

Ramsay Health Care
40 years of commitment to better health care

40



Annual Report **2004**


RAMSAY
HEALTH CARE

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Ramsay Health Care Management Principles

- Commitment to improvement in all areas
- Excellent hospital micromanagement
- Providing staff at all levels with career enhancement & professional development opportunities & giving priority to internal promotion
- Decentralised management but with key functions centralised when it adds value
- Developing "Partnerships" with doctors
- Take a leadership role in all our markets
- Commitment to teaching & research
- Prominence in local communities of our hospitals with the support of Ramsay Health Care as a national brand
- Special relationship with veterans through two of the country's largest veteran hospitals
- Our special culture known as "The Ramsay Way"

Ramsay Health Care Limited

ABN 57 001 288 768

KEY DATES FOR 2005 (INDICATIVE)

- Interim Results announced
- 23 Feb 2005
- Interim Dividend paid - 29 April 2005
- Preliminary Final Results announced
- 24 August 2005
- Final Dividend Paid - 31 October 2005
- Annual General Meeting
- 22 November 2005

ANNUAL GENERAL MEETING 2004

The Annual General Meeting of Ramsay Health Care Limited will be held at Shangri-La Hotel Sydney – Bradfield Lounge Level 1, 176 Cumberland Street, The Rocks, Sydney, NSW 2000 on Tuesday, 23 November 2004 at 10.30am.

FOR MORE INFORMATION

To download a digital copy or for up-to-date information on the Company & market briefings, visit the "Investor Centre" at www.ramsayhealth.com.au

Year Highlights

"2004 MARKS THE 40TH ANNIVERSARY OF RAMSAY HEALTH CARE...& A YEAR WHEN WE ACHIEVED ANOTHER RECORD PROFIT RESULT." – PAUL RAMSAY AO

- Core net profit up 13%*
- Delivered on our forecast to achieve core profit growth above 10%
- Group Revenue up 16%
- Patient admissions up 11%
- Effective cost management resulted in EBIT margin holding at 10%
- Core earning per share up 13%*
- The purchase of Benchmark Healthcare (July 2004) has increased the number of facilities in Ramsay Health Care's portfolio to 35 & the number of licensed beds to approximately 4,000.
- Ramsay Health Care now makes up 16% of the Private Hospital Market

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RAMSAY HEALTH CARE LIMITED ANNUAL REPORT 2004
40 YEARS OF COMMITMENT TO BETTER HEALTH CARE

Financial Highlights

	Year ended 30 June 2003	Year ended 30 June 2004	% increase
Operating revenue	\$662.2 m	\$768.1 m	16%
Earnings before interest & tax	\$66.4 m	\$76.9 m	16%
Net profit before tax & non-recurring charges	\$53.5 m	\$61.3 m	15%
Core net profit after tax*	\$37.7 m	\$42.7 m	13%
Net profit after tax & non-recurring charges	\$37.1 m	\$38.4 m	4%
Core earnings per share*	29.3¢	33.1¢	13%
Basic earnings per share	28.9¢	29.8¢	3%
Full year Dividend per share (fully-franked)	15.5¢	17.5¢	13%

*Core net profit & core earnings per share are before non-recurring charges & amortisation of goodwill.

2004

40 years of Commitment

2004 marks the 40th anniversary since Ramsay Health Care was established. The pages of this Annual Report highlight the significant milestones that recount the successful growth story of Ramsay Health Care.

TIMELINE...



Chairman's Review

2004 marks the 40th anniversary of Ramsay Health Care and it has proven to be another significant year for our Company. This year we achieved another record profit result. In July 2004 we added 10 hospitals to our portfolio, bringing the total number of Ramsay Health Care hospitals at time of printing to 35. We are currently the largest listed private hospital operator in the country with over 4,000 beds and 10,000 staff. In the 2005 financial year, we expect annual revenue to exceed \$1 billion.

This is a long way from where the Company started in 1964 with one small psychiatric hospital in Sydney and I pay tribute to the people and staff who have helped to make the Company what it is today. Special mention should go to our Managing Director Pat Grier and Finance Director Bruce Soden, who have been with the Company for many years. So too have many of our hospital general managers, to whom I would also like to pay tribute. I also thank the Board of Directors, which continues to provide valuable guidance and direction to the Company.

Ramsay Health Care would not be where it is today without the staff and medical practitioners who work in our hospitals. I am extremely proud of the high quality of our staff and our excellent relationship with doctors and thank all of them for their commitment and dedication to The Ramsay Way. We believe that our success comes through recognizing the value of people and building positive relationships - the essence of The Ramsay Way.

I take this opportunity to welcome to the Company the staff and doctors of our newest hospitals. Ramsay Health Care finalized the purchase of Benchmark Healthcare in July 2004, and we are proud to be the new owner of 10 hospitals located in Victoria and South Australia. We are well on the way to developing strong relationships with staff and doctors of these hospitals and introducing them to The Ramsay Way.

As well as a sound financial transaction, the acquisition of Benchmark Healthcare is a good cultural and strategic fit with Ramsay Health Care. It also enables us to investigate bolt-on hospital acquisitions in Victoria and South Australia where, to date, we have had a minimal presence.

In 2004, our three-pronged strategy of targeting organic growth, investing in existing facilities and only making value adding acquisitions, has paid dividends. Our successful approach to micromanagement underpins annual organic growth of at least 5%. Returns from our expansion programs at Greenslopes, Hollywood and Lake Macquarie Hospitals have gone beyond our expectations and we expect these, as well as the expansion program at Mt Wilga, to continue to flow through to earnings in the 2005 and 2006 financial years.

Mid-way through the 2004 fiscal year we acquired Silver Circle, the largest private provider of home care in Australia. Silver Circle has been delivering high quality community care services tailored to the requirements of older people in Victoria and New South Wales for 13 years.

1964 – 1973

The year 2004 marks 40 years since Paul Ramsay, founder & Chairman of Ramsay Health Care, purchased a guesthouse called Warina House on Sydney's North Shore & converted it into a psychiatric hospital in the earliest days of the industry in Australia. Warina House, formerly a guesthouse, became a 16 bed psychiatric facility. For the first 14 years, Ramsay Health Care expanded its psychiatric hospital business, building Evesham Clinic in 1967, Lynton Private Hospital in 1972 & Northside Clinic in 1973. Northside Clinic in Greenwich Road, St Leonards quickly earned the reputation as one of the most respected psychiatric hospitals in Sydney.

4 Hospitals

WARINA HOUSE



EVESHAM CLINIC



NORTHSIDE CLINIC



40

"2004 MARKS THE 40TH ANNIVERSARY OF RAMSAY HEALTH CARE & IT HAS PROVEN TO BE ANOTHER SIGNIFICANT YEAR FOR OUR COMPANY."

The acquisition of Silver Circle fits well with our aged care strategy and we are already investigating ways of maximising the opportunities for expanding this business throughout Australia.

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

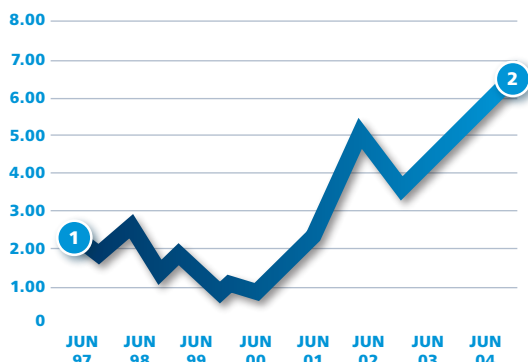
Looking ahead we are targeting at least 10% growth in core net profit in the 2005 financial year which will come from admission growth at our strategically positioned facilities, efficient hospital management, focusing on cost containment and leveraging our market position. We expect annual organic growth going forward of at least 5%, the benefits of expansion

programs at our existing hospitals to further contribute to earnings and a realisation of the upside benefits from the acquisition of Benchmark Healthcare.

I am confident that the next 40 years of Ramsay Health Care will be as exciting and enjoyable a journey as the first and that we will continue to grow without losing sight of the culture and people that have made this Company what it is today.

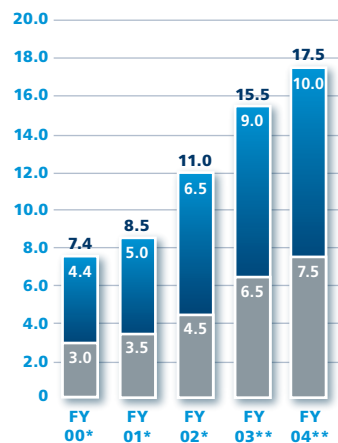


PAUL RAMSAY AO
Chairman



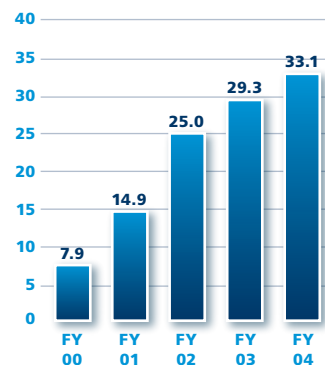
Share Price history (\$)

- 1 Ramsay Health Care Floated - Sept'97
- 2 Sept'04



Increased Dividend per share (¢)

*Unfranked **Fully Franked
■ Final ■ Interim



Core earnings per share (¢)

1978 – 1980

In 1978 & 1979 Ramsay Health Care diversified into the medical/surgical business & built its first surgical hospitals – Baringa Private Hospital in Coffs Harbour & Albury Wodonga Private Hospital in Albury. These hospitals have recently celebrated their silver anniversaries & continue to provide a valuable service to their respective regions.

6 Hospitals

BARINGA



ALBURY WODONGA





Managing Director's Report

The 2004 financial year was a rewarding year of growth and financial success. Ramsay Health Care Limited announced a 13% increase in core net profit (before non-recurring items and amortization of goodwill) to a record \$42.7 million, up from \$37.7 million a year ago.

This record result was struck on a 16% rise in revenue to \$768.1 million for the full year.

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

We delivered on our forecast to achieve core net profit growth of 10% over the 2003 financial year. Importantly, our existing hospital facilities continue to deliver solid organic profit growth around 5% per year. Admissions were approximately 11% above last year, including the contribution from the extra capacity. Without including the extra capacity, admissions were still up 5%.

