RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2006

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)	2006 $'000	2005 $'000
Revenue and other income from continuing operations	74.2%	1,994,458	1,144,924
Profit from continuing operations before income tax expense	140.5%	124,058	51,584
Profit from continuing operations after tax attributable to members	216.0%	85,729	27,133
Profit from discontinued operations after tax	(60.6%)	1,907	4,845
Net profit for the year attributable to members *of the parent	176.7%	87,590	31,651

*: The term members are inclusive of the Convertible Adjustable Rate Equity Securities ('CARES')

Dividends – Ordinary Shares	**Amount per security**	**Franked amount per security**
Current year - Interim dividend - Final proposed dividend	 10.5¢ 13.5¢	 10.5¢ 13.5¢
Total dividend	24.0¢	24.0¢
Previous corresponding year - Interim dividend - Final dividend	 8.5¢ 11.5¢	 8.5¢ 11.5¢
Total dividend	20.0¢	20.0¢
Record date for determining entitlements to the ordinary dividend	29 September 2006	
Date the current year ordinary dividend is payable	13 October 2006	

Convertible Adjustable Rate Equity Securities ('CARES') Dividends	
Record date for determining entitlements to the CARES dividend	6 October 2006
Date the current year CARES dividend is payable	20 October 2006

The results are for the year ended 30 June 2006. The comparative results are for the year ended 30 June 2005.

1.2 COMMENTARY ON RESULTS.

Commentary on results follows

ASX RELEASE

28 August 2006

RAMSAY HEALTH CARE FY2006 CORE NET PROFIT RISES 69%

Financial Highlights

- Core Net Profit after tax increased 69% to $93.3 million
- Core EPS rose 16% to 46 cents
- Core EPS increase exceeds initial guidance for year and above upgraded guidance at half year
- Net profit after tax up 177% to $87.6 million
- Final Dividend 13.5 cents, fully franked, up 17%, making full year dividend 24.0 cents, up 20%
- Net debt at year end down to $700 million from $1.4 billion last year

Results from continuing operations

- Core Net Profit after tax up 82% to $91.4 million
- Core EPS up 24% to 45 cents
- Revenue increased 73% to $2.0 billion
- EBITDA up 73% to $251.6 million
- EBITDA margin remained at 12.7%

**Core Net Profit and Core Earnings per Share are before specific items and amortization of intangibles.*

Overview

Australia's largest private hospital operator Ramsay Health Care Limited today announced a 69% rise in core net profit (before specific items and amortization of intangibles) to $93.3 million for the year to 30 June 2006, up from $55.1 million in the 2005 financial year.

The FY06 result includes the first full year of contribution from Affinity hospitals which Ramsay acquired in April 2005 and which effectively doubled the size of the company's portfolio of hospitals.

The strong profit results translate into core earnings per share of 46 cents on substantially enlarged capital, a 16% increase from the 39.7 cents recorded for FY05, and ahead of the company's expectations for the year.

Following the Affinity purchase, which was a company transforming acquisition, Ramsay conducted a strategic review and rationalised its portfolio, resulting in the divestment of a number of hospital facilities and its aged care business for higher than expected proceeds. The divestments released a substantial amount of capital which will be used to fund future growth prospects.

Core net profit after tax from continuing operations increased 82% to $91.4 million.

Revenue from continuing operations totalled $2.0 billion for the 2006 financial year, a 73% increase on the 2005 financial year.

Net specific one-off charges totalled $5.7 million (net of tax) in FY06 and relate to restructuring and integration of Affinity, amortization of intangibles and profit on sale of divested operations. The restructuring and integration costs included in the $5.7 million net charge are in line with Ramsay's expectations for restructuring and integration costs disclosed at the time of the Affinity acquisition.

After these specific items, net profit after tax was $87.6 million, a 177% increase from $31.7 million in the 2005 financial year.

Directors have declared a fully franked final dividend of 13.5 cents per share, up from 11.5 cents in the previous corresponding half year, taking the full year dividend to 24.0 cents, an increase of 20%.

Directors have decided to suspend the dividend reinvestment plan due to the higher than expected proceeds from divestments and the faster than expected reduction in debt.

Ramsay Managing Director Pat Grier said:

> "This is an exceptionally pleasing result for Ramsay Health Care in a year in which we have created the best hospital portfolio in Australia. While it was a year of consolidating and integrating the Affinity hospitals, we continued to build on the strength and earnings quality of the existing Ramsay hospitals which continue to underpin our earnings growth.
>
> "The first full year of trading of the Affinity hospitals under Ramsay management has been pleasing and this major integration is proceeding well, and in some aspects, ahead of schedule.
>
> "We have some of the best hospitals in Australia in our portfolio – the hospitals doctors want to refer their patients to, the ones that private health fund members want to go to and the hospitals which are leading the way in patient care, medical practice, teaching and employee relations.
>
> "This portfolio not only provides a solid base to continue to grow the Ramsay business organically, but exciting opportunities to further grow through capacity enhancements and expansion and, possibly, further acquisitions."

Affinity integration

The retained Affinity hospitals, which only came under Ramsay management in September 2005 after the conclusion of negotiations with the Australian Competition and Consumer Commission, have performed in line with Ramsay's expectations.

The retained Affinity Australia hospitals recorded a 9.6% increase in EBIT, and the Indonesian hospitals recorded a 15.1% increase, while Ramsay hospitals EBIT rose 7.4%. This is largely organic growth and confirms the continued focus on the micro-management of the business.

EBIT margins improved at the Affinity Hospitals, but Ramsay believes there is scope for further improvements in coming years.

The three year integration plan is proceeding on schedule, including major operational changes such as the restructuring of the Affinity head office.

As forecast, Ramsay has achieved pre-tax cost synergies of approximately $15 million in the 2006 financial year and is on track to realise the remaining $20 million over FY07 and FY08.

In addition, Ramsay is on track to achieve the expected pre-tax revenue synergies of approximately $15 million per annum by the end of FY08.

As a result of revenue and cost benefits, the company expects to achieve incremental core EBITDA of approximately $50 million per annum by the end of FY08.

Cashflow

Cash flow generation in FY06 was consistent with profitability. Strong cash flow management resulted in gross operating cash flow of $260 million exceeding EBITDA of $252 million.

The proceeds from divestments have been applied against debt. Net debt has been reduced from $1.4 billion at 30 June 2005 to approximately $700 million at 30 June 2006. Gearing has been reduced from 64% at 30 June 2005 to 45% at 30 June 2006.

