RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

RAMSAY HEALTH CARE LIMITED

INDEX

SECTION 1

RESULTS FOR ANNOUNCEMENT

TO THE MARKET

RAMSAY HEALTH CARE LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.1 HIGHLIGHTS OF RESULTS

	% increase/ (decrease)	2006 $'000	2005 $'000
Revenue and other income from continuing operations	7.3%	1,061,307	988,679
Profit from continuing operations before income tax	47.3%	80,807	54,853
Profit from continuing operations after tax attributable to members	47.1%	54,659	37,147
Profit from discontinued operations after tax	(97.3%)	114	4,204
Net profit for the period attributable to members *	32.4%	54,754	41,351

*: The term members is inclusive of the CARES shareholders

Dividends – Ordinary Shares	**Amount per security**	**Franked amount per security**
Current year - Interim dividend	13.0c	13.0c
Previous corresponding period - Interim dividend	10.5c	10.5c
Record date for determining entitlements to the interim dividend	30 March 2007	
Date the interim current year dividend is payable	12 April 2007	

The results are for the 6 months ended 31 December 2006. The comparative results are for the 6 month period ended 31 December 2005.

1.2 COMMENTARY ON RESULTS.

Commentary on results follows

ASX ANNOUNCEMENT

26 February 2007

RAMSAY HEALTH CARE ANNOUNCES 22% RISE IN CORE NET PROFIT

Financial Highlights

- Core net profit after tax up 22% to $56.0 million
- Core EPS after preference dividend up 21% to 27.9 cents
- Basic EPS up 33% to 27.2 cents
- Revenue up 7% to $1.06 billion
- EBIT up 10% to $108.2 million
- Net profit after tax up 32% to $54.8 million
- Interim dividend 13.0 cents, fully franked, up 24%

Overview

Australia's largest private hospital operator Ramsay Health Care today announced a 22% increase in core net profit after tax from continuing operations (before specific items and amortisation of intangibles) to $56.0 million for the six months to 31 December 2006, up from $45.7 million in the previously corresponding half year.

The core net profit translates into core earnings per share (EPS) of 27.9 cents for the half year, a 21% increase on the 23.0 cents recorded in the previous corresponding period. Basic EPS rose 33% to 27.2 cents per share.

Net profit after tax, specific items, amortisation of intangibles and divested operations was 32% higher at $54.8 million.

Directors have declared a fully franked interim dividend of 13.0 cents per share, up 24% from 10.5 cents paid in the previous corresponding half year.

Ramsay Managing Director Pat Grier said the six month result was pleasing, as the profit growth had been achieved over the strong result recorded for the previous corresponding first half, which included the first six month contribution from the Affinity acquisition.

“During the half year, we continued to realise the synergies we said we would achieve from the Affinity acquisition. In addition, we achieved solid organic growth across most of the portfolio.

“There were two one-off factors which had an adverse impact on the half year results. The recovery from private health insurers of the significant nurses wage increases in Queensland is not fully reflected in this six month result due to the lag in the recovery of the increased reimbursement rates.

“In addition and as previously foreshadowed, the transition of our veterans’ hospitals (Greenslopes in Brisbane and Hollywood in Perth) to private patients has resulted in slower profit growth at these hospitals.

“The above factors combined have had a dilutionary effect on organic growth.

“We have been planning for the transition from the exclusive DVA contracts to private patients at Greenslopes and Hollywoods for some time and this transition has gone far better than we had initially expected. We expect there to be limited impact from this transition after this financial year.

“Overall, we are pleased with the underlying performance and results of our hospitals in the first half and are well placed to achieve our financial and operational targets for the full 2007 financial year.”

Performances at both the Ramsay hospitals and the former Affinity hospitals, acquired in April 2005, were pleasing and the integration of Affinity remained well on track.

Ramsay expects to achieve the pre-tax cost and revenue synergies targeted at the time of the Affinity acquisition.

Capital Management and Cashflow

At the time of the Affinity acquisition, the leverage ratio (Net Debt/EBITDA) was approximately five times. Since the acquisition, the leverage ratio has improved to under three times at 31 December 2006. The faster-than-expected reduction in debt levels provides Ramsay with greater financial flexibility to pursue and realise growth opportunities.