During the year, the Company effectively managed cost pressures, particularly higher wage costs, resulting in our EBIT margin remaining at 10%, one of the best margins in the industry.

Benefits from Ramsay Health Care's expansion program in existing hospitals are continuing to flow through to earnings and, importantly, returns from these investments are already meeting our expectations. Greenslopes, in Brisbane, and Hollywood, in Perth, continue to record strong admission rates and the extra capacity added at these facilities has been immediately met with increased demand. In NSW,

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

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

During the year, Ramsay Health Care refinanced and expanded its loan facilities to \$550 million to fund the Benchmark acquisition. Together with strong internally generated cash flow, this facility also provides the company with scope and flexibility to make additional acquisitions, as well as fund any capacity expansion and to execute the company's aged care strategy.

Benchmark Healthcare Acquisition

On July 1, 2004, Ramsay Health Care finalised the purchase of Benchmark Healthcare, which operates and manages 10 hospitals in Victoria and South Australia. The purchase has increased the number of facilities in Ramsay Health Care's portfolio to 35 and the number of licensed beds to approximately 4,000 and will bring group annual revenues to more than \$1 billion.

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

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

1987 – 1990

The Company continued to expand its psychiatric business acquiring psychiatric hospitals in both Melbourne & Adelaide. By this time, Ramsay Health Care had developed a strong profile in the psychiatric business providing valuable input to the industry through representation on lobby groups & associations.

13 Hospitals

ALBERT RD CLINIC



ADELAIDE CLINIC



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**"THIS RECORD RESULT WAS STRUCK
ON A 16% RISE IN REVENUE TO \$768.1
MILLION FOR THE FULL YEAR."**

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

Aged Care

In 2003/04 the Federal Government allocated an additional 186 new residential aged care places, bringing to 206 the total number of aged care places that Ramsay will develop – in key population growth areas in Queensland and New South Wales.

The Company had considered numerous other acquisitions ranging from bigger groups to individual facilities but these have not yet been realized as they have not met the Company's investment criteria. The sector is fragmented and consolidation is slow. There are many opportunities in aged care, we just have to ensure the ones we choose are right for us.

Expanding into aged care is a long term plan for Ramsay Health Care and we are investigating the best and most value-enhancing entry points that complement our existing core private hospital portfolio.

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

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

We plan to develop between 500 and 600 aged care places over the next three years.

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

Outlook

Barring unforeseen circumstances, the Company is targeting strong growth of at least 10% in core net profit in the 2005 fiscal year. This target is based on continuing solid organic growth, further benefits from the expansion program and the contribution from the Benchmark Hospital Group.

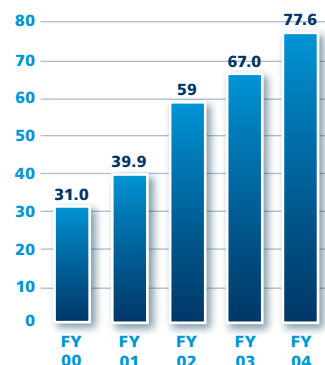
This target does not include the benefits from any potential acquisitions the Company may make in either the hospital or aged care sectors.

Pursuing strategic, value-adding acquisitions is an important part of our growth strategy. We are actively seeking acquisitions in both the hospitals and aged care sectors to further strengthen our existing growth outlook.

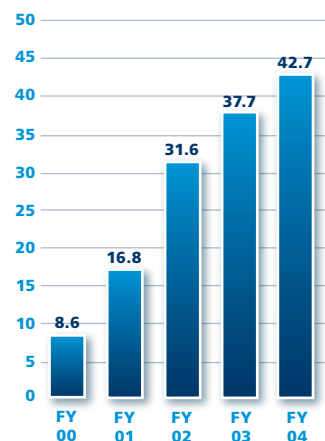
I would like to thank my colleagues in the management team, the Directors of the Ramsay Health Care Board and the dedicated staff at all the Ramsay Health Care facilities for their work and dedication over the past year.



PAT GRIER
Managing Director



EBITA growth (\$m)



Core Net Profit (\$m)

1994 & 1995

The last decade has been arguably the most significant in Ramsay Health Care's history – starting with the privatisation of the two former repatriation hospitals, Hollywood Private Hospital in Perth & Greenslopes Private Hospital in Brisbane in 1994 & 1995 respectively. Successfully winning the tender to privatise these large metropolitan-based medical/surgical hospitals provided a major boost to the Company's existing portfolio of regional medical/surgical hospitals. It also launched the Company into the area of medical teaching & clinical research as both Hollywood & Greenslopes were unique as the only gazetted private medical teaching hospitals in Australia. The success of the privatisation also demonstrated the health care management expertise of Ramsay Health Care.

13 Hospitals

HOLLYWOOD



GREENSLOPES



Review of Operations

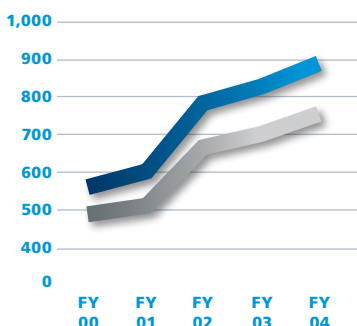
"GREENSLOPES...NOW HAS A CAPACITY OF 540 BEDS MAKING IT THE LARGEST PRIVATE HOSPITAL IN AUSTRALIA BY SOME MARGIN."

Overview

The Ramsay Health Care portfolio of hospitals performed extremely well this financial year. All our hospitals continue to manage the balance between achieving quality patient outcomes, staff satisfaction, fostering good doctor relationships and maximising profitability.

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

Demand for hospital beds remained high with an 11% growth in admissions across the board. This demand is expected to remain strong and combined with our effective micromanagement strategy we expect to maintain good margins despite cost pressures in the coming year.



Occupancy (Patient Days)

■ Total (Inpatient & Day Patient)
■ Inpatient

Medical Surgical Hospitals

VETERAN HOSPITALS

Both Hollywood Private Hospital in Perth and Greenslopes Private Hospital in Brisbane had excellent years.

At Greenslopes, the major expansion of 90 new inpatient beds, four additional operating theatres, and an onsite medical centre, all came on stream by the beginning of the year. In the early part of the calendar year 2004, a second cardiac catheterisation laboratory and a new and expanded coronary care unit were brought on line. The enhanced capacity immediately took off and the utilisation of the hospital reached and maintained record levels throughout the year, with demand for the new services often exceeding supply. The hospital now has a bed capacity of 540 beds making it the largest private hospital in Australia by some margin.

In Perth, the benefits of previous capacity expansion continued to flow through at Hollywood Private Hospital. Utilisation of the facility by both veteran and non-veteran patients continues to grow.

REGIONAL MEDICAL-SURGICAL HOSPITALS

This year saw the completion of the development program at Lake Macquarie Private Hospital, which added 44 new beds, two operating theatres, an expanded day surgery, and a medical suite complex. At the same time, a complete refurbishment of the rest of the hospital was undertaken. The utilisation of the new capacity has exceeded expectations and plans to add further capacity due to the strong demand, are in the process of being developed.

At Cairns Private Hospital, which was acquired part way through the previous financial year, great progress has been made in building this business from the base it was trading at upon acquisition. 2004 marks the Hospital's first full year since acquisition. Its profit for the year was substantially ahead of budget through increased utilisation in both the surgical and medical areas. Further service development is now planned for the hospital including the development of a rehabilitation unit.

Elsewhere the hospitals in this division performed well. In particular, new services at Baringa Private in Coffs Harbour and Albury Wodonga Private Hospital in Albury, led to improved results.

1997

In September of this year, Ramsay Health Care floated on the Australian Stock Exchange and in the ensuing year exceeded prospectus forecasts for revenue & profit.

THE PROSPECTUS



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Ramsay Health Care hospital locations

1 CAIRNS - QLD

- Cairns Private Hospital

2 BRISBANE - QLD

- Greenslopes Private Hospital
- New Farm Clinic

3 REGIONAL NSW

- Albury Wodonga Private Hospital
- Baringa Private Hospital
- Coffs Harbour Day Surgery
- Lake Macquarie Private Hospital
- Tamara Private Hospital

4 SYDNEY REGION - NSW

- Berkeley Vale Private Hospital
- Northside Cremorne Clinic
(formerly Evesham Clinic)
- Hunters Hill Private Hospital
- Figtree Private Hospital
(formerly Illawarra Private Hospital)
- Lawrence Hargrave Private Hospital
- Mt Wilga Private Hospital
- North Shore Private Hospital
- Northside Clinic
- Northside West Clinic
- Southern Highlands Private Hospital
- Westmead Private Hospital

5 MELBOURNE REGION - VIC

- Albert Road Clinic
- Beleura Private Hospital
- Donvale Rehabilitation Hospital
- Mitcham Private Hospital
- Peninsula Private Hospital
- South Eastern Private Hospital
- The Valley Private Hospital

6 REGIONAL VICTORIA

- Mildura Base Hospital

7 ADELAIDE - SA

- The Adelaide Clinic
- Central Districts Private Hospital
- College Grove Private Hospital
- Fullarton Private Hospital
- Kahlyn Private Hospital
- North Eastern Community Hospital
- Wakefield Hospital

8 PERTH - WA

- Hollywood Private Hospital

COLLOCATED HOSPITALS

During the year the three hospitals in this division, North Shore Private Hospital, Westmead Private Hospital and Southern Highlands Private Hospital, all performed well and exceeded the prior year's results. Admissions and operating cases increased year on year at the three facilities. In particular, day surgery cases at North Shore again increased substantially on the previous year.

Hospital Classifications

- Medical/Surgical
- Rehabilitation
- Psychiatric

NORTH SHORE
CONSTRUCTION



NORTH SHORE



1998

The Company proved its ability to design, finance, construct & operate major projects through the successful development of North Shore Private Hospital which opened in July 1998. Collocated with Royal North Shore in Sydney, North Shore Private became the benchmark for five star health care in Australia.

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...Review of Operations

"THE PSYCHIATRIC HOSPITAL DIVISION CONTINUES TO PERFORM EXTREMELY WELL. RAMSAY HEALTH CARE CONTINUES TO LEAD THE INDUSTRY IN THIS AREA..."

Psychiatric Hospitals

The psychiatric hospital division continues to perform extremely well. Ramsay Health Care continues to lead the industry in this area with appropriate representation on all major psychiatric industry groups.