Hospital Operational Highlights

Admissions across the Ramsay portfolio rose solidly over the year. For Ramsay hospitals, admissions rose 5%, while Affinity Australian hospital admissions rose 3% and 18% in Indonesia.

During the year, Ramsay achieved satisfactory outcomes from health fund negotiations.

Despite the dilutionary impact of the Affinity hospitals, the group's hospital EBIT margin increased slightly to 11.8%.

This margin increase was achieved despite higher labour costs and the significant challenges of the Affinity merger and integration process.

Strategic Review

The acquisition of Affinity in April 2005 allowed Ramsay to undertake a strategic review in order to maximize the value and strategic positioning of its portfolio.

That review has been successfully completed and resulted in the sale of Ramsay's aged care business as well as three additional hospitals in South Australia.

Ramsay believes it now has the premier private hospital portfolio in Australia, comprising 65 hospital facilities in Australia, and three hospitals in Indonesia.

Planned Capacity Expansion

Following the strategic review and subsequent divestments, Ramsay has between $300 million and $400 million to invest in improvements and capacity expansion at a number of its hospitals to enhance profit growth from FY08 onwards.

The company's previous brownfields investments have delivered returns of 15% or more on capital invested over the medium term and Ramsay continues to use this 15% investment hurdle to guide its decisions on where to invest in the future.

As part of its brownfields program, which has yet to be finalised and approved by the Board, Ramsay plans to:

- develop major regional referral centres in key locations across New South Wales, Queensland, Victoria and Western Australia; and
- invest in other hospitals in its portfolio to develop them as niche service providers in particular medical specialities.

The process of identifying the best investment opportunities to deliver on the above strategy is well underway and details on major projects will be released when finalised.

As part of this process, the Board has approved a redevelopment project at Hollywood Private Hospital in Perth which will see the addition of 90 beds, four operating theatres, medical consulting suites, car parking, day surgery facilities and expanded infrastructure.

The development is to be undertaken in stages over the next three years for a net investment after the sale of the medical suites of $80-85 million, with completion expected around mid-2009.

Outlook

Despite industry challenges, including labour cost pressures, Ramsay expects to deliver continued solid organic growth across its portfolio through focusing on its core hospital management expertise.

In addition, management will continue to focus on improving earnings from those Affinity hospitals now under Ramsay management and realising the identified synergies.

Ramsay expects labour cost pressures to continue, as well as the need to manage the transition from the exclusive contracts at the veterans' hospitals in Queensland and Western Australia.

During FY07, Ramsay will invest in brownfield expansion at key hospitals to lay the foundations for further earnings growth over the medium term.

In the absence of unforeseen circumstances, Ramsay is targeting growth in core earnings per share of between 15% and 20% for the 2007 financial year from the 44.9 cents core EPS from continuing operations achieved in FY06.

Ramsay continues to explore opportunities to grow further through acquisition, including potential acquisitions of hospitals in a number of areas where Ramsay is not facing competition issues, and acquisitions within the private health care sector.

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Summary of Financial Performance

	Year ended 30 June $000's 2006	2005	%
Continuing Operations			
Operating Revenue	1,983,489	1,143,784	73%
EBITDA	251,568	145,256	73%
EBIT	193,339	107,804	79%
Core Net Profit after tax - continuing operations	**91,372**	**50,251**	**82%**
Divested Operations			
Core Net Profit after tax – divested operations	1,907	4,844	
Total Core Net Profit after tax	**93,280**	**55,096**	**69%**
Specific Items (net of tax)	5,690	23,445	
Net Profit after tax	87,590	31,650	177%
Total Core EPS (cents per share)	**46.0¢**	**39.7¢**	**16%**
Total dividend (cents per share) fully franked	24.0¢	20.0¢	20%

Earnings per Share (cents per share)	**2006**	**2005**	**%**
Core EPS – continuing operations	**44.9¢**	**36.2¢**	**24%**
Total Core EPS	**46.0¢**	**39.7¢**	**16%**
Basic EPS	42.7¢	22.8¢	87%

Notes:
1) *Core Net Profit and Core Earnings per Share are before specific items and amortisation of intangibles.*
2) *All EPS calculations are based upon Net Profit after tax adjusted for preference dividend.*
3) *Prior year restated for AIFRS and divested operations.*

SECTION 2

FINANCIAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2006

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

APPENDIX 4E

FINANCIAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2006

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

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FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2006

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RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated 2006 $000	2005 $000
Continuing operations			
Revenue and other income			
Revenue from services		1,983,457	1,143,779
Profit on disposal of assets		275	169
Interest income		10,694	971
Other income		32	5
Total revenue and other income		**1,994,458**	**1,144,924**
Employee benefits costs		(1,045,104)	(600,230)
Occupancy costs		(86,936)	(53,512)
Service costs		(76,310)	(46,093)
Medical consumables and supplies		(523,571)	(298,863)
Depreciation		(58,504)	(37,488)
Amortisation		(1,500)	-
Total expenses, excluding finance costs		**(1,791,925)**	**(1,036,186)**
Profit from continuing operations before tax, specific items and finance costs		**202,533**	**108,738**
Finance costs		(69,552)	(34,225)
Specific items			
Borrowing costs associated with divestment hospitals		(2,602)	(2,602)
One-off net insurance expense to reduce "Incurred But Not Reported" liability		(4,227)	-
Restructuring and integration costs - Affinity		(6,818)	(12,680)
Restructuring and integration costs - Benchmark		-	(916)
Borrowing costs associated with re-financing and bridge financing		-	(6,731)
Net gains on disposal of businesses		6,856	-
Decrement in value of non-current assets	3(f)	(2,132)	-
Profit before tax from continuing operations		**124,058**	**51,584**
Income tax expense		(38,329)	(24,451)
Profit after tax from continuing operations		**85,729**	**27,133**
Discontinued operations			
Profit after tax from discontinued operations	3(g)	1,907	4,845
Profit for the year		**87,636**	**31,978**
Profit attributable to minority interests		(46)	(327)
Profit attributable to members of the parent		**87,590**	**31,651**
Earnings per share (cents per share)			
- basic and diluted for profit (after CARES dividend) for the year	**9**	**42.7**	**22.8**
- basic and diluted for profit (after CARES dividend) from continuing operations	**9**	**41.6**	**19.3**
Franked dividends paid per ordinary share (cents per share)	4	22.0	18.5