The interest cover ratio (measured on a rolling 12 months basis) improved from 4.3 times at 30 June 2006 to 4.9 times at 31 December 2006.

Operating cash flow in the first half of the 2007 financial year was adversely impacted by the one-off replacement of ‘DVA receivables’ with ‘private patient receivables’ on less favourable payment terms. Protracted Health Fund negotiations also delayed billings and consequently slowed collections. During January and February 2007, cash collections have been trending back to their normal target levels.

Operational highlights

Group EBIT increased 10% in the half year to $108.2 million. At the hospital level, EBIT growth at the former Affinity hospitals rose 7%, while EBIT growth at Ramsay hospitals was 3%, reflecting the transitional arrangements at Greenslopes and Hollywood outlined above.

The Group EBIT margin improved to 10.2% from 10.0% for the previous corresponding period, reflecting ongoing cost containment and the realisation of synergies from the integration of Affinity.

Planned Capacity Expansion

Ramsay has advised previously that it has financial capacity to invest at least $400 million in enhancements and capacity expansion of its hospital portfolio.

As part of this plan, Ramsay has identified locations where it would seek to develop large multi-service hospitals to attract increased referrals in major metropolitan areas as part of its brownfields capacity expansion program.

These locations include Brisbane (Greenslopes), Gold Coast (Pindara, John Flynn), Sydney (North Shore, Westmead, St George Private Hospitals), Melbourne (Warringal, Frances Perry) and Perth (Hollywood, Joondalup).

Ramsay is targeting a return on investment of 15% on this brownfields expansion in two to three years after construction is completed.

The investment in brownfields expansion is expected to start enhancing profit growth gradually from the 2008 financial year onwards.

Many of the brownfield projects identified are progressing through the planning phase.

Of the major sites:

- Westmead is progressing following DA approval for expansion of the operating theatres. Building is expected to commence in the second quarter of calendar 2007.
- Additional land has been purchased adjacent to St George Private which allows for significant future development. An additional operating theatre and day surgery capacity has been added. This is part of a much larger expansion plan which is well advanced.
- Hollywood’s major development, approved last year for $128.5 million, has commenced and is progressing well.
- John Flynn has now completed adding additional consulting suite capacity and is well advanced with plans for future operating capacity expansion.

- Greenslopes has completed the addition of four operating theatres and is well progressed on the development of substantial consulting suite capacity and upgrade of accommodation.
- Additional land has been purchased adjacent to Warringal to allow for expansion.
- At Joondalup, negotiations are well advanced with the Western Australian Government for expansion of both the public and private hospitals on the Joondalup campus.

Outlook

Based on the first half results, Ramsay is on track to achieve full year growth in core EPS of 15% to 20% targeted at the start of the 2007 financial year.

Ramsay's investment in brownfields development, which has been a strong contributor to the company's profitable growth over the past few years, is expected to provide the next phase of growth on top of the Affinity contribution from the 2008 financial year onwards.

Now that the benefits of the Affinity acquisition are being realised and the brownfields expansion programme is through the planning phase and being rolled out, Ramsay is now in a position to pursue further growth opportunities.

Ramsay continues to explore potential acquisitions of hospitals within Australia where it is not facing competition issues and hospital acquisitions outside Australia, as well as other areas of health care close to core management competency.

Contacts:

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Managing Director
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Summary of Financial Performance

	Half Year ended 31 December $000's		
	2006	**2005**	**%**
Continuing Operations			
Operating Revenue	1,055,614	983,455	7%
EBITDA	138,210	127,464	8%
EBIT	108,159	98,505	10%
Core Net Profit after tax - continuing operations	**55,958**	**45,735**	**22%**
Net Profit after tax – divested operations	114	4206	
Specific Items and amortisation of intangibles (net of tax)	(1,319)	(8,589)	
Net Profit after tax	54,753	41,351	32%
Basic EPS (cents per share)	**27.2¢**	**20.4¢**	**33%**
Interim dividend (cents per share) fully franked	13.0¢	10.5¢	24%

Earnings per Share (cents per share)	**2006**	**2005**	**%**
Core EPS – continuing operations	**27.9¢**	**23.0¢**	**21%**
Basic EPS	27.2¢	20.4¢	33%

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

SECTION 2

FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED

31 DECEMBER 2006

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

APPENDIX 4D

FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

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DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2006.