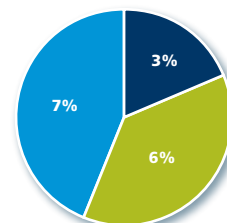
Substantial growth in utilisation at Albert Road Clinic, New Farm Clinic and Northside West Clinic propelled these facilities into enhanced trading results.

Ramsay Health Care, through its excellent relationship with health funds and the Department of Veterans' Affairs, has been able to tailor its agreements to meet the needs of patients requiring inpatient mental health services, particularly with developments in treatment and expectations. This has resulted in Ramsay Health Care's facilities being able to provide excellent services in an appropriate funding environment.

Rehabilitation Hospitals

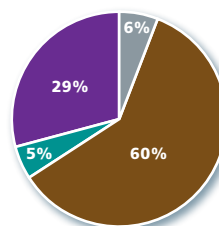
Both of the rehabilitation division's hospitals, Mt Wilga and Lawrence Hargrave, had strong results. Mt Wilga in particular had a record year for admissions, bed days, and profit.

At Mt Wilga, the development of a new 80 bed ward block commenced in the year and is due for completion in May 2005. This will replace the existing accommodation and add 12 beds to the overall capacity. It will also allow the hospital to offer a superior quality environment as well as excellent quality clinical services.



Breakdown of Group EBITA growth

● Organic
● Expanded Capacity
● Acquisitions

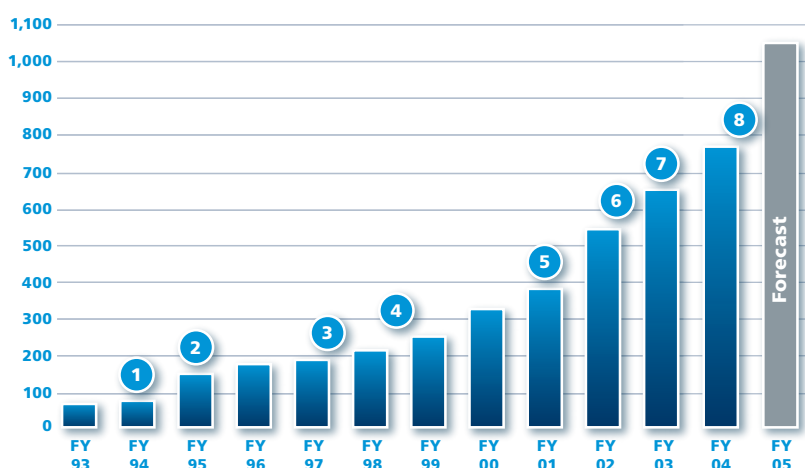


Revenue by Payor Source

● Health Funds
● Government
● Veteran
● Other

Note: Analysis based on forecast revenue for FY 2005 including Benchmark

- 1 Hollywood Hospital, Perth, acquired & privatised - Jan'94
- 2 Greenslopes Hospital, Brisbane, acquired & privatised - Feb'95
- 3 RHC listed on the ASX - Sept'97
- 4 North Shore Private Hospital opened - Jul'98
- 5 Alpha Hospital Group acquired - May'01
- 6 Hollywood major expansion opened - Jul'02
- 7 Greenslopes major expansion opened - May'03
- 8 Benchmark Group acquired - Jul'04



Revenue growth timeline (\$m)

2001

In August 2001, Ramsay Health Care successfully acquired Alpha Healthcare & its 8 hospitals. The Alpha Healthcare acquisition expanded Ramsay Health Care's presence in New South Wales & also provided it with a strong rehabilitation portfolio. The benefits of additional capacity, reduced running costs & the extension of Ramsay Health Care's management expertise to these facilities was soon realised.

23 Hospitals

WESTMEAD



TAMARA



SOUTHERN HIGHLANDS



Benchmark Healthcare

"THIS ACQUISITION IS IN LINE WITH THE COMPANY'S STATED STRATEGY TO GROW THE BUSINESS BOTH ORGANICALLY & THROUGH STRATEGIC ACQUISITIONS IN THE HOSPITAL & AGED CARE SECTORS."

In July 2004, Ramsay Health Care acquired Benchmark Healthcare. Benchmark operates and manages 10 hospitals in Victoria and South Australia, comprising 980 hospital beds and 68 aged care beds. The total number of beds will rise to 1,119 beds in 2005 as a result of capacity expansion currently underway.

The purchase increases the number of facilities in Ramsay Health Care's portfolio to 35 and the number of licensed beds to approximately 4000.

The Benchmark Healthcare group has annual revenue of approximately \$200 million.

This acquisition was strategically significant for Ramsay Health Care enhancing its position as a leading private hospital operator. It also extends Ramsay's national presence and enhances our existing portfolio of quality hospital assets.



Ramsay Health Care believes it can add value to Benchmark through its management expertise and synergies with its existing business. The Company's experience in integrating hospitals into the group will ensure the process of integrating the Benchmark hospitals will be smooth and effective.

This acquisition is in line with the Company's stated strategy to grow the business both organically and through strategic acquisitions in the hospital and aged care sectors. It also met the Company's investment criteria and is expected to achieve the targeted return at the end of the integration process. It will not direct resources away from the pursuit of the Company's aged care strategy.



HOLLYWOOD



GREENSLOPES



LAKE MACQUARIE



2003

Over \$75 million was committed to major expansion programs at existing hospitals including Hollywood, Greenslopes & Lake Macquarie Private Hospitals. The benefits of investing in & adding value to existing hospitals has paid dividends for the Company.

25 Hospitals

Aged Care Silver Circle

"GROWTH IN THE COMMUNITY CARE SECTOR IS PREDICTED TO BE ONE OF THE LARGEST COMPONENTS OF THE GROWING AGED CARE MARKET IN AUSTRALIA..."

The completion of the purchase of Silver Circle by Ramsay Health Care took place on January 6, 2004. Ramsay acquired Silver Circle as part of its strategy to expand into aged care. Silver Circle, the largest private home care provider in Australia, operates in Victoria and New South Wales and employs 1500 staff.

Silver Circle has been delivering high quality community care services tailored to the requirements of older people and their families/carers for 13 years. It has a network of eight regional offices in Victoria and New South Wales and provides a wide range of home support services including assistance with personal care, domestic assistance, home maintenance, live in care and emergency response services. The business has a major commitment to the training of its staff and operates its own TAFE equivalent Training Institute.



Research over the past 10 years has clearly demonstrated that older people wish to live in their own homes as long as possible. Growth in the community care sector is predicted to be one of the largest components of the growing aged care market in Australia. This fits well with Ramsay's proposed move into residential aged care services and its network of hospitals.

The business has developed sophisticated operating systems to guide and direct its operations. These operating policies and procedures will enable the expansion of our services in targeted geographical areas throughout Australia.

Aged Care Strategy

Expanding into aged care is a long term plan for Ramsay Health Care and we are investigating the best and most value-enhancing entry points that complement our existing core private hospital portfolio



2004

In July of 2004, Ramsay Health Care acquired Benchmark Healthcare. This acquisition was strategically significant for Ramsay Health Care enhancing its position as a leading private hospital operator & bringing the total number of hospitals operated by Ramsay Health Care to 35. It also extends Ramsay's national presence & enhances the Company's existing portfolio of quality hospital assets.

35 Hospitals

PENINSULA



DONVALE



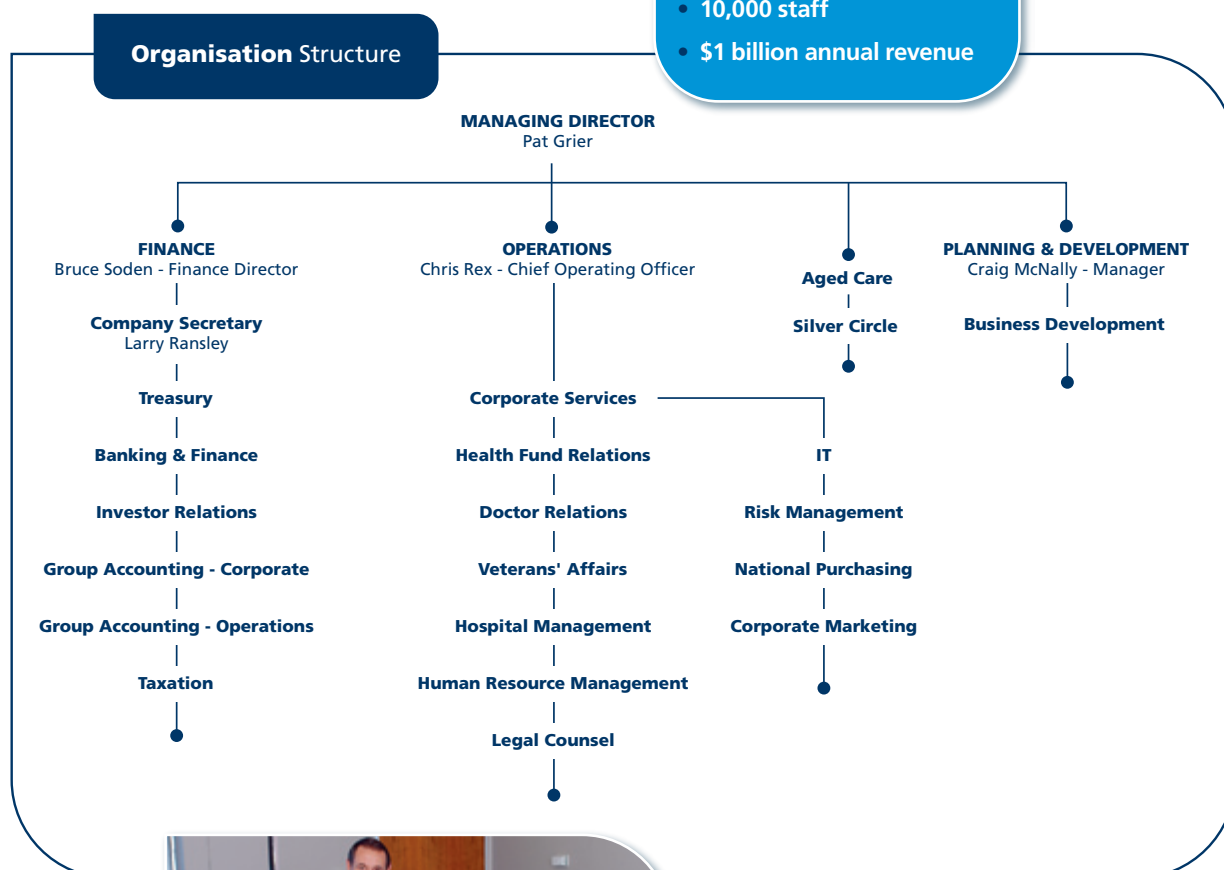
Our Organisation

...a snapshot

- 35 hospitals
- 4,000 beds
- 16% of private hospital market
- 200,000 operations per year
- 350,000 admissions per year
- 1.2 million patient days
- 10,000 staff
- \$1 billion annual revenue

11

RAMSAY HEALTH CARE LIMITED ANNUAL REPORT 2004
40 YEARS OF COMMITMENT TO BETTER HEALTH CARE



Left to right:
The Executive – Craig McNally, Pat Grier,
Chris Rex & Bruce Soden

Outlook

The acquisition of Benchmark Healthcare is a good cultural & strategic fit with Ramsay Health Care & also enables us to investigate bolt-on hospital acquisitions in Victoria & South Australia where, to date, we have had a minimal presence.