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
BALANCE SHEET
AS AT 30 JUNE 2006

	Notes	Consolidated As at 30/06/2006 $000	As at 30/06/2005 $000
ASSETS			
Current Assets			
Cash and cash equivalents		41,795	57,584
Trade receivables		201,021	215,990
Inventories		37,365	38,393
Derivatives		2,711	-
Other financial asset	5	97,507	-
Other current assets		40,928	47,909
		421,327	359,876
Assets classified as held for sale	3(f), 3(a)	3,200	585,291
Total Current Assets		424,527	945,167
Non-current Assets			
Other financial assets		1,983	2,030
Property, plant & equipment		1,077,126	1,162,048
Goodwill and intangible assets		565,022	632,046
Deferred tax asset		87,224	102,361
Non-current receivables		33,798	38,363
Total Non-current Assets		1,765,153	1,936,848
TOTAL ASSETS		2,189,680	2,882,015
LIABILITIES			
Current Liabilities			
Trade and other payables		204,585	210,950
Interest-bearing loans and borrowings		20,094	21,499
Provisions		165,939	172,533
Income tax payable		3,017	11,179
		393,635	416,161
Liabilities directly associated with assets classified as held for sale	3(a)	-	110,291
Total Current Liabilities		393,635	526,452
Non-current Liabilities			
Interest-bearing loans and borrowings		811,776	1,398,608
Provisions		69,718	93,284
Deferred tax liabilities		75,977	88,789
Total Non-current Liabilities		957,471	1,580,681
TOTAL LIABILITIES		1,351,106	2,107,133
NET ASSETS		838,574	774,882
EQUITY			
Issued capital	8	425,289	400,545
Treasury shares		(7,009)	-
Convertible Adjustable Rate Equity Securities (CARES)		252,165	252,165
Net unrealised gains reserve		6,353	-
Other reserves		4,900	762
Retained earnings		156,608	120,879
Parent interests		838,306	774,351
Minority interests		268	531
TOTAL SHAREHOLDERS' EQUITY		838,574	774,882

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Attributable to equity holders of the parent								Minority Interest	Total Equity
CONSOLIDATED	**Issued capital $000**	**Treasury Shares $000**	**CARES $000**	**Equity Based Payment Reserve $000**	**Retained Earnings $000**	**Net Unrealised Gains Reserve $000**	**Other Reserves $000**	**Total $000**	**$000**	**$000**
At 1 July 2004	121,870	-	-	145	114,024	-	-	236,039	-	236,039
Currency translation differences	-	-	-	-	-	-	(226)	(226)	-	(226)
Equity issue costs	(2,881)	-	(7,835)	-	-	-	-	(10,716)	-	(10,716)
Total expense for the year recognised directly in equity	(2,881)	-	(7,835)	-	-	-	(226)	(10,942)	-	(10,942)
Profit for the year	-	-	-	-	31,651	-	-	31,651	327	31,978
Total income/(expense) for the year	(2,881)	-	(7,835)	-	31,651	-	(226)	20,709	327	21,036
Minority interest relating to acquisition of subsidiary	-	-	-	-	-	-	-	-	204	204
Share placement	281,556	-	260,000	-	-	-	-	541,556	-	541,556
Equity dividends	-	-	-	-	(24,796)	-	-	(24,796)	-	(24,796)
Cost of share based payment	-	-	-	843	-	-	-	843	-	843
At 30 June 2005	400,545	-	252,165	988	120,879	-	(226)	774,351	531	774,882

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

	Attributable to equity holders of the parent								Minority Interest	Total Equity
CONSOLIDATED	Issued capital $000	Treasury Shares $000	CARES $000	Equity Based Payment Reserve $000	Retained Earnings $000	Net Unrealised Gains Reserve $000	Other Reserves $000	Total $000	$000	$000
At 1 July 2005	400,545	-	252,165	988	120,879	-	(226)	774,351	531	774,882
Adjustment on transition to AASB 132 and AASB 139, net of tax	-	-	-	-	-	(4,512)	-	(4,512)	-	(4,512)
At 1 July 2005, adjusted	400,545	-	252,165	988	120,879	(4,512)	(226)	769,839	531	770,370
Currency translation differences	-	-	-	-	-	-	2,145	2,145	-	2,145
Equity issue costs	(20)	-	-	-	-	-	-	(20)	-	(20)
Net gains on cash flow hedges (net of tax)	-	-	-	-	-	10,865	-	10,865	-	10,865
Total income/(expense) for the year recognised directly in equity	(20)	-	-	-	-	10,865	2,145	12,990	-	12,990
Profit for the year	-	-	-	-	87,590	-	-	87,590	46	87,636
Total income/(expense) for the year	(20)	-	-	-	87,590	10,865	2,145	100,580	46	100,626
Shares purchased for Executive Performance Share Plan	-	(7,009)	-	-	-	-	-	(7,009)	-	(7,009)
Net change in minority interest relating to disposal/acquisition of subsidiary	-	-	-	-	-	-	-	-	(309)	(309)
Equity dividends – issued capital	-	-	-	-	(24,764)	-	-	(24,764)	-	(24,764)
Equity dividends – cash	-	-	-	-	(12,953)	-	-	(12,953)	-	(12,953)
Equity dividends – CARES	-	-	-	-	(14,144)	-	-	(14,144)	-	(14,144)
Share placement	24,764	-	-	-	-	-	-	24,764	-	24,764
Cost of share based payment	-	-	-	1,993	-	-	-	1,993	-	1,993
At 30 June 2006	425,289	(7,009)	252,165	2,981	156,608	6,353	1,919	838,306	268	838,574

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated 2006 $000	2005 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,360,332	1,536,154
Payments to suppliers & employees		(2,100,138)	(1,323,033)
Income tax paid		(43,968)	(28,714)
Finance costs		(88,182)	(71,470)
Net cash flows from operating activities		128,044	112,937
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(101,455)	(61,688)
Interest received		10,787	971
Proceeds from sale of hospitals	3	557,117	-
Acquisition of subsidiaries, net of cash received	12	(466)	(965,436)
Deferred payment on purchase of subsidiary (Silver Circle)		-	(1,133)
Proceeds from sale of property, plant and equipment		275	1,989
Net cash flows from/ (used in) investing activities		466,258	(1,025,297)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	281,556
Issue costs paid – ordinary shares		-	(9,870)
Proceeds from issue of CARES		-	260,000
Issue costs paid – CARES		-	(7,835)
Dividends paid	(a)	(27,117)	(24,796)
Repayment of principal to Bondholders		(4,108)	-
Repayment of finance lease - principal		(2,434)	(6,320)
Proceeds from borrowings		-	976,159
Purchase of ordinary shares		7,009	-
Repayment of borrowings		(583,441)	(521,438)
Net cash flows (used in)/ from financing activities		(610,091)	947,456
Net (decrease)/increase in cash and cash equivalents		(15,789)	35,096
Decrease/(Increase) in restricted cash balances		6,996	(6,996)
Cash and cash equivalents at beginning of year		50,588	22,488
Cash and cash equivalents at end of year	6	41,795	50,588