DIRECTORS

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

Names

P.J. Ramsay AO – Non-Executive Chairman
M.S. Siddle – Non-Executive Deputy Chairman
I.P.S. Grier - Managing Director
B.R. Soden - Finance Director
A.J. Clark AM – Non-Executive Director
P.J. Evans - Non-Executive Director
R.H. McGeoch AM - Non-Executive Director
K.C.D. Roxburgh - Non-Executive Director

REVIEW OF OPERATIONS

Net profit after tax from continuing operations (before specific items and amortisation of intangibles) increased to $56.0 million for the six months to 31 December 2006, up from $45.7 million in the previous corresponding half year. Performances at both the Ramsay hospitals and the former Affinity hospitals, acquired in April 2005, were pleasing and the integration of Affinity remained well on track. The Group EBIT margin improved to 10.2% from 10.0% for the previous corresponding period, reflecting ongoing cost containment and the realisation of synergies from the integration of Affinity. Ramsay expects to achieve the pre-tax cost and revenue synergies targeted at the time of the Affinity acquisition.

Net profit after tax, specific items, amortisation of intangibles and divested operations was 32% higher at $54.8 million (31 December 2005: $41.4 million). This translated to an increase in basic EPS which rose 33% to 27.2 cents per share (31 December 2005: 20.4 cents per share).

Directors have declared a fully franked interim dividend of 13.0 cents per share, up 24% from 10.5 cents paid in the previous corresponding half year.

AUDITORS' INDEPENDENCE DECLARATION

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

DIRECTORS' REPORT (CONTINUED)

ROUNDING

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

Signed in accordance with a resolution of the directors.

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

Sydney, 26 February 2007

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Auditor's Independence Declaration to the Directors of Ramsay Health Care Australia Pty Limited and Controlled Entities

In relation to our review of the financial report of Ramsay Health Care Australia Pty Limited and Controlled Entities for the financial half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Neil Wykes
Partner
Sydney
26 February 2007

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated 2006 $000	2005 $000
Continuing operations			
Revenue and other income			
Revenue from services		1,055,614	983,440
Interest income		5,693	5,224
Other income		-	15
Total revenue and other income		**1,061,307**	**988,679**
Employee benefits costs		(554,608)	(516,196)
Occupancy costs		(43,757)	(43,117)
Service costs		(39,880)	(38,275)
Medical consumables and supplies		(279,160)	(258,402)
Depreciation and amortisation		(30,801)	(29,709)
Total expenses, excluding finance costs		**(948,206)**	**(885,699)**
Profit from continuing operations before tax, specific items and finance costs		**113,101**	**102,980**
Finance costs		(31,481)	(36,926)
Specific items			
Borrowing costs associated with divestment hospitals		-	(2,602)
One-off net insurance expense to reduce "Incurred But Not Reported" liability		-	(4,227)
Restructuring and integration costs - Affinity		(813)	(4,372)
Profit before income tax		**80,807**	**54,853**
Income tax expense		(26,148)	(17,706)
Profit after tax from continuing operations		**54,659**	**37,147**
Discontinued operations			
Profit after tax from discontinued operations	3	114	4,204
Net profit for the period		**54,773**	**41,351**
Profit attributable to minority interests		(19)	-
Net profit attributable to members of the parent		**54,754**	**41,351**
Earnings per share (cents per share)			
- basic and diluted for profit (after CARES dividend) for the half-year	10	27.2	20.4
- basic and diluted for profit (after CARES dividend) from continuing operations	10	27.1	18.0
Franked dividends paid per share (cents per share)	4	13.5	11.5

