- Share Placement (DRP)	2,154,442	19,602
Less: Issue costs	-	(32)
Balance at 31 December 2005	172,532,910	418,185

8. EARNINGS PER SHARE

	As at 31/12/05 $000	As at 31/12/04 $000
Net profit for the period attributable to the members of the parent	41,351	24,045
Less: dividend paid on convertibles adjustment rate equity securities (CARES)	(6,382)	-
Earnings used in calculating basic and diluted for profit (after CARES dividend) earnings per share	34,969	24,045
Less: Profit from discontinued operations	(4,796)	-
Earnings used in calculating basic and diluted for profit (after CARES dividend) earnings per share from continuing operations	30,173	24,045
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	171,291,764	129,835,536
Earnings per share (cents per share)		
- basic and diluted for profit (after CARES dividend) for the half-year	20.4	18.5
- basic and diluted earnings for profit (after CARES dividend) from continuing operations	17.6	18.5

9. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

10. DIVIDEND REINVESTMENT PLAN

During the period, Ramsay Health Care Ltd Directors activated the Company's Dividend Reinvestment Plan (DRP). The Directors also resolved to vary the terms of the Plan by offering a discount of 2.5% on the issue price of shares, issued under the Plan. Participation in the Plan is optional and shareholders may elect to receive ordinary shares in lieu of the cash dividend on all or part of their dividend entitlement.

RAMSAY HEALTH CARE LIMITED
DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial information and notes of the consolidated entity:
   (i) give a true and fair view for the financial position as at 31 December 2005 and the performance for the half-year ended on that date of the consolidated entity; and
   (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

On behalf of the Board

P.J Ramsay
Chairman

I.P.S. Grier
Director

Sydney, 27 February 2006

ERNST & YOUNG

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Independent review report to members of Ramsay Health Care Limited

Scope

The financial report and directors' responsibility
The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Ramsay Health Care Limited (the company) and the entities it controlled during the period, and the directors' declaration, for the company, for the period ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach
We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the ASX and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, as defined in the scope section, of the consolidated entity Ramsay Health Care Limited and the entities it controlled during the period is not in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the period ended on that date; and

(ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Neil Wykes
Partner
Sydney
27 February 2006

SECTION 3

ANALYST INFORMATION

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

ANALYST INFORMATION

1) Earnings per Share

	As at 31/12/05 $000	As at 31/12/04 $000
Net profit for the period attributable to the members of the parent	41,351	24,045
Less: dividend paid on convertibles adjustment rate equity securities (CARES)	(6,382)	-
Earnings used in calculating basic and diluted for profit (after CARES dividend) earnings per share	34,969	24,045
Less: Profit from discontinued operations	(4,796)	-
Earnings used in calculating basic and diluted for profit (after CARES dividend) earnings per share from continuing operations	30,173	24,045
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	171,291,764	129,835,536
Earnings per share (cents per share)		
- basic and diluted for profit (after CARES dividend) for the half-year	20.4	18.5
- basic and diluted earnings for profit (after CARES dividend) from continuing operations	17.6	18.5

2) Dividends

Dividends	Amount per security	Franked amount per security
Current year - Interim dividend	10.5¢	10.5¢
Previous corresponding period - Interim dividend	8.5¢	8.5¢
Record date for determining entitlements to the interim dividend	1 April 2006	
Date the current year interim dividend is payable	12 April 2006	

Interim Dividend	2005 $000	2004 $000
Ordinary Securities	18,116	11,903

The current year interim dividend will be franked at the rate of 30% (2004: 30 %)

3) NTA backing

	31/12/2005	30/06/2005
Net tangible asset backing per ordinary share	$1.30	$1.07