(a) This does not include dividends paid under the Dividend Re-investment Plan (DRP). Refer to Note 6(b) for further information.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the year end financial information

The financial information 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 financial information 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 financial information be considered together with any public announcements made by Ramsay Health Care Limited and its controlled entities during the year ended 30 June 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

(b) Basis of accounting

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

(c) Statement of compliance

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

The comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation ('AASB 132') and AASB 139 Financial Instruments: Recognition and Measurement ('AASB 139'). The Group has adopted the exemption under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 2.

Comparatives for the year ended 30 June 2005, have been adjusted from the balances disclosed as the AIFRS 30 June 2005 balances in the Appendix 4D released in February 2006, on the finalisation of the Affinity acquisition accounting. The goodwill and the associated acquisition balance sheet were finalised prior to 14 April 2006.

The following amendments have no material impact or are not applicable to the Group:

AASB Amendment	Affected Standard(s)
2005-2	AASB 1023: *General Insurance Contracts*
2005-4	AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 1: *First-time adoption of AIFRS*, AASB 1023: *General Insurance Contracts* and AASB 1028: *Life Insurance Contracts*
2005-9	AASB 4: *Insurance Contracts*, AASB 1023: *General Insurance Contracts*, AASB 139: *Financial Instruments: Recognition and Measurement* and AASB 132: *Financial Instruments: Disclosure and Presentation*
2005-12	AASB 1038: *Life Insurance Contracts* and AASB 1023: *General Insurance Contracts*
2005-13	AAS 25: *Financial Reporting by Superannuation Plans*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Statement of compliance (Continued)

Except for the revised AASB 119 *Employee Benefits* (issued December 2005), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
2005-1	AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-5	AASB 1: *First-time adoption of AIFRS*, AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-6	AASB 3: *Business Combinations*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-10	AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 101: *Presentation of Financial Statements*, AASB 114: *Segment Reporting*, AASB 117: *Leases*, AASB 133: *Earnings per Share*, AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 1: *First-time adoption of AIFRS*, AASB 4: *Insurance Contracts*, AASB 1023: *General Insurance Contracts* and AASB 1038: *Life Insurance Contracts*	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
New standard	AASB 7 *Financial Instruments: Disclosures*	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007

*Application date is for the annual reporting periods beginning on or after the date shown in the above table.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Basis of consolidation

The consolidated financial information comprises the financial information of Ramsay Health Care Limited (‘the Company’) and its subsidiaries ('the Group') as at 30 June each year. The financial information 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.

In preparing the consolidated financial information, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully 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.

Sydney Central Coast Linen Service Pty Ltd has been included in the consolidated financial information 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 information includes the results of Sydney Central Coast Linen Service Pty Ltd for the 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 and the Indonesian entities, not held by the Group.

(e) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

(ii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte Carlo simulation model. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using a Monte Carlo simulation model taking into account the terms and conditions upon which the instruments were granted.

(iii) Medical malpractice provision

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

(f) Foreign currency translation

Both the functional and presentation currency of Ramsay Health Care Limited and its Australian subsidiaries is Australian dollars (A$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(f) Foreign currency translation (Continued)

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional 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 are 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 year. The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(g) Property, plant and equipment

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

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

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

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

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

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

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

Impairment losses are recognised in the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Property, plant and equipment (Continued)

(ii) Derecognition and disposal

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

(h) 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.

(i) Goodwill

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

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

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(j) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(j) Impairment of assets (Continued)

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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

(k) Investments and other financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006
Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each reporting period.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Available for Sale Assets
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Accounting policies applicable for the year ended 30 June 2005
Listed shares held for trading were carried at net market value. Changes in net market value were recognised as a revenue or expense in determining the net profit for the period.

All other non-current investments were carried at the lower of cost and recoverable amount.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Investments and other financial assets (Continued)

Recoverable amount
Non-current financial assets measured using the cost basis were not carried at an amount above their recoverable amount, and when a carrying value exceeded this recoverable amount, the financial asset was written down to its recoverable amount. In determining recoverable amount, the expected net cash flows were discounted to their present value using a market determined risk adjusted discount rate.

(l) Inventories

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

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

(m) Trade and other receivables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006
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 allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off to the income statement when identified.

Accounting policies applicable for the year ended 30 June 2005
Trade receivables, which generally have 15-30 day terms, were recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

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

(n) 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 and restricted cash.

(o) Interest-bearing loans and borrowings
The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest-bearing loans and borrowings applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in income statement when the liabilities are derecognised.

Accounting policies applicable for the year ended 30 June 2005
All loans were measured at the principal amount. Interest was recognised as an expense as it accrued.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(p) 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.

(q) 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 30 June 2006 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(r) 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 if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. 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. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(s) 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 the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership 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
The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest income applicable for the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Accounting policies applicable for the year ended 30 June 2005
Revenue is recognised when the Group's right to receive payment is established.

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

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

(t) Government grants
Government grants are recognised when 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(u) 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:

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

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

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

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

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

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

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

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

(v) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(v) Other taxes (Continued)
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.

(w) Derecognition of financial instruments
The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006
(i) Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Accounting policies applicable for the year ended 30 June 2005
(i) Financial assets
A financial asset was derecognised when the contractual right to receive or exchange cash no longer existed.

(ii) Financial liabilities
A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

(x) Derivative financial instruments and hedging
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 2006 and 30 June 2005.

Accounting policy applicable for the year ended 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 initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when the fair value is positive and as a liability when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the income statement in the period in which those gains or losses arose. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:
(i) Cash Flow Hedges
Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

Accounting policies applicable for the year ended 30 June 2005
Interest rate swaps
The Group enters into interest rate swap agreements that are used to convert the variable interest rate of its short-term borrowings to medium-term 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.