Future profit growth will come from admissions growth at our strategically positioned facilities, efficient hospital management, focusing on cost containment & leveraging our market position.

Our focus in coming years will be to enhance Ramsay Health Care's position as one of the most reputable companies in health-care in Australia. The Company will continue to grow without losing sight of the culture & people that have been fundamental to the Company's success.

CENTRAL DISTRICTS



COLLEGE GROVE



WAKEFIELD



MITCHAM



Board of Directors

P J Ramsay AO

Chairman

Appointed 26/05/75

Mr Paul Ramsay has been involved in health care since 1964 when he developed and managed one of the first private psychiatric hospitals in Sydney. As Chairman of Ramsay Health Care, he has overseen the building of nine private hospitals and has developed Ramsay Health Care to its present strong position in Australian health care. He is also Chairman of Prime Television Limited, which is Australia's fourth largest television network. In the June 2002, Queens Birthday Honours List, Mr Ramsay was conferred an Officer of the Order of Australia for services to the community through the establishment of private health care facilities, expanding regional television services and as a benefactor to a range of educational, cultural, artistic and sporting organizations.

M S Siddle

Deputy Chairman

Appointed 26/05/75

Mr Michael Siddle has been with Ramsay Health Care for 30 years and was Managing Director during the period from 1975 to 1988. He has been closely involved with the group's expansion through both construction and acquisition. He is also Deputy Chairman of Prime Television Limited.

M L Brislee

Non-Executive Director

Appointed 15/06/97

Mrs Marjorie Brislee, a former manager of Ramsay Health Care, joined the company in 1976 and has hospital management experience in Australia, United States, Hong- Kong and the United Kingdom.

A J Clark AM FCA FAICD

Non-Executive Director

Appointed 06/10/98

Mr Tony Clark is a Chartered Accountant and was formerly Managing Partner of KPMG NSW. Currently he is Chairman of Maritime Industry Finance Company Limited and Cumnock Coal Limited, Deputy Chairman of Tourism Australia, and a director of Telstra Corporation Limited, Carlton Investments Limited and Amalgamated Holdings Limited. In 1995 Mr Clark was awarded membership of the Order of Australia for services to Business, Commerce and Community.

P J Evans FCA

Non-Executive Director

Appointed 25/06/90

Mr Peter Evans is a Chartered Accountant who has been in public practice for over 18 years with KPMG and as a sole practitioner since 1989. He has specialised in the financial management of hospitals and has had extensive experience in the health care field for over 25 years. Mr Evans also acts as a director for a number of other companies including Prime Television Limited.

I P S Grier MAICD

Managing Director

Appointed 25/06/97

Prior to entering the health care sector, Mr Pat Grier was National Sales Manager for Reckitt and Colman and General Manager of Revlon. In 1984 he joined Hospital Corporation Australia, which was the largest private surgical hospital group in Australia. In 1988, Mr Grier joined Ramsay Health Care as manager of the group's operating entities and was appointed Managing Director in 1994. He is currently a director of the Australian Private Hospital Association.



Left to right: M.S.Siddle, K.C.D.Roxburgh, I.P.S.Grier, A.J.Clark, M.L.Brislee, P.J.Ramsay, P.J.Evans, R.H.McGeoch & B.R.Soden

R H McGeoch AM LLB MAICD

Non-Executive Director

Appointed 03/07/97

Mr Rod McGeoch is immediate past Chairman of Corrs Chambers Westgarth, a leading Australian law firm and has been a solicitor for 34 years. He was Chief Executive of Sydney's successful bid for the 2000 Olympic Games and served on the Sydney Organising Committee for the Olympic Games until November 1998. Currently he is Chairman of Pacific Healthcare Australia Limited, Chairman of Telecom Corporation of New Zealand Australia Pty Limited and a director of Telecom Corporation of New Zealand Limited. He is Chairman of Frontiers Group Australasia Limited and a director of Frontiers Group (UK) Limited. He is Chairman of Sky City Entertainment Group Limited, Chairman of Saatchi & Saatchi's Trans Tasman Advisory Board and a Trustee of the Sydney Cricket and Sports Ground Trust. Mr McGeoch also holds a number of honorary positions and in 1990 was awarded membership of the Order of Australia for services to Law and the Community.

K C D Roxburgh B.Comm MBA SDIAM

Non-Executive Director

Appointed 03/07/97

Mr Kerry Roxburgh is a SDIA Practitioner Member - Stockbroking and he recently completed a two year term as CEO of E*TRADE Australia Limited where he is currently non-executive Chairman. Prior to this appointment he was an Executive Director of Hongkong Bank Australia where for 10 years he held various positions including Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia. Until 1986 Mr Roxburgh was in practice for 20 years as a chartered accountant during which time he was Chairman of the Sydney practice of Mann Judd. He is also Chairman of Asian Express Airlines Pty Limited, a non-executive director of The Medical Indemnity Protection Society, LawCover Insurance and Professional Insurance Australia. In the last 10 years he has been a non-executive director of a number of companies including Golden Shamrock Mines Group, J. Boag & Son and Climax Mining.

B R Soden B.Comm AC MAICD

Finance Director

Appointed 02/01/97

Mr Bruce Soden joined Ramsay Health Care in 1987 after having spent 12 years with Arthur Andersen & Co in their Sydney, Milan and Johannesburg offices in the Financial Consulting Division. Mr Soden was appointed Finance Director of Ramsay Health Care's operating entities in 1994. Prior to this, he spent four years based in New Orleans as Senior Vice President and Director of Ramsay Health Care, Inc. a listed United States health care company.

Corporate Governance Statement

The Board has reviewed the Company's corporate governance policies in the light of the Best Practice Recommendations published by the Australian Stock Exchange Corporate Governance Council (the "Recommendations"). In general, the Company has followed the Recommendations during the past financial year. Departures from the Recommendations, together with the reasons for the departure, are disclosed in this statement.

Management & oversight

The role of the Board of Directors, as the governing body of the Company, is to effectively represent and promote the interests of the Company's shareholders. The Board is accountable to the shareholders for the management of the Company's business affairs, and, as such, is responsible for the overall strategy, governance and performance of the Company.

The Board's specific responsibilities include:

- a) Setting the strategic direction for the Company, by establishing, developing, modifying and monitoring the Company's strategic objectives;
- b) Monitoring the performance of the Company's management and ensuring that appropriately skilled management are employed to implement the Board's decisions;
- c) Ensuring that appropriate compliance frameworks are in place and are operating effectively;
- d) Identifying areas of significant business risk;
- e) Approving decisions concerning the capital of the Company and approving and monitoring the Company's financial and other reporting.

The respective roles and responsibilities of the Board and of management are outlined in detail in Ramsay Health Care's Board Charter, which has been published under the Corporate Governance section on the Company's website.

Structure of the Board

COMPOSITION

The Board currently comprises nine Directors, seven non-executive Directors (including the Chairman and Deputy Chairman) and two executive Directors.

The non-executive Directors in office are:

Mr Paul Ramsay – Chairman
Mr Michael Siddle – Deputy Chairman
Mrs Marjorie Brislee – Director
Mr Tony Clark – Director
Mr Peter Evans – Director
Mr Rod McGeoch – Director
Mr Kerry Roxburgh – Director

The executive Directors in office are:

Mr Pat Grier – Managing Director
Mr Bruce Soden – Finance Director

The Directors have a broad range of skills and experience. Details of the background and particular expertise of each Director are set out under the heading "Board of Directors" of this Annual Report.

The appointment and removal of Directors is governed by the Company's Constitution. The Board is responsible for selecting and approving its own candidates to fill any casual vacancies that may arise from time to time. Directors who have been appointed to fill casual vacancies must offer themselves for re-election at the next annual general meeting of the Company. In addition, at each annual general meeting, one third of the Directors

(excluding the Managing Director) must offer themselves for re-election subject to the proviso that no Director shall serve more than three years without being a candidate for re-election.

There are no share qualifications for any Directors.

INDEPENDENCE

The Board considers that Mr Kerry Roxburgh and Mr Rod McGeoch are independent Directors on the basis that they are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, their ability to exercise unfettered and independent judgement in the discharge of their responsibilities and duties. Although Mr McGeoch is the immediate past Chairman of law firm Corrs Chambers Westgarth ("Corrs"), which has performed legal services for the Company, the Board does not consider that this relationship affects Mr McGeoch's independence. The Managing Director has authority to make decisions in relation to legal advisor appointments without reference to the Board.