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	Consolidated As at 31/12/2006 $000	Consolidated As at 30/06/2006 $000
ASSETS			
Current Assets			
Cash and cash equivalents		38,681	41,795
Trade receivables		259,869	201,021
Inventories		38,972	37,365
Derivatives		7,665	2,711
Other financial asset	5	-	97,507
Other current assets		49,386	40,928
		394,573	421,327
Non-current assets classified as held for sale	3	3,200	3,200
Total Current Assets		397,773	424,527
Non-current Assets			
Other financial assets		1,956	1,983
Property, plant & equipment		1,108,046	1,077,126
Goodwill and intangible assets	7	565,820	565,036
Deferred income tax asset		86,095	87,224
Non-current receivables		34,037	35,173
Total Non-current Assets		1,795,954	1,766,542
TOTAL ASSETS		2,193,727	2,191,069
LIABILITIES			
Current Liabilities			
Trade and other payables		273,325	280,559
Interest-bearing loans and borrowings		8,433	16,156
Provisions		94,594	92,060
Income tax payable		12,346	3,017
Total Current Liabilities		388,698	391,792
Non-current Liabilities			
Interest-bearing loans and borrowings		786,284	815,008
Provisions		76,648	69,718
Deferred income tax liabilities		77,096	75,977
Total Non-current Liabilities		940,028	960,703
TOTAL LIABILITIES		1,328,726	1,352,495
NET ASSETS		865,001	838,574
EQUITY			
Issued capital	9	425,289	425,289
Treasury shares		(7,009)	(7,009)
Convertible adjustable rate equity securities (CARES)		252,165	252,165
Net unrealised gains reserve		9,123	6,353
Other reserves		5,028	4,900
Retained profits		180,118	156,608
Parent interests		864,714	838,306
Minority interests		287	268
TOTAL SHAREHOLDERS' EQUITY		865,001	838,574

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated 2006 $000	2005 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		999,033	1,296,739
Payments to suppliers & employees		(932,086)	(1,159,123)
Income tax paid		(16,787)	(18,715)
Finance costs		(31,482)	(52,192)
Net cash flows from operating activities		18,678	66,709
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(59,641)	(32,377)
Interest received		5,693	6,930
Proceeds from sale of hospitals		3,190	225,480
Acquisition of subsidiary, net of cash received		(3,980)	(466)
Proceeds from sale of property, plant and equipment		-	163
Net cash flows (used in) /from investing activities		(54,738)	199,730
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(31,244)	(6,382)
Repayment of principal to Bondholders		(1,105)	(4,335)
Repayment of finance lease - principal		(1,262)	(919)
Proceeds from borrowings		66,557	-
Purchase of ordinary shares		-	(1,001)
Repayment of borrowings		-	(235,045)
Net cash flows from/(used in) financing activities		32,946	(247,682)
Net (decrease)/increase in cash and cash equivalents		(3,114)	18,757
Cash and cash equivalents at beginning of period		41,795	57,584
Cash and cash equivalents at end of period	6	38,681	76,341

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 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
STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Attributable to equity holders of the parent								Minority Interest	Total Equity
CONSOLIDATED	**Issued capital $000**	**Treasury Shares $000**	**Convertible Preference Shares - CARES $000**	**Equity Based Payment Reserve $000**	**Retained Earnings $000**	**Net Unrealised Gains Reserve $000**	**Other Reserves $000**	**Total $000**	**$000**	**$000**
At 1 July 2006	425,289	(7,009)	252,165	2,981	156,608	6,353	1,919	838,306	268	838,574
Currency translation differences	-	-	-	-	-	-	(878)	(878)	-	(878)
Net gains on cash flow hedges	-	-	-	-	-	2,770		2,770	-	2,770
Total income/(expense) for the period recognised directly in equity	-	-	-	-	-	2,770	(878)	1,892	-	1,892
Profit for the period	-	-	-	-	54,754	-	-	54,754	19	54,773
Total income/(expense) for the period	-	-	-	-	54,754	2,770	(878)	56,646	19	56,665
Cash dividends – issued capital	-	-	-	-	(23,360)	-	-	(23,360)	-	(23,360)
Cash dividends – CARES	-	-	-	-	(7,884)	-	-	(7,884)	-	(7,884)
Cost of share based payment	-	-	-	1,006	-	-	-	1,006	-	1,006
At 31 December 2006	425,289	(7,009)	252,165	3,987	180,118	9,123	1,041	864,714	287	865,001

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2006

1. CORPORATE INFORMATION

The financial report of Ramsay Health Care Limited and controlled entities (the "Group") for the half year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on the 26 February 2007.