(y) Impairment of financial assets
The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(y) Impairment of financial assets (Continued)

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

Accounting policies applicable for the year ended 30 June 2005
Refer to note 1(j) for the impairment accounting policy.

(z) Interest in jointly controlled operations
The Group has interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operations.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(aa) Intangible assets (Continued)

A summary of the policy applied to the Group's intangible asset is as follows:

Operating Rights
Useful lives
Finite (2005: Finite)
Amortisation method used
Amortised over the period of the lease (2005: Amortised over the period of the lease).
Internally generated or acquired
Acquired
Impairment testing
When an indication of impairment exists. The amortisation method is reviewed at each financial year-end (2005: When an indication of impairment exists. The amortisation method is reviewed at each financial year-end).

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

(ab) Trade and other payables
The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006
Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Accounting policies applicable for the year ended 30 June 2005
Trade payables and other payables are carried at costs 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.

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

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

(iii) Defined contribution retirement benefit plans
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to State managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Groups' obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(ad) 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.

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

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

(ag) Earnings per share (EPS)
Basic EPS for profit is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity and CARES 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 of the parent, adjusted for:

- costs of servicing equity and CARES 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.

2. Impact of Adoption of AIFRS

The impact of adopting AIFRS on total equity, profit after tax and on the cash flow statements 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 June 2005 $000	1 July 2004 $000
Total equity under AGAAP	800,117	270,589
Adjustments to equity:		
Tax effect of revalued assets now recognised as a deferred tax liability (A)	(16,152)	(16,152)
Writeback of revaluation reserve (B)	(19,145)	(19,145)
Writeback of goodwill amortisation (C)	13,003	-
Non-recognition of restructuring provision (D)	(7,374)	-
Writeback of depreciation on assets held for re-sale (E)	1,931	-
Writeback of provision (F)	1,930	-
Other	572	747
Total equity under AIFRS	774,882	236,039

(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 of carrying amount less costs to sell.

(F) An equity provision raised in April 2005 was written back to equity on the finalisation of the Affinity acquisition accounting as it was no longer required. This adjustment would also be required under AGAAP.

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

	Year ended 30 June 2005 $000
Profit after tax as previously reported	30,398
Writeback of goodwill amortisation (A)	13,003
Non-recognition of restructuring provision (B)	(7,374)
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)
Tax impact of AIFRS	(5,590)
Other	862
Profit after tax under AIFRS	31,978

2. Impact of Adoption of AIFRS

(ii) Continued

(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.

(iii) 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.

3. DISCONTINUED OPERATIONS

(a) 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 sale of these hospitals was completed in November 2005.

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

	2005 $000
Assets	
Receivables	61,896
Property, plant & equipment	292,396
Other assets	22,166
Goodwill	208,833
	585,291
Liabilities	
Provisions	(50,691)
Other	(59,600)
	(110,291)
Net assets attributable to discontinued operations	475,000
Consideration received	
Cash	475,000
Total disposal consideration	475,000
Less net assets disposed of	(475,000)
Gain on disposal before income tax	-
Income tax expense	-
Gain on disposal after income tax	-

The proceeds on the sale equalled the book value of the related net assets and accordingly no impairment losses were recognised on the reclassification of these operations as held for sale.

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 30 June 2006	(97,507)
Reflected in cashflow statement	377,493

Economic completion of all hospitals has occurred. Legal completion of Melbourne Private (Melbourne Hospital Pty Limited) and Prince of Wales Private (POW Hospital Pty Ltd) has yet to complete.

3. DISCONTINUED OPERATIONS (CONTINUED)

(b) 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 was completed in June 2006.

The major classes of assets and liabilities for the 5 hospitals sold to BCN Group Pty Limited are as follows:

	2006 $000
Assets	
Trade receivables	12,121
Inventories	1,722
Other assets	321
Property, plant & equipment	43,222
Goodwill	39,299
	96,685
Liabilities	
Trade and other payables	(7,656)
Provisions	(8,537)
Other	(94)
	(16,287)
Net assets attributable to discontinued operations	80,398
Consideration received	
Cash	82,927
Total disposal consideration	82,927
Less net assets disposed of	(80,398)
Gain on disposal before income tax	2,529
Income tax expense	-
Gain on disposal after income tax	2,529

The proceeds on the sale exceeded the book value of the related net assets and accordingly no impairment losses were recognised on the reclassification of these operations as held for sale.

The net cash inflows on disposal of the 5 hospitals sold to BCN is as follows:

Cash and cash equivalents	82,927
Reflected in cashflow statement	82,927

In relation to the sale of one of the hospitals Ramsay Health Care Limited has entered into a guarantee in favour of Australian Unity. Ramsay Health Care Limited granted a guarantee and indemnity in favour of an unrelated third party, Australian Unity (‘Landlord’), the lessor of The Valley Private Hospital (‘Lessee’). Ramsay has guaranteed, amongst other things, the performance of the tenants' obligations under the lease. The guaranteed obligations include the payment of all sums of money payable by the Lessee and the Landlord and prompt performance of all obligations of the tenant. Ramsay has sold all of the shares in the lessee to an unrelated third party. Ramsay's obligations to guarantee the performance and payment of monies continue during the term of the lease. No liability is expected to arise.

3. DISCONTINUED OPERATIONS (CONTINUED)

(c) On 27 March 2006, Ramsay Health Care Limited announced it had entered into an agreement with Little Company of Mary Health Care to sell 3 of its hospitals in South Australia for $35 million. The sale of these hospitals was completed in May 2006.
The major classes of assets and liabilities for the 3 hospitals sold to Little Company of Mary Heath Care are as follows:

	2006 **$000**
Assets	
Trade receivables	9,685
Inventories	1,804
Other assets	5,753
Property, plant & equipment	17,805
Goodwill	17,169
	52,216
Liabilities	
Trade and other payables	(8,980)
Provisions	(6,111)
Other	(3,107)
	(18,198)
Net assets attributable to discontinued operations	34,018

Consideration received

Cash	34,500
Total disposal consideration	34,500
Less net assets disposed of	(34,018)
Gain on disposal before income tax	482
Income tax expense	-
Gain on disposal after income tax	482

The net cash inflows on disposal of the 3 hospitals sold to Little Company of Mary Health Care is as follows:

Cash and cash equivalents	34,500
Reflected in cashflow statement	34,500

3. DISCONTINUED OPERATIONS (CONTINUED)

(d) On 13 April 2006, Ramsay Health Care Limited announced it had entered into an agreement with Domain Aged Care Group, to sell its residential aged care business.
The major classes of assets and liabilities for the aged care facilities sold to Domain Aged Care Group are as follows:

	2006 $000
Assets	
Other assets	525
Property, plant & equipment	61,877
Goodwill	8,001
	70,403
Liabilities	
Trade and other payables	(1,068)
Provisions	(2,422)
Accommodation bonds	(12,800)
	(16,290)
Net assets attributable to discontinued operations	54,113

Consideration received	
Cash	53,944
Total disposal consideration	53,944
Less net assets disposed of	(54,113)
Loss on disposal before income tax	(169)
Income tax expense	-
Loss on disposal after income tax	(169)

The net cash inflows on disposal of the residential care business sold to the Domain Aged Care Group is as follows:

Cash and cash equivalents	53,944
Reflected in cashflow statement	53,944

3. DISCONTINUED OPERATIONS (CONTINUED)

(e) On 13 February 2006, Ramsay Health Care Limited sold Silver Circle to with Little Company of Mary Health Care for gross sale proceeds of approximately $8 million.

The major classes of assets and liabilities for Silver Circle sold to Little Company of Mary Health Care are as follows:

	2006 $000
Assets	
Debtors	4,400
Property, plant & equipment	756
Other	190
Goodwill	1,985
	7,331
Liabilities	
Trade and other payables	(1,291)
Provisions	(1,742)
Other	(59)
	(3,092)
Net assets attributable to discontinued operations	4,239
Consideration received	
Cash	8,253
Total disposal consideration	8,253
Less net assets disposed of	(4,239)
Profit on disposal before income tax	4,014
Income tax expense	-
Profit on disposal after income tax	4,014

The net cash inflows on disposal of the residential care business sold to the Little Company of Mary Health Care is as follows:

Cash and cash equivalents	8,253
Reflected in cashflow statement	8,253

(f) Property that is available for sale at 30 June 2006 has been written down to fair value as follows:

Property	5,332
Decrement in the value of non-current assets held for re-sale	(2,132)
Assets classified as held for sale	3,200

3. DISCONTINUED OPERATIONS (CONTINUED)

(g) The results of the discontinued operations for the year until disposal are presented below:

CONSOLIDATED - 2006

	14 hospitals sold to Healthscope $000	5 hospitals sold to BCN $000	3 hospitals sold to LCM $000	Aged Care $000	Silver Circle $000	Total $000
Revenue	180,198	95,274	79,578	18,046	19,052	392,148
Expenses	(159,560)	(91,750)	(80,549)	(16,637)	(18,742)	(367,238)
Gross profit/(loss)	20,638	3,524	(971)	1,409	310	24,910
Finance costs	(11,400)	(4,349)	(2,070)	(3,225)	(347)	(21,391)
Profit/(loss) before tax from discontinued operations	9,238	(825)	(3,041)	(1,816)	(37)	3,519
Income tax expense	(2,953)	264	972	581	12	(1,124)
Profit/(loss) for the year from discontinued operations	6,285	(561)	(2,069)	(1,235)	(25)	2,395
Profit attributable to minority interest	(488)	-	-	-	-	(488)
Profit/(loss) for the year from discontinued operations attributable to members of the parent	5,797	(561)	(2,069)	(1,235)	(25)	1,907

CONSOLIDATED - 2005

	14 hospitals sold to Healthscope $000	5 hospitals sold to BCN $000	3 hospitals sold to LCM $000	Aged Care $000	Silver Circle $000	Total $000
Revenue	116,075	68,269	84,914	5,518	24,049	298,825
Expenses	(101,633)	(65,682)	(83,417)	(5,015)	(23,585)	(279,332)
Gross profit	14,442	2,587	1,497	503	464	19,493
Finance costs	(5,740)	(2,611)	(2,501)	(974)	(598)	(12,424)
Profit/(loss) before tax from discontinued operations	8,702	(24)	(1,004)	(471)	(134)	7,069
Income tax expense	(2,738)	8	316	148	42	(2,224)
Profit/(loss) for the year from discontinued operations attributable to members of the parent	5,964	(16)	(688)	(323)	(92)	4,845

	As at 30/06/2006 $000	**As at 30/06/2005 $000**
Earnings per share (cents per share):		
Basic from discontinued operation	1.1	3.5
Diluted from discontinued operation	1.1	3.5

	As at 30/06/2006 $000	As at 30/06/2005 $000
4. DIVIDENDS PAID OR PROVIDED FOR		
(a) Dividend on ordinary shares paid during the year:		
Interim dividend paid		
- Franked dividends – ordinary (10.5 cents per share) (2005: 8.5 cents)	18,115	11,902
(b) Dividends on ordinary shares proposed and not recognised as a liability:		
Final dividend proposed		
- Franked dividends – ordinary (13.5 cents per share) (2005: 11.5 cents)	23,362	19,602
(c) Dividends on CARES paid during the year	14,144	-

The tax rate at which paid dividends have been franked is 30% (2005: 30%). 100% of the proposed dividends will be franked at the rate of 30% (2005: 30%).

5. OTHER FINANCIAL ASSETS

Once approval is obtained from the relevant State Government agencies in Victoria and NSW 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.	97,507	-

6. STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

Cash balances comprise:		
Cash at bank	41,795	57,584
Restricted cash balances	-	(6,996)
	41,795	50,588

(b) Non-cash Financing and Investing Activities – Dividend Reinvestment Plan

Under the terms of the dividend reinvestment plan (‘the plan’) $24,764,000 of dividends were paid via the issue of 2,670,685 shares. This plan was subsequently suspended by the Directors.

7. SEGMENT INFORMATION

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

8. CONTRIBUTED EQUITY

	Number of shares	$000
Movements in share issue		
Balance at 30 June 2005	170,378,468	400,545
Issued during the year		
- Share Placement (DRP)	2,670,685	24,764
Less: Issue costs	-	(20)
Balance at 30 June 2006	173,049,153	425,289

9. EARNINGS PER SHARE

	As at 30/06/06 $000	As at 30/06/05 $000
Net profit for the year attributable to the members of the parent	87,590	31,651
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(14,144)	-
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	73,446	31,651
Less: Profit from discontinued operations	(1,907)	(4,845)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	71,539	26,806
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	171,875,372	138,826,061
Earnings per share (cents per share)		
- basic and diluted for profit (after CARES dividend) for the year	42.7	22.8
- basic and diluted earnings for profit (after CARES dividend) from continuing operations	41.6	19.3

10. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets, other than disclosed in note 3(b).