The Board makes the following observations in relation to certain other of its non-executive directors:

- The current Chairman of the Board, Mr Paul Ramsay, is a non-executive director who is also a director and shareholder of Paul Ramsay Holdings Pty Limited, the Company's largest shareholder with 52% of the Company's share capital. Mr Ramsay founded the business in 1964 and has built the Company to its present strong position in Australian health care. The Board recognises the Recommendation that the Chairman be an independent Director. However, the Board views Mr Ramsay's many years of experience in the private hospital industry a valuable asset for the Company.
- Four non-executive directors, Mr Siddle, Mrs Brislee, Mr Clark and Mr Evans, are also directors of Paul Ramsay Holdings Pty Limited:
 - Mr Siddle has had a long association with the Chairman, Mr Paul Ramsay and has an indirect beneficial interest in shares of Paul Ramsay Holdings Pty Limited. Notwithstanding this, Mr Siddle, has considerable knowledge and experience in private hospitals and property development. Given his experience and insight, the Directors consider that Mr Siddle makes a significant contribution to the Board.
 - Mrs Brislee, Mr Clark and Mr Evans are not shareholders of Paul Ramsay Holdings Pty Limited and they do not have a direct or indirect beneficial interest in the Company. While not technically independent Directors according to the ASX Corporate Governance Council's definition, the Board does not consider that the independence of these directors is necessarily compromised by their relationship with the substantial shareholder in any material way.

Directors are entitled to seek independent professional advice at the expense of the Company as required in the furtherance of their duties, subject to prior consultation with, and the approval of, the Chairman.

NOMINATION COMMITTEE

The Board as a whole serves as a Nomination Committee. While this is a departure from the Recommendation to establish a separate committee, the Board believes that it effectively monitors the Board's composition

to ensure that it has the necessary balance of the skills and expertise to meet the needs of the Company.

Board & Board Committee meetings

BOARD MEETINGS

The Board normally holds 11 scheduled meetings in each financial year, with one scheduled meeting dedicated to an annual review with senior management on the Company's strategic direction.

The Board may also meet on other occasions between scheduled meetings to deal with specific matters as the need arises.

Meetings of the various Board Committees are scheduled regularly throughout the financial year.

BOARD COMMITTEES

The following Committees operate under terms of reference approved by the Board:

- Audit Committee;
- Remuneration Committee; and
- Risk Management Committee.

The number of meetings attended by the members of each Committee in the past financial year is disclosed in the Director's Report.

The functions of each Committee are as follows:

Audit Committee

This Committee assists the Board in fulfilling its fiduciary responsibilities in relation to corporate accounting and reporting practices.

The Audit Committee is comprised of 3 non-executive Directors. The members of this Committee during the past financial year were:

Mr Peter Evans – Non-executive Director
and Chairman of the Committee

Mr Kerry Roxburgh – Non-executive Director

Mr Tony Clark – Non-executive Director

The Board acknowledges the Recommendation that the Audit Committee should consist of a majority of independent Directors. Mr Roxburgh is an independent Director. Although, for the reasons outlined above, Mr Evans and Mr Clark are not technically independent Directors, the Board does not consider that their independence is hindered in their roles as Audit Committee members.

The Managing Director and the Finance Director attend meetings of the Audit Committee along with other members of the executive team and the external auditor by invitation only.

The external auditors have a standing invitation to meet with the Audit Committee or the Chairman of the Audit Committee, at any time, without the presence of the executive Directors or management.

The Audit Committee's responsibilities are to:

- a) Oversee the reporting process and to provide an objective review of the financial information presented by management to the Board and for presentation to shareholders, regulatory authorities and the general public;
- b) Oversee the existence and maintenance of internal controls and accounting systems;
- c) Review the scope and effectiveness of the external audit;
- d) Oversee and review the appointment, performance

- e) Maintain lines of communication between the Board and the external auditors.

The duties of the Audit Committee also include reviewing the nomination and performance of the Company's external auditors, and approving the external audit plan and fees in respect of the external audit.

The Audit Committee acknowledges that a high quality, independent statutory audit, is essential to the maintenance of the highest standards in financial reporting. To ensure that the statutory auditor is at all times independent, as well as perceived to be independent, the Committee has adopted a Charter of Audit Independence.

Under the terms of the Charter, the statutory auditor is prohibited from providing non-audit services, which would or may affect the actual or perceived independence of the auditor's ongoing engagement.

In addition, no employee or former employee of the statutory auditor will be permitted to serve as a Director or senior executive of Ramsay Health Care unless a minimum period of two years has passed since their leaving the employment of the statutory auditor.

The statutory auditor is also required to:

- a) Commit to the rotation of the senior partner in charge of the audit every five years;
- b) Confirm on an annual basis that:
 - the statutory auditor has complied with all legislation as well as professional regulations or guidance issued by the Australian Accounting Profession relating to Audit Independence;
 - the statutory auditor, its partners or the service team do not have any financial or business interests in the Company;
 - superannuation funds of the statutory auditor's partners or staff do not have a direct financial interest in the Company; and
 - total fees received from the Company do not have a material impact on the statutory auditor's operations or financial condition.

Remuneration Committee

The Remuneration Committee is comprised of 3 non-executive Directors. The members of this Committee during the past financial year were:

Rod McGeoch – Non-executive Director
and Chairman of the Committee

Peter Evans – Non-executive Director

Michael Siddle – Non-executive Director

The Board acknowledges the Recommendation that the Remuneration Committee should consist of a majority of independent Directors. Mr McGeoch is an independent Director. Although, for the reasons outlined above, Mr Evans is not technically an independent Director, the Board does not consider that his independence is hindered in his role as Remuneration Committee member.

The Remuneration Committee's role is to determine and review compensation packages for the executive Directors. In making these determinations, regard is had to comparable industry or professional salary levels, and to the specific performance of the individuals concerned.

...Corporate Governance Statement

The remuneration of managers and staff other than executive Directors is within the authority of the executive Directors. The executive Directors have discretion in regard to the remuneration of individual managers subject to the proviso that the overall level of remuneration falls within budget guidelines as approved by the Board.

The Remuneration Committee also makes recommendations to the Board, on the allocation of performance rights under the Company's Executive Incentive and Performance Rights Plan. In accordance with the Listing Rules, options issued to Directors require the approval of shareholders in general meeting.

The Board as a whole, upon recommendation from the Remuneration Committee, determines the remuneration of non-executive Directors. Their recommendation will have regard to survey comparisons, inflation trends, and to special responsibilities assumed by Directors. Any increase in the maximum aggregate quantum of Directors' fees is subject to the approval of shareholders in general meeting.

The Board are currently reviewing the terms of reference of the Remuneration Committee having regard to the Recommendations and, when approved by the Board, a formal Remuneration Charter will be posted on the Company's website.

Risk Management Committee

The members of this Committee during the past financial year were:

Peter Evans – Non-executive Director and Chairman of the Committee
Marjorie Brislee – Non-executive Director
Rod McGeoch – Non-executive Director, alternate
Pat Grier – Executive Managing Director

The Chief Operating Officer, the Group Risk Manager, the Group Corporate Services Manager, the Manager Human Resources, the Manager Occupational Health and Safety and the Financial Controller also attend meetings of the Risk Management Committee.

The Risk Management Committee is responsible for the ongoing assessment and management of risk to the Company, including clinical, medical, occupational health and safety and financial risk. The Risk Management Committee is also responsible for the accreditation process for all hospitals, including the review of clinical and infection control procedures. The Committee verifies the credentials of medical practitioners who use the Company's facilities, and receives reports from each hospital's medical advisory board. This process minimises the risk of malpractice.

In addition to the Risk Management Committee, the Board continues to manage and monitor ongoing business risk through:

- a) comprehensive reporting, whereby detailed management and business performance reports are prepared for the Board on a monthly basis. At each meeting of the Board, Directors receive and give consideration to reports from:
 - the Managing Director;
 - the Finance Director;
 - operations and hospital management;
 - risk management; and
 - planning and development.
- b) the review and approval of budgeted routine and capital expenditure;

- c) the establishment of policies on limits of authority and the approval of expenditure;
- d) oversight and review of the six-monthly external audits, via the Audit Committee;
- e) oversight of treasury activities;
- f) oversight of professional and medical conduct, via the Risk Management Committee; and
- g) maintenance of annual insurance programmes.

The Board is currently developing a Risk Management Charter, which will formally articulate the Company's policies on risk oversight and management. The Charter will be posted on the Company's website when approved by the Board.

Ethical Standards & Code of Conduct

Directors and employees of the company are expected to maintain standards of business conduct, which are ethical. To this end, the Board has adopted a code of conduct, which prescribes the principles and standards with which all directors, executive officers and employees are expected to maintain in the performance of their respective functions. The Code of Conduct has been published under the Corporate Governance section of the Company's website.

Policy on Share Trading by Directors & Senior Executives

The Board has adopted a policy on trading in Company shares by directors and senior executives. The policy, which restricts Directors and senior executives from acting on any material information before it has been released to the market, only permits the purchase or sale of Company shares during the following periods:

- a) A period of six weeks, commencing on the day following the release of the half-yearly financial results; and
- b) A period of six weeks, commencing the day following the release of the annual results.

Communication with Shareholders

The Board is committed to ensuring that shareholders are fully informed of all material matters that affect the position and prospects of the Company. To this end, the Board has:

- a) Maintained a special investor section on the Company website for publishing financial reports and up-to-date market releases;
- b) Provided investors with an email alert facility via the Company website, for all Company announcements to the market;
- c) From time to time used direct correspondence from the Chairman to update all shareholders on significant events.
- d) Encouraged shareholder participation at the Company's annual meeting.

The Board has also adopted a policy on continuous disclosure to ensure compliance with the disclosure obligations under ASX Listing Rule 3.1.

RAMSAY HEALTH CARE LIMITED &
CONTROLLED ENTITIES
ABN 57 001 288 768

Financial Report

for the year ended 30 June 2004

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Corporate Directory

Non Executive Directors

Paul Ramsay - Chairman
Michael Siddle - Deputy Chairman
Marjorie Brislee
Anthony Clark
Peter Evans
Rod McGeoch
Kerry Roxburgh

Executive Directors

Pat Grier - Managing Director
Bruce Soden - Finance Director

Company Secretary

Larry Ransley

Auditors

Ernst & Young
321 Kent Street
Sydney NSW 2000

Registered Office

9th Floor, 154 Pacific Highway
St Leonards NSW 2065
Email: enquiry@ramsayhealth.com.au
Website: www.ramsayhealth.com.au

Share Registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000
Mail Address: GPO Box 7045
Sydney NSW 1115
Website: www.computershare.com.au
Investor inquiries at: 1300 855 080

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RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2004.