Ramsay Health Care Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of operations of the Group is described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. It does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Ramsay Health Care Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Ramsay Health Care Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

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

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) Significant accounting policies

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation

The half year consolidated financial statements comprises the financial information of Ramsay Health Care Limited (‘the Company’) and its subsidiaries ('the Group') as at 31 December 2006. The financial information of subsidiaries are prepared for the same reporting period as the 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.

Hastings Day Surgery 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 Hastings Day Surgery for the period from its acquisition on 1 December 2006. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

The goodwill calculated on the acquisition of Hastings Day Surgery was provisional as at 31 December 2006. It will be finalised in the second half of the financial year.

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

(d) 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 actuarial calculation is performed at each reporting period.

3. DISCONTINUED OPERATIONS

	$000
(a) Property classified as available for sale at 31 December 2006 and at 30 June 2006 – written down to fair value	3,200

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

CONSOLIDATED – FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	Casey Gardens	Coastal (i)	Total
	$000	$000	$000
Revenue	47	1,195	1,242
Expenses	(171)	(1,570)	(1,741)
Gross loss	**(124)**	**(375)**	**(499)**
Gain on disposal	-	666	666
Finance costs	-	(1)	(1)
(Loss)/Profit before tax from discontinued operations	**(124)**	**290**	**166**
Income tax benefit/(expense)	39	(91)	(52)
(Loss)/Profit for the period from discontinued operations attributable to members of the parent	**(85)**	**199**	**114**

Operating cashflows on discontinued operations approximate the gross loss in relation to the entity.

CONSOLIDATED – FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	14 hospitals sold to Healthscope (c)	5 hospitals sold to BCN (d)	3 hospitals sold to LCM (e)	Aged Care (f)	Silver Circle (g)	Other (h)	Total
	$000	$000	$000	$000	$000	$000	$000
Revenue	180,173	63,159	45,099	10,450	14,915	3,205	317,001
Expenses	(159,327)	(60,372)	(44,388)	(9,661)	(14,620)	(3,650)	(292,018)
Gross profit/(loss)	**20,846**	**2,787**	**711**	**789**	**295**	**(445)**	**24,983**
Finance costs	(11,366)	(3,153)	(1,339)	(1,935)	(267)	(60)	(18,120)
Profit/(loss) before tax from discontinued operations	**9,480**	**(366)**	**(628)**	**(1,146)**	**28**	**(505)**	**6,863**
Income tax (expense)/benefit	(3,004)	117	201	367	(9)	160	(2,168)
Profit/(loss) for the period from discontinued operations	**6,476**	**(249)**	**(427)**	**(779)**	**19**	**(345)**	**4,695**
Profit attributable to minority interest	(491)	-	-	-	-	-	(491)
Profit/(Loss) for the period from discontinued operations attributable to members of the parent	**5,985**	**(249)**	**(427)**	**(779)**	**19**	**(345)**	**4,204**

Operating cashflows on discontinued operations approximate the gross profit/(loss) in relation to the entity.

3. DISCONTINUED OPERATIONS (CONTINUED)

	2006	2005
Earnings per share (cents per share):		
Basic from discontinued operation	0.1	2.4
Diluted from discontinued operation	0.1	2.4

(c) 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:

	000's
Assets	
Receivables	61,896
Other assets	22,166
Property, plant & equipment	292,396
Goodwill	208,833
	585,291
Liabilities	
Provisions	(50,691)
Other	(59,600)
	(110,291)
Proceeds on sale	475,000

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

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

(d) 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.

(e) On 27 March 2006, Ramsay Health Care Limited announced it had entered into an agreement with Little Company of Mary Health Care (LCM) to sell 3 of its hospitals in South Australia for $35 million. The sale of these hospitals was completed in May 2006.

(f) 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.

(g) On 13 February 2006, Ramsay Health Care Limited sold Silver Circle.

(h) These amounts represent the results of Coastal Private Hospital and Casey Gardens Day Procedure Centre.

(i) On 16 October 2006, Ramsay Health Centre Limited sold Coastal Private Hospital for gross sale proceeds of approximately $3.2 million. Net assets disposed of included $1.9 million of property, plant and equipment, $0.3 million of inventory, $0.7 million of receivables offset by $0.4 million of employee entitlement liabilities, resulting in a profit on sale of $0.7 million.