11. IMPACT OF ADOPTING AASB 132 AND AASB 139

The Group elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below is the are impacted upon adoption of AASB 132 and AASB 139, including the financial impact to equity and profit.

Interest rate swaps
AIFRS
For interest rate swaps that are designated as cash flow hedges under AASB 139, the effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

Previous accounting policy under AGAAP
Interest rate swaps were not recognised on balance sheet. Net receipts and payments were recognized as an adjustment to interest expense in the period in which they were incurred.

Impact as at 1 July 2005
Recognition of a derivative payable of $6,445,000, recognition of a deferred tax asset of $1,933,000 and a decrease to the cash flow hedge reserve of $4,512,000.

12. STATEMENT OF CASHFLOWS

(a) Acquisition of Benchmark Healthcare Group – July 2004

In July 2004 Ramsay Health Care Ltd acquired all the shares in Benchmark Healthcare Group. The acquisition was funded by debt and cash reserves.

Benchmark operated and managed 10 hospitals in Victoria and South Australia, comprising 980 hospital beds and 68 aged care beds. The Group had annual revenue of approximately $200 million.

Of the 9 hospitals operated by Benchmark, four were owned outright and five are leased. One hospital was managed under a management contract whereby the owner retained full operator risk.

The components of the acquisition were:

	2005 $'000
CONSIDERATION	
-Cash Paid	122,334
Net Assets of Benchmark Healthcare Ltd at 1 July 2004	
CURRENT ASSETS	
Cash Assets	2,237
Receivables	17,154
Inventories	4,240
Other	8,348
NON-CURRENT ASSETS	
Property,plant and equipment	58,634
Deferred tax assets	6,671
CURRENT LIABILITIES	
Payables	(28,485)
Interest bearing liabilities	(2,431)
Provisions	(17,419)
NON-CURRENT LIABILITIES	
Payables	-
Interest bearing liabilities	(4,969)
Provisions	(6,975)
Deferred tax liabilities	(1,443)
FAIR VALUE OF NET TANGIBLE ASSETS	35,562
GOODWILL ARISING ON ACQUISITION	
Consideration paid	122,334
less: Fair Value of Net Tangible Assets	(35,562)
Goodwill arising on acquisition	86,772
Net Cash Effect:	
-Cash consideration paid	122,334
-Cash included in net assets acquired	(2,237)
Cash paid for purchase of controlled entity	120,097
Deposit paid in June 2005	(13,478)
Reflected in cashflow statement	106,619

12. STATEMENT OF CASHFLOWS (CONTINUED)

(b) Acquisition of Gracedale Private Nursing Home – March 2005

Acquisition of Controlled Entity in Current Year

In March 2005, Ramsay Health Care acquired Gracedale Private Nursing Home for an outlay of $9.8 million. Gracedale has 75 beds. Gracedale has annual revenue of approximately $5 million. Ramsay Health Care funded the acquisitions using existing cash reserves and credit facilities.

The components of the acquisition were:

	2005 $'000
CONSIDERATION	
- Cash paid	9,802
Net Assets of Gracedale Private Nursing Home at 1 March 2005	
CURRENT ASSETS	
- Prepayments	6
NON-CURRENT ASSETS	
- Property, plant, equipment and bed licences	11,878
CURRENT LIABILITIES	
- Provisions	(1,150)
NON-CURRENT LIABILITIES	
- Provisions	(168)
- Accommodation bonds	(3,680)
FAIR VALUE OF NET TANGIBLE ASSETS	6,886
GOODWILL ARISING ON ACQUISITION	
Consideration paid	9,802
less: Fair Value of Net Tangible Assets	(6,886)
Goodwill arising on acquisition	2,916
NET CASH EFFECT	
- Consideration paid	9,802

12. STATEMENT OF CASHFLOWS (CONTINUED)

(c) Acquisition of Four Aged Care Facilities from Ellis Aged Care – April 2005

In April 2005, Ramsay Health Care acquired four aged care facilities in Victoria from Ellis Aged Care for an outlay of $38.5 million.

The facilities purchased included Bairnsdale Aged Care Facility, Lakeview Aged Care Facility (Lakes Entrance), Paynesville Aged Care Facility and Sale Aged Care Facility, which together has a total of 331 high care and low care places. The Ellis facilities had annual revenue of approximately $15 million.

Ramsay Health Care funded the acquisitions using existing cash reserves and credit facilities.

These facilities were divested by 30 June 2006.

The components of the acquisition were:

	2005 $'000
CONSIDERATION	
- Cash paid	38,457
Net Assets of four Private Nursing Homes at 1 April 2005	
CURRENT ASSETS	
- Prepayments	36
NON-CURRENT ASSETS	
- Property, plant, equipment and bed licences	47,000
CURRENT LIABILITIES	
- Provisions	(463)
NON-CURRENT LIABILITIES	
- Provisions	(4,159)
- Accommodation bonds	(7,310)
FAIR VALUE OF NET TANGIBLE ASSETS	35,104
GOODWILL ARISING ON ACQUISITION	
Consideration paid	38,457
less: Fair Value of Net Tangible Assets	(35,104)
Goodwill arising on acquisition	3,353
NET CASH EFFECT	
- Consideration paid	38,457
Cash paid for purchase of 100% of the assets of four Private Nursing Homes as reflected in the cosolidated financial report	38,457

12. STATEMENT OF CASHFLOWS (CONTINUED)

(d) Acquisition of Murray Valley Private Hospital – February 2005

In February 2005, Ramsay Health Care acquired Murray Valley Private Hospital for an outlay of $1.9 million.

Murray Valley Private Hospital was a 30 bed medical-surgical hospital geographically located on the Wodonga side of the border in Victoria. The hospital is in close proximity to existing Ramsay Health Care facility allowing for enhancement of service provision. Murray Valley Private Hospital had annual revenue of approximately $5 million.