DIRECTORS

The names of the Directors of the Company in office during the financial year and until the date of this report are:

Names

P.J. Ramsay AO – Non-Executive Chairman
M.S. Siddle – Non-Executive Deputy Chairman
I.P.S. Grier – Managing Director
B.R. Soden – Finance Director
M.L. Brislee – Non-Executive Director
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

The Directors were in office for this entire period unless otherwise stated.

Particulars in respect of each Director's experience and qualifications are set out in the Information on Directors section of the Annual Report.

Interests in the shares & options of the Company & related bodies corporate

The beneficial interest of each Director in the share capital of the Company as at the date of this report was as follows:

Director	Ramsay Health Care Limited	
	Ordinary Shares	Rights over Ordinary Shares
P.J. Ramsay	66,334,939	-
M.S. Siddle	25,000	-
M.L. Brislee	21,000	-
A.J. Clark	85,000	-
P.J. Evans	5,000	-
I.P.S. Grier	194,600	107,143
R.H. McGeoch	120,000	-
K.C.D. Roxburgh	75,000	-
B.R. Soden	5,387	53,571

Mr Paul Ramsay has a relevant interest in 66,334,939 (2003: 66,334,939) shares held by Paul Ramsay Holdings Pty Limited and is a director of that Company.

Interests in Contracts or Proposed Contracts with the Company

No director has any interest in any contract or proposed contract with the Company other than as disclosed elsewhere in this report.

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the economic entity were the owning and operating of private hospitals. There were no significant changes in the nature of these activities during the year.

OPERATING RESULTS & DIVIDENDS

Consolidated Results

The consolidated result of the economic entity after providing for income tax was a profit of \$38,353,000 (2003: profit of \$37,055,000). The operating profit before tax was \$56,670,000 (2003: \$53,545,000).

Earnings per Share

Basic earnings per share 29.8 cents (2003: 28.9 cents)
Diluted earnings per share 29.8cents (2003: 28.9 cents)

Dividends

Dividends paid or recommended for payment are as follows:

Final dividend recommended @ 10.0 cents per share	\$12,893,000 (2003: \$11,604,000)
Interim dividend paid during the year @ 7.5 cents per share	\$9,670,000 (2003: \$8,360,000)

REVIEW OF OPERATIONS

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

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

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

Greenslopes, in Brisbane, and Hollywood, in Perth, continue to record strong admission rates and the extra capacity added at these facilities has been immediately met with increased demand. In NSW, the redeveloped Lake Macquarie Private Hospital, where additional beds and theatres were added, is performing well above our initial expectations.

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

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

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

CORPORATE INFORMATION

Ramsay Health Care Limited is a company limited by shares that is incorporated and domiciled in Australia. Its ultimate parent entity is Paul Ramsay Holdings Pty Limited. The registered office is 9th Floor, 154 Pacific Highway, St Leonards NSW 2065.

EMPLOYEES

The consolidated entity employed 9,932 employees as at 30 June 2004 (2003: 7,666).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Acquisition of Silver Circle

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

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

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

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

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

SHARE OPTIONS

At the date of this report there were no unissued ordinary shares under the share option scheme available to directors, executives and senior management.

During the year ended 30 June 2004 the following share options were exercised:

Date of Issue	Number of Share Options Exercised	Exercise price
15 December 1998#	49,000	At the exercise price of \$1.85 per share
11 October 2000*	191,750	At the exercise price of \$1.50 per share

No share options lapsed during the year ended 30 June 2004.

The options issued on 15 December 1998 were issued under the following exercise conditions:

- The expiry date of the options is five years after the date of issue as shown above;
- None of the options can be exercised within two years of the issue date;
- 40% of options are exercisable after the second anniversary date of the issue with a further 20% exercisable three months before the anniversary date of the issue in each of the subsequent three years, or at any time up and until the fifth anniversary date of the issue.
- The options cannot be exercised unless the market price of the company's shares exceeds \$2.20.
- The exercise price is \$1.85

* Options issued on the 11 October 2000 were issued under the following exercise conditions:

- The expiry date of the options is three years after the date of issue as shown above;
- 25% of the options can be exercised six months after the date of issue with a further 25% exercisable after each subsequent six monthly period, or at anytime thereafter, up and until the third anniversary date of the issue;
- The exercise price is \$1.50.

INCENTIVE RIGHTS (CASH SETTLED)

At the date of this report there were 160,714 Incentive Rights granted under the Executive Incentive Rights Plan. Refer to note 23.1 of the financial statements for further details of the rights outstanding.

PERFORMANCE RIGHTS (EQUITY)

At the date of this report there were 310,714 unissued ordinary shares under the Executive Performance Rights Plan. Refer to note 23.2 of the financial statements for further details of the rights outstanding.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

The acquisition was funded by debt and cash reserves.

Benchmark operates and manages 10 hospitals in Victoria and South Australia, comprising 980 hospital beds and 68 aged care beds.

The total number of beds will rise to 1,119 beds in 2005 as a result of capacity expansion currently underway. The Group has annual revenue of approximately \$200 million.

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

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

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

LIKELY DEVELOPMENTS & EXPECTED RESULTS

Directors and management of the consolidated entity will continue to seek growth in health care operations and to seek further cost efficiencies so as to optimise the returns to shareholders from existing hospitals. Directors and management are continuing to pursue opportunities, including expansion of existing facilities, further hospital acquisitions as well as other opportunities closely allied to the private hospital sector which are within the company's core competencies and investment criteria.

INDEMNIFICATION & INSURANCE OF DIRECTORS & OFFICERS

The Company has a Directors' and Officers' Liability policy covering each of the directors and certain executive officers for liabilities incurred in the performance of their duties and as specifically allowed under the Corporations Act 2001. The premiums in respect of the policy are payable by the Company. The terms of the policy specifically prohibit the disclosure of any other details relating to the policy and therefore the directors do not intend disclosing further particulars relating thereto.

DIRECTORS' & OTHER OFFICERS' EMOLUMENTS

Remuneration Policy

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the non-executive directors, the executive directors and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such directors and officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such directors and officers are given the opportunity to receive their base emoluments in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance.

Refer to notes 23 and 30 of the financial statements for further details.

Details of the nature and amount of each element of the emolument of each director of the Company and each of the five executive officers of the Company and the consolidated entity receiving the highest emolument for the financial year are set out below.

Emoluments of the directors of the Company are shown below. The amount disclosed as Salary and Fees and Non Monetary Benefits include the grossed up value of all fringe benefits, salary packaged amounts.

	*Annual Emoluments				*Long Term Emoluments				
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Leave Entitlements	Number of Incentive Rights Granted	Amortised Cost of Incentive Rights	Amortised Cost of Options Vested (Old Scheme)	% of Remuneration	Super-annuation
	\$	\$	\$	(b) \$	(a)	(a) \$	\$	(a)	\$
P.J. Ramsay	120,000	-	-	-	-	-	-	-	10,800
M.S. Siddle	61,458	-	-	-	-	-	-	-	5,531
M.L. Brislee	61,458	-	-	-	-	-	-	-	-
A.J. Clark	61,458	-	-	-	-	-	312	0.5%	5,531
P.J. Evans	67,292	-	-	-	-	-	-	-	6,050
I.P.S. Grier	577,406	180,000	15,183	12,771	107,143	59,255	-	7.0%	11,002
R.H. McGeoch	62,917	-	-	-	-	-	-	-	5,663
K.C.D. Roxburgh	61,458	-	-	-	-	-	-	-	5,531
B.R. Soden	345,000	62,000	17,680	27,623	53,571	29,627	-	6.5%	11,002

Emoluments of the five most highly paid executive officers (See # below) of the Company and the consolidated entity are:

	*Annual Emoluments				* Long Term Emoluments		
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Leave Entitlements	Number of Performance Rights Granted	Amortised Cost of Performance Rights	Super-annuation
	\$	\$	\$	(b) \$	(a)	(a) \$	\$
C. Rex	385,000	70,000	11,727	5,257	71,429	33,293	11,002
C. McNally	285,000	100,000	18,544	26,302	35,714	16,647	11,002
C. Bromwich	270,000	35,000	9,103	69,130	28,571	13,317	11,002
K. Chant	220,500	21,000	5,728	13,978	28,571	13,317	11,002
P. Fitzmaurice	191,314	26,000	11,580	(204)	17,857	8,323	11,002

DIRECTORS' & OTHER OFFICERS' EMOLUMENTS (continued)**Notes**

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

- * The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.
- # Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.
- (a) The company uses the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" for all incentive rights granted to directors and performance rights granted to relevant executives. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to rights that never vest (i.e. forfeitures).

From 6 January 2004, rights granted as part of director and executive emoluments have been valued using a Binomial option-pricing model, which takes account of factors including the incentive rights and the performance rights grant price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the incentive and performance rights. See below for further details.
- (b) The amounts disclosed under leave entitlements is the increase or decrease during the year in accrued annual and long service leave entitlements. The full entitlements would only be paid out on cessation of employment.

Fair Values of Incentive Rights (Cash Settled)

The fair value of each incentive right is estimated on the date of grant using a Binomial option-pricing model with the following weighted average assumptions used for grants made on 6 January 2004:

2004	
Dividend yield	3.7%
Expected volatility	25% to 30%
Historical volatility	35%
Risk-free interest rate	5.95%
Effective life of incentive right	3 years

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The resulting weighted average fair values per incentive right for those rights vesting after 6 January 2004 are:

Number of Rights	Grant date	Vesting date	Weighted average fair value
160,714	6-Jan-2004	6-Jan-2007	\$4.93 *

Currently, these fair values are recognised as expenses in the financial statements resulting in an increase in employee benefits expense of \$88,882 (2003: Nil) for the 2004 financial year. Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e. incentive rights that do not vest).

* Fair value at 30 June 2004.

Fair Values of Performance Rights (Equity)

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 used for grants made on 6 January 2004:

2004	
Dividend yield	3.7%
Expected volatility	25% to 30%
Historical volatility	35%
Risk-free interest rate	5.95%
Effective life of incentive right	3 years

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

DIRECTORS' & OTHER OFFICERS' EMOLUMENTS (continued)

The resulting weighted average fair values per incentive right for those rights vesting after 6 January 2004 are:

Number of Rights	Grant date	Vesting date	Weighted average fair value
310,714	6-Jan-2004	6-Jan-2007	\$4.08 **

Currently, these fair values are not recognised as expenses in the financial statements. Should they have been recognised, they would have resulted in an increase in employee benefits expense of \$144,825 (2003: Nil) for the 2004 financial year. Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e. incentive rights that do not vest).