4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	Consolidated	
	As at 31/12/2006 $000	**As at 31/12/2005 $000**
(a) Dividend paid during the period:		
Previous year final dividend paid		
- Franked dividends – ordinary (13.5 cents per share) (2005: 11.5 cents)	23,360	19,602
(b) Dividends proposed and not recognised as a liability		
Interim dividend proposed		
- Franked dividends – ordinary (13.0 cents per share) (2005: 10.5 cents)	22,496	18,115
(c) Dividends on CARES paid during the period	7,884	6,382
(d) Dividends proposed on CARES and not recognised as a liability	8,408	7,762

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 ASSET (CURRENT)

	Consolidated	
	As at 31/12/2006 $000	**As at 30/06/2006 $000**
	-	97,507

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

6. RECONCILIATION OF CASH AND CASH EQUIVALENTS

	Consolidated	
	As at 31/12/2006 $000	**As at 31/12/2005 $000**
Cash balances comprise:		
Cash at bank	38,681	76,341

7. GOODWILL AND INTANGIBLE ASSETS

	CONSOLIDATED		
	Goodwill	**Right to operate hospitals**	**Total**
	$000	**$000**	**$000**
At 1 July 2006			
Net carrying amount	537,936	27,100	565,036
Six months ended 31 December 2006			
At 1 July 2006, net of amortisation	537,936	27,100	565,036
Acquisition of a subsidiary	1,534	-	1,534
Amortisation	-	(750)	(750)
At 31 December 2006, net of amortisation	539,470	26,350	565,820
At 31 December 2006			
Net carrying amount	539,470	26,350	565,820

Goodwill has been acquired through business combinations. Goodwill is determined to have an indefinite life and is therefore not amortised but is subject to annual impairment testing.

The intangible asset, 'right to operate hospitals', has been acquired through business combinations. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over periods between 11 and 31 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

	CONSOLIDATED		
	Goodwill	**Right to operate hospitals**	**Total**
	$000	**$000**	**$000**
At 1 July 2005			
Net carrying amount	603,446	28,600	632,046
Year ended 30 June 2006			
At 1 July 2005, net of amortisation	603,446	28,600	632,046
Acquisition of a subsidiary	944	-	944
Disposals discontinued operations	(66,454)	-	(66,454)
Amortisation	-	(1,500)	(1,500)
At 30 June 2006, net of amortisation	537,936	27,100	565,036
At 30 June 2006			
Cost	537,936	28,600	566,536
Accumulated amortisation	-	(1,500)	(1,500)
Net carrying amount	537,936	27,100	565,036

The key factor contributing to the goodwill relates to the synergies existing within the acquired business and also expected to be achieved as a result of combining these facilities with the rest of the Group.

8. SEGMENT INFORMATION

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

9. CONTRIBUTED EQUITY

	As at 31/12/06 $000	As at 30/06/06 $000
(a) Issued and paid up capital		
173,049,153 ordinary share fully paid (30 June 2006: 173,049,153 ordinary shares fully paid)	425,289	425,289

	Number of shares	$000
(b) Movements in share issue		
Balance at beginning and end of period	173,049,153	425,289

10. EARNINGS PER SHARE

	As at 31/12/06 $000	As at 31/12/05 $000
Net profit for the period attributable to the members of the parent	54,754	41,351
Less: dividend paid on convertibles adjustment rate equity securities (CARES)	(7,884)	(6,382)
Earnings used in calculating basic and diluted for profit (after CARES dividend) earnings per share	46,870	34,969
Profit from discontinued operations	(114)	(4,204)
Earnings used in calculating basic and diluted for profit (after CARES dividend) earnings per share from continuing operations	46,756	30,765

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	172,355,644	171,291,764
Earnings per share (cents per share)		
- basic and diluted for profit (after CARES dividend) for the half-year	27.2	20.4
- basic and diluted earnings for profit (after CARES dividend) from continuing operations	27.1	18.0

11. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Property, plant and equipment commitments

Ramsay had contractual obligations for the purchase and construction of property, plant and equipment of $38.6 million which was not recognised as a liability at 31 December 2006 (30 June 2006: $14.4 million). The majority of these commitments are expected to be settled prior to 31 December 2007.