The components of the acquisition were:

	2005 $'000
CONSIDERATION	
- Cash paid	1,926
Net Assets of Murray Valley Private Hospital at 6 February 2005	
CURRENT ASSETS	
- Prepayments	20
- Inventory	20
NON-CURRENT ASSETS	
- Property plant and equipment	2,409
CURRENT LIABILITIES	
- Provisions	(197)
NON-CURRENT LIABILITIES	
- Provisions	(453)
FAIR VALUE OF NET TANGIBLE ASSETS	1,799
GOODWILL ARISING ON ACQUISITION	
Consideration paid	1,926
less: Fair Value of Net Tangible Assets	(1,799)
Goodwill arising on acquisition	127
NET CASH EFFECT	
- Consideration paid	1,926
Cash paid for purchase of 100% of the assets of Murray Valley Private Hospital as reflected in the cosolidated financial report	1,926

12. STATEMENT OF CASHFLOWS (CONTINUED)

(e) Acquisition of Rockingham Family Hospital – March 2005

In March 2005, Ramsay Health Care acquired Rockingham Family Hospital for an outlay of $1.5 million.

Rockingham Family Hospital was a 45 bed acute medical-surgical and maternity hospital. It is in close proximity to an existing Ramsay Health Care facility allowing for enhancement of service provision. Rockingham Family Hospital had annual revenue of approximately $5 million.

The components of the acquisition were:

	2005 **$'000**
CONSIDERATION	
- Cash paid	1,089
- Retained in trust account	400
	1,489
Net Assets of Rockingham Family Hospital at 2 March 2005	
CURRENT ASSETS	
- Prepayments	36
- Inventory	270
NON-CURRENT ASSETS	
- Property plant and equipment	1,728
CURRENT LIABILITIES	
- Provisions	(336)
- Creditors	(5)
NON-CURRENT LIABILITIES	
- Provisions	(204)
Fair value of net tangible assets	1,489
Net cash effect	
- Consideration paid	1,489
Cash paid for purchase of 100% of the assets of Rockingham Family Hospital as reflected in the cosolidated financial report	1,489

12. STATEMENT OF CASHFLOWS (CONTINUED)

(f) Acquisition of Affinity Holdings SARL – April 2005

In April 2005 Ramsay Health Care Ltd acquired Affinity Holdings SARL for an Enterprise Value of approximately $1.4 billion.

The acquisition was funded through an institutional placement, a 1-for-9 Accelerated Renounceable Entitlement Offer of shares to Ramsay shareholders, a preference share offer of Convertible Adjustable Rate Equity Securities and bank debt.

Affinity operated 48 hospitals across metropolitan and regional Australia and 3 hospitals in Indonesia. Affinity had annual revenue of approximately $1.3 billion.

The components of the acquisition are:

	2005
Net Assets of Affinity Holdings SARL at 14 April 2005	$'000
CURRENT ASSETS	
Cash Assets	69,974
Receivables	193,097
Inventories	29,438
Other	8,813
NON-CURRENT ASSETS	
Other financial assets	2,307
Intangibles	28,600
Property,plant and equipment	814,791
Deferred tax assets	67,239
Other	38,372
CURRENT LIABILITIES	
Payables	(174,389)
Interest bearing liabilities	(44,679)
Current tax liabilities	(1,291)
Provisions	(90,296)
NON-CURRENT LIABILITIES	
Payables	-
Interest bearing liabilities	(602,548)
Provisions	(139,488)
Deferred tax liabilities	(37,409)
OUTSIDE EQUITY INTEREST	(366)
FAIR VALUE OF NET TANGIBLE ASSETS	162,165
GOODWILL ARISING ON ACQUISITION	
Consideration paid	875,632
less: Fair Value of Net Tangible Assets	(162,165)
Goodwill arising on acquisition	713,467
Net Cash Effect:	
-Cash consideration paid	875,632
-Cash included in net assets acquired	(69,974)
Cash paid for purchase of controlled entity as reflected in the consolidated financial report	805,658

12. STATEMENT OF CASHFLOWS (CONTINUED)

(g) Acquisition of Home Care Services (HCS) – April 2005

In April 2005, Ramsay Health Care acquired Home Care Services (HCS), a residential homecare business operating in Adelaide, through it's subsidiary Glad Pty Limited for an outlay of $1.5 million.

HCS operates one of the largest commercial home care businesses in South Australia. Established over 12 years ago, it has grown to have offices in Adelaide, Victor Harbour, Port Augusta and Tiwi Islands. HCS has annual revenue of approximately $8 million.

The components of the acquisition were:

	2005 $ 000
Consideration	
- Cash paid	1,485
Net Assets of HCS at 22 April 2005	
CURRENT ASSETS	
- Prepayments	3
- Inventory	
NON-CURRENT ASSETS	
- Property plant and equipment	9
CURRENT LIABILITIES	
- Provisions	(361)
NON-CURRENT LIABILITIES	
- Provisions	(89)
FAIR VALUE OF NET TANGIBLE (LIABILITIES)	(438)
GOODWILL ARISING ON ACQUISITION	
Consideration paid	1,485
add: Fair Value of Net Tangible Liabilities	438
Goodwill arising on acquisition	1,923
Net cash effect	
- Consideration paid	1,485
Cash paid for purchase of 100% of the assets of HCS as reflected in the cosolidated financial report	1,485

SECTION 3

ANALYST INFORMATION

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2006

ANALYST INFORMATION

1) Earnings per Share

	As at 30/06/06 $000	As at 30/06/05 $000
Net profit for the year attributable to the members of the parent	87,590	31,651
Less: dividend paid on Convertibles Adjustable Rate Equity Securities (CARES)	(14,144)	-
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	73,446	31,651
Less: Profit from discontinued operations	(1,907)	(4,845)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	71,539	26,806
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	171,875,372	138,826,061
Earnings per share (cents per share)		
- basic and diluted for profit (after CARES dividend) for the year	42.7	22.8
- basic and diluted earnings for profit (after CARES dividend) from continuing operations	41.6	19.3

2) Dividends

Dividends – Ordinary Shares	Amount per security	Franked amount per security
Current year		
- Interim dividend	10.5¢	10.5¢
- Final proposed dividend	13.5¢	13.5¢
Total dividend	24.0¢	24.0¢
Previous corresponding year		
- Interim dividend	8.5¢	8.5¢
- Final dividend	11.5¢	11.5¢
Total dividend	20.0¢	20.0¢
Record date for determining entitlements to the ordinary dividend	29 September 2006	
Date the current year ordinary dividend is payable	13 October 2006	

Convertible Adjustable Rate Equity Securities ('CARES') Dividends	
Record date for determining entitlements to the CARES dividend	6 October 2006
Date the current year CARES dividend is payable	20 October 2006

The final proposed dividend will be franked at the rate of 30% (2005: 30 %)

ANALYST INFORMATION

3) NTA backing

	30/06/2006	30/06/2005
Net tangible asset backing per ordinary share	$1.52	$0.93

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.