** Fair value at grant date.

DIRECTORS' RETIREMENT BENEFITS

Directors' Retirement Benefits have been provided for non-executive Directors. Non-executive Directors are entitled to retirement benefits after serving a minimum service period of three years with the Company. The amount of the retirement benefit will not exceed the maximum limit of three years remuneration, as set out in Section 200G of the Corporations Act 2001. The entitlement to retirement benefits will accrue on a pro-rata basis, over a period of nine years, commencing after the minimum service period of three years. The minimum service period will commence from, either the date of the Company's public listing in September 1997, or the date of the Director's appointment, whichever is the later. The Directors Retirement Benefit Plan is frozen to the current serving non-executive directors and will not be extended to new non-executive directors appointed to the Board. Cumulatively an amount of \$940,000 (2003: \$780,000) has been provided as at 30 June 2004 and \$160,000 (2003: \$160,000) expensed in the current year.

DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration	Risk Management Committee
Number of Meetings held:	13	7	4	10
Number of Meetings attended:				
P.J. Ramsay	11	-	-	-
M.S. Siddle	13	-	4	-
M.L. Brislee	13	-	-	9
A.J. Clark	12	7	-	-
P.J. Evans	13	7	4	10
I.P.S. Grier	13	-	-	7
R.H. McGeoch	12	-	4	-
K.C.D. Roxburgh	13	7	-	-
B.R. Soden	13	-	-	-

COMMITTEES

As at the date of this report, the company had the following three committees:

Committee	Members
Audit Committee	Messrs Evans, Roxburgh, Clark
Remuneration Committee	Messrs McGeoch, Evans, Siddle
Risk Management Committee	Messrs, Evans, McGeoch (alternative), Grier, Mrs Brislee

Further information in relation to the above committees is disclosed in the Corporate Governance Statement included in the Annual Report.

ROUNDING

The amounts contained in this report and in the financial report have been rounded off under the option available to the Company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

ENVIRONMENTAL REGULATION & PERFORMANCE

The consolidated entity holds licences from the Environment Protection Regulatory Bodies applicable to Hospitals for the maintenance of a safe environment. The Directors are not aware of any breaches of these licences.

TAX CONSOLIDATION

Effective 1 July 2003, for the purposes of income taxation, Ramsay Health Care Ltd and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have committed to entering into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis.

CORPORATE GOVERNANCE

In recognition of the need for the highest standards of corporate behaviour and accountability, the Directors of Ramsay Health Care have reviewed the Company's current corporate governance policies in the light of the Australian Stock Exchange Corporate Governance Council best practice recommendations. Further information in relation to corporate governance is disclosed in the Corporate Governance Statement included in the Annual Report.

Signed in accordance with a resolution of the Directors.



I.P.S. GRIER
Director

Sydney, 30 September 2004



B.R. SODEN
Director

INDEPENDENT AUDIT REPORT

To the members of Ramsay Health Care Limited



Scope

The financial report & directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Ramsay Health Care Limited and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Ramsay Health Care Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Ramsay Health Care Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



ERNST & YOUNG



COLLEEN HOSKING
Partner

Sydney

Date: 30 September 2004

RAMSAY HEALTH CARE LIMITED DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



I.P.S. GRIER
Director

Sydney, 30 September 2004



B.R. SODEN
Director

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

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RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES ANNUAL REPORT 2004
40 YEARS OF COMMITMENT TO BETTER HEALTH CARE

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

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

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

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

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RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES ANNUAL REPORT 2004
40 YEARS OF COMMITMENT TO BETTER HEALTH CARE

		Consolidated		Ramsay Health Care Limited	
	Notes	2004 \$000	2003 \$000	2004 \$000	2003 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		766,734	650,148	3,111	2,931
Payments to suppliers & employees		(670,573)	(586,971)	(944)	(2,931)
Dividends Received		445	-	-	9,303
Income tax paid		(21,042)	(3,239)	-	-
Borrowing costs paid		(17,506)	(14,597)	-	-
Interest received		784	861	1	2
GST received		30,318	31,215	-	-
GST paid		(12,631)	(10,139)	-	-
Expenditure on capitalised borrowing costs		(2,788)	(19)	-	-
Net cash flows from operating activities	24 (a)	73,741	67,259	2,168	9,305
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	10(c)	(34,112)	(80,698)	-	-
Purchase of business	24(d) & (e)	(2,938)	(15,744)	-	-
Prepayment for Investment in Benchmark	13	(13,478)	-	-	-
Proceeds from sale of property, plant and equipment		385	563	-	-
Net cash flows used in investing activities		(50,143)	(95,879)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		379	1,900	378	1,901
Dividends paid		(21,273)	(16,688)	(21,273)	(16,688)
Repayment of finance lease - principal		(774)	(1,094)	-	-
Borrowings - receipts other		9,400	55,882	18,578	5,662
Borrowings - repayment other		(5,722)	-	-	-
Net cash flows used in financing activities		(17,990)	40,000	(2,317)	(9,125)
Net increase/(decrease) in cash held		5,608	11,380	(149)	180
Add opening cash brought forward		15,011	3,631	195	15
Decrease in restricted cash balances		1,869	-	-	-
CLOSING CASH CARRIED FORWARD	24 (b)	22,488	15,011	46	195

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Accounting

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

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

(b) Changes in Accounting Policy

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

(c) Principles of Consolidation

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

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

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

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

(d) Foreign Currencies

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

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

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

(e) Cash

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

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

(f) Trade & Other Receivables

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

(g) Inventories

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

(h) Investments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Recoverable Amount

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

(j) Property, Plant & Equipment

Cost and Valuation

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

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

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

Depreciation

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

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

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

Major depreciation periods are:

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

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

(k) Intangible Assets

Goodwill

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Interest Bearing Liabilities

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

(n) Leases

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

Operating Leases

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

Finance Leases

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

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

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

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

(o) Employee Benefits

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

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

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

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

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

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

The value of the employee share rights scheme described in note 23 is not being charged as an employee benefits expense.

(p) Revenue Recognition

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

Patient Revenue

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

Interest

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Dividends are recognised when received.

Rental Revenue

Rental income is recognised on an accruals basis.

Government Grants

Government grants are usually received in advance of the service being provided and generally have activity or performance targets associated with the grant amount. Depending on the nature of the grant, grant amounts are recorded as revenue a) in proportion to the costs incurred over the life of the associated project, b) based on actual patient activity or c) based on the provisions of the grant. Grants made for sustainability purposes are recorded as revenue when received.

(q) Income Tax

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

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

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

Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

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

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

(r) Earnings per Share (EPS)

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

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

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

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

(s) Provisions

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

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

(t) Insurance

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

Medical Malpractice Insurance

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance Funding

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

(u) Contributed equity

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

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

(v) Derivative financial instruments

Interest rate swaps

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

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

(w) Comparatives

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

2. REVENUE FROM ORDINARY ACTIVITIES

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

3. EXPENSES & LOSSES/(GAINS)

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

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

4. INCOME TAX

		Consolidated		Ramsay Health Care Limited	
	Notes	2004 \$000	2003 \$000	2004 \$000	2003 \$000
The prima facie tax on profit from ordinary activities differs from the income tax provided in the financial statements as follows:					
Profit from ordinary activities before income tax		56,670	53,545	1,953	11,371
Prima facie tax on profit from ordinary activities at 30% (2003: 30%)		17,001	16,063	586	3,414
Tax effect of permanent differences:					
- Net allowable deductions/add backs		1,453	427	-	-
- Rebateable Dividends		-	-	-	(2,794)
Overprovision		(137)	-	-	-
Income tax expense attributable to ordinary activities		18,317	16,490	586	620
Deferred tax assets and liabilities					
Current tax payable		11,971	11,481	611	-
Provision for deferred income tax					
- non-current	20	31,674	31,367	-	1,368
Future income tax benefit - non-current	12	25,062	21,976	263	1,669

Tax consolidation

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

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

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

* As Ramsay Health Care Ltd and its 100% owned subsidiaries have formed a tax consolidated group, effective 1 July 2003, this represents the current tax payable for the group.

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

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

6. RECEIVABLES (CURRENT)

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

Terms & Conditions:

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

Concentration of Credit Risk:

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

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

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

7. INVENTORIES (CURRENT)

	Notes	Consolidated		Ramsay Health Care Limited	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Amount of medical and food supplies to be consumed in providing future patient services - at cost		12,849	11,189	-	-

8. OTHER ASSETS (CURRENT)

Prepayments		11,346	13,766	-	-
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9. OTHER FINANCIAL ASSETS (NON-CURRENT)

Investments at cost comprise:

Ordinary Shares:

- Listed on a prescribed stock exchange		25	10	-	-
- Other		138	110	-	-
		163	120	-	-

Units in unit trust:

- Listed on a prescribed stock exchange		77	60	-	-
- Unsecured notes – unlisted		65	65	-	-
		142	125	-	-
		305	245	-	-

Investment in controlled entities:

- Unlisted shares and units	9 (a)	-	-	139,997	149,997
		305	245	139,997	149,997

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

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

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

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

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

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

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2004 %	2003 %	2004 \$000	2003 \$000
Balance brought forward				139,997	149,997
Ramsay Health Care Australia Pty Limited					
and its controlled entities:					
Ramsay Professional Services Pty Limited	Australia	100%	100%		
Phiroan Pty Limited	Australia	100%	100%		
New Farm Hospitals Pty Limited	Australia	100%	100%		
Ramsay Health Care (Victoria) Pty Limited	Australia	100%	100%		
Adelaide Clinic Holdings Pty Limited	Australia	100%	100%		
Ramsay Health Care (South Australia) Pty Limited	Australia	100%	100%		
North Shore Private Hospital Pty Limited	Australia	100%	100%		
E Hospital Pty Limited	Australia	100%	100%		
Ramsay Health Care Services (QLD) Pty Limited	Australia	100%	-		
Ramsay Health Care Services (VIC) Pty Limited	Australia	100%	-		
Ramsay Health Care Services (WA) Pty Limited	Australia	100%	-		
Ramsay Health Care (Asia Pacific) Pty Limited					
and its controlled entities:					
Ramsay Health and Management Services					
Sdn Bhd # (in liquidation)	Malaysia	100%	100%		
				139,997	149,997

Audited by other member firms of Ernst & Young International

* Denotes \$2.00

10. PROPERTY, PLANT & EQUIPMENT

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

10. PROPERTY, PLANT & EQUIPMENT (continued)

(a) Valuations

The fair values of hospital assets have been determined at 30th June 2004 by reference to director valuations, based upon independent valuations previously obtained. These independent valuations were performed on 30 June 2003. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

(b) Assets pledged as security

Refer to note 28 and 31.