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingencies

i. A contingent liability exists in relation to potential land rich duty payable on the Affinity acquisition. The Group has submitted to the relevant revenue authorities documents supporting that there is no land rich duty payable and is currently in negotiations in relation to this matter.

   Funds were set aside as part of the purchase price agreement to pay any potential duties arising but may no longer be available. Should these funds no longer be available and duty become payable, the Group estimates that the potential accounting impact, if any, would be to increase the Affinity acquisition price and resultant goodwill in the balance sheet by approximately $20 million, with no material impact on earnings.

ii. In relation to the Affinity acquisition, a potential Belgian tax liability may arise in respect of an Affinity group company previously domiciled in Belgium. The Group has strong grounds to challenge and defend any such claim and ultimately does not expect to be required to pay any amount in relation to this matter.

   In the unlikely event that a claim is made and it is successful, the Group estimates the potential accounting impact, if any, would be to increase the Affinity acquisition price and resultant goodwill in the balance sheet by approximately $53 million plus interest, with no material impact on earnings.

12. BUSINESS COMBINATION

Acquisition of Hastings Day Surgery

On 1 December 2006, Ramsay acquired the assets of Hastings Day Surgery.

The fair value of identifiable assets and liabilities of Hastings Day Surgery as at the date of acquisition are:

	$000
Property, plant and equipment	2,644
Other assets	40
	2,684
Employee entitlements	(63)
Other	(175)
	(238)
Fair value of identifiable net assets	2,446
Goodwill arising on acquisition	1,534
	3,980
Cost of combination:	
Cash	3,750
Cost associated with the acquisition	230
	3,980
The cash outflow on acquisition is	3,980

The fair value of the identifiable assets and liabilities of Hasting Day Surgery approximated the carrying value at 31 December 2006.

13. SHARED BASED PAYMENT PLANS

On 31 October 2006, 190,668 share rights were granted to senior executives. The rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the directors of Ramsay Health Care Limited. The fair value of each performance right is estimated on the date of grant using a Binomial option-pricing model with the following weighted average assumptions.

Dividend yield	2.7%
Expected volatility	27%
Historical volatility	20% to 25%
Risk – free interest rate	5.97%
Effective life of incentive right	3 years

The estimated fair value of each option at grant date is $7.44.

14. SUBSEQUENT EVENTS

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

RAMSAY HEALTH CARE LIMITED
DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial information and notes of the consolidated entity are in accordance with the Corporations Act 2001 including:
  (i) give a true and fair view for the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
  (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and

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

On behalf of the Board

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

Sydney, 26 February 2007

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To the members of Ramsay Health Care Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of Ramsay Health Care Limited and the entities it controlled during the period, which comprises the balance sheet as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, a statement of accounting policies and the directors' declaration.

Directors' Responsibility for the half year Financial Report
The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) the *Corporations Act 2001.* This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Ramsay Health Care Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

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

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and

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

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Neil Wykes
Partner
Sydney
26 February 2007

SECTION 3

ANALYST INFORMATION

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

ANALYST INFORMATION

1) Earnings per Share

	As at 31/12/06 $000	As at 31/12/05 $000
Net profit for the period attributable to the members of the parent	54,754	41,351
Less: dividend paid on convertibles adjustment rate equity securities (CARES)	(7,884)	(6,382)
Earnings used in calculating basic and diluted for profit (after CARES dividend) earnings per share	46,870	34,969
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	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	172,355,644	171,291,764
Earnings per share (cents per share)		
- basic and diluted for profit (after CARES dividend) for the half-year	27.2	20.4
- basic and diluted earnings for profit (after CARES dividend) from continuing operations	27.1	18.0

2) Dividends

Dividends	**Amount per security**	**Franked amount per security**
Current year - Interim dividend	13.0c	13.0c
Previous corresponding period - Interim dividend	10.5c	10.5c
Record date for determining entitlements to the interim dividend	30 March 2007	
Date the current year interim dividend is payable	12 April 2007	

Interim Dividend	**2006 $000**	**2005 $000**
Ordinary Securities	22,496	18,115

The current year interim dividend will be franked at the rate of 30% (2005: 30 %)

3) NTA backing

	31/12/2006 $	**30/06/2006 $**
Net tangible asset backing per ordinary share	1.68	1.52