(c) Reconciliation

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

		Consolidated		Ramsay Health Care Limited	
	Notes	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Licensed private hospitals					
Carrying amount at beginning		439,020	374,709	-	-
Additions		10,148	56,613	-	-
Net amount of revaluation increments					
less decrements	22 (a) (ii)	-	101	-	-
Additions through acquisition of entities/operations	24 (d)	-	13,733	-	-
Depreciation expense	3(a)	(7,547)	(6,136)	-	-
		441,621	439,020	-	-
Leasehold improvements					
Carrying amount at beginning		9,033	7,550	-	-
Additions		232	1,765	-	-
Disposals		(35)	-	-	-
Additions through acquisition of entities/operations	24 (d)	35	-	-	-
Depreciation expense	3(a)	(405)	(282)	-	-
		8,860	9,033	-	-
Plant and equipment at cost					
Carrying amount at beginning		62,778	54,442	-	-
Additions		23,732	22,320	-	-
Disposals		(762)	(178)	-	-
Additions through acquisition of entities/operations	24 (d)	820	3,174	-	-
Depreciation expense	3(a)	(19,226)	(16,980)	-	-
		67,342	62,778	-	-
Plant and equipment under lease					
Carrying amount at beginning		1,717	2,715	-	-
Additions		-	-	-	-
Disposals		(111)	(277)	-	-
Additions through acquisition of entities/operations	24 (d)	124	-	-	-
Depreciation expense	3(a)	(469)	(721)	-	-
		1,261	1,717	-	-
Total property, plant and equipment		519,084	512,548	-	-

11. INTANGIBLE ASSETS

Notes	Consolidated		Ramsay Health Care Limited	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Goodwill	9,737	7,827	-	-
Accumulated amortisation	(1,741)	(1,083)	-	-
	<u>7,996</u>	<u>6,744</u>	<u>-</u>	<u>-</u>

12. DEFERRED TAX ASSETS

Future income tax benefit	<u>25,062</u>	<u>21,976</u>	<u>263</u>	<u>1,669</u>
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13. OTHER ASSETS (NON CURRENT)

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

The amortisation of borrowing costs for 2003 is included in interest expense. Nil applicable in 2004 as borrowing costs were capitalised at end of financial year.

14. ACCOUNTS PAYABLE (CURRENT)

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

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

15. INTEREST BEARING LIABILITIES (CURRENT)

Secured:

- Bank loans (b)	31	-	18,371	-	-
- Lease liabilities (a)		506	754	-	-
- Loan - insurance funding (c)	31(iv)	7,039	9,468	-	-
		<u>7,545</u>	<u>28,593</u>	<u>-</u>	<u>-</u>

(a) Lease liabilities are effectively secured by the leased asset.

(b) Further information on the bank loans and bank overdraft are set out in notes 28 and 31.

(c) Loan - insurance funding. This loan is carried at the principal amount less any repayments. It is secured by the unexpired position of the insurance policy.

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

16. PROVISIONS (CURRENT)

	Notes	Consolidated		Ramsay Health Care Limited	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Employee benefits	23	27,983	25,742	-	-
Surplus lease space		403	662		
Other		747	537	940	780
		<u>29,133</u>	<u>26,941</u>	<u>940</u>	<u>780</u>

17. ACCOUNTS PAYABLE (NON-CURRENT)

Amounts payable to controlled entities	-	-	15,498	6,923
	<u>-</u>	<u>-</u>	<u>15,498</u>	<u>6,923</u>

18. INTEREST BEARING LIABILITIES (NON-CURRENT)

Secured liabilities:

- Bank loans (a)	18,31	225,000	197,229	-	-
- Lease liabilities (b)		956	1,341	-	-
		<u>225,956</u>	<u>198,570</u>	<u>-</u>	<u>-</u>

(a) Further information on bank loans are set out in notes 28 and 31.

(b) Lease liabilities are effectively secured by the leased asset.

19. PROVISIONS (NON-CURRENT)

Employee benefits	23	18,685	15,310	-	-
Insurance (a)	1(t)	10,016	6,976	-	-
Surplus lease space		-	649	-	-
Other		1,769	1,921	-	-
		<u>30,470</u>	<u>24,856</u>	<u>-</u>	<u>-</u>

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

(b) Movements in provisions

(i) Insurance

Carrying amount at the beginning of the financial year	6,976	6,288	-	-
Additional provision	3,155	977	-	-
Amounts utilised during the year	(115)	(289)	-	-
Carrying amount at the end of the financial year	<u>10,016</u>	<u>6,976</u>	<u>-</u>	<u>-</u>

(ii) Surplus lease (current and non-current)

Carrying amount at the beginning of the financial year	1,311	1,839	-	-
Amounts utilised during the year	(908)	(528)	-	-
Carrying amount at the end of the financial year	<u>403</u>	<u>1,311</u>	<u>-</u>	<u>-</u>

20. DEFERRED TAX LIABILITIES

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

21. CONTRIBUTED EQUITY

(a) Issued and paid up capital

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

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

(c) Terms & conditions of contributed equity

Ordinary Shares

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

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

Share options

During the year ended 30 June 2004 the following share options were exercised:

Date of Issue	Number of Share Options Exercised	Exercise price
15 December 1998#	49,000	At the exercise price of \$1.85 per share
11 October 2000*	191,750	At the exercise price of \$1.50 per share

No share options lapsed during the year ended 30 June 2004.

The options issued on 15 December 1998 were issued under the following exercise conditions:

- The expiry date of the options is five years after the date of issue as shown above;
- None of the options can be exercised within two years of the issue date;
- 40% of options are exercisable after the second anniversary date of the issue with a further 20% exercisable three months before the anniversary date of the issue in each of the subsequent three years, or at any time up and until the fifth anniversary date of the issue.
- The options cannot be exercised unless the market price of the company's shares exceeds \$2.20.
- The exercise price is \$1.85

* Options issued on the 11 October 2000 were issued under the following exercise conditions:

- The expiry date of the options is three years after the date of issue as shown above;
- 25% of the options can be exercised six months after the date of issue with a further 25% exercisable after each subsequent six monthly period, or at anytime thereafter, up and until the third anniversary date of the issue;

The exercise price is \$1.50.

21. CONTRIBUTED EQUITY (continued)

Incentive & Performance Rights

Details of the rights plan have been included in Note 23.

22. RESERVES & RETAINED PROFITS

		Consolidated		Ramsay Health Care Limited	
	Notes	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Asset revaluation	22(a)	54,533	54,533	-	-
Retained profits	22(b)	94,186	77,106	1,449	21,355

(a) Reserves

Asset revaluation	54,533	54,533	-	-
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(i) Nature and purpose of reserves:

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.

The reserve can only be used to pay dividends in limited circumstances.

(ii) Movements in reserve:

Balance at beginning of year	54,533	54,432	-	-
Revaluation increments on revaluation of:				
- Licensed Private Hospitals	-	101	-	-
Balance at end of year	54,533	54,533	-	-

(b) Retained profits

Balance at the beginning of year	77,106	49,054	21,355	18,964
Net profit attributable to members of Ramsay Health Care Limited	38,353	37,055	1,367	10,751
Adjustment arising from adoption of revised accounting standard:				
- AASB 1028 "Employee Benefits"	-	(643)	-	-
- AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	8,328	-	8,328
Total available for appropriation	115,459	93,794	22,722	38,043
Dividends provided for or paid	4	(21,273)	(21,273)	(16,688)
Balance at end of year		94,186	1,449	21,355

23. EMPLOYEE BENEFITS

The aggregate employee benefit liability is comprised of:

- Provisions (current)	16	27,983	25,742	-	-
- Provisions (non-current)	19	18,685	15,310	-	-
- Accrued salaries, wages and on costs		7,285	10,657	-	-
		53,953	51,709	-	-

23.1 EXECUTIVE INCENTIVE RIGHTS PLAN (CASH SETTLED)

An executive incentive rights plan was established in January 2004 where Ramsay Health Care Limited may, at the discretion of the Board, grant rights over the ordinary shares of Ramsay Health Care Limited to Executive directors of the consolidated entity. These rights, entitle the holder to the cash equivalent of one fully paid ordinary share in the entity for nil consideration. The rights are granted in accordance with the plan's guidelines established by the directors of Ramsay Health Care Limited. The rights cannot be transferred and will not be quoted on the ASX. Non-executive directors are not eligible for this plan.

Information with respect to the number of rights granted under the executive incentive rights plan is as follows:

		2004		2003	
	Notes	Number of rights	Fair Value of Rights @ Grant Date	Number of Rights	Weighted average exercise price
Balance at beginning of year	23.1(a)	-	-	-	-
- granted	23.1(b)	160,714	\$4.93	-	-
Balance at end of year	23.1(d)	160,714	\$4.93	-	-
Exercisable at end of year		-	-	-	-

a) Rights held at the beginning of the reporting period

There were no rights held by the directors at 1 July 2003.

b) Rights granted during the reporting period

The following table summarises information about rights granted by Ramsay Health Care Limited to directors during the year.

Number of rights	Grant date	Vesting date	Weighted average Fair value of Incentive right
160,714	6-Jan-04	6-Jan-07	\$4.93

c) Rights exercised during the reporting period

There were no rights exercised by the directors during the year ended 30 June 2004.

d) Rights held at the end of the reporting period

The following table summarises information about rights held by directors during as at 30 June 2004

Number of rights	Grant date	Vesting date	Weighted average Fair value of Incentive right
160,714	6-Jan-04	6-Jan-07	\$4.93

23.2 Executive Performance Rights Plan (Equity)

An executive performance rights scheme has been established in January 2004 where Ramsay Health Care Limited may, at the discretion of the Board, grant rights over the ordinary shares of Ramsay Health Care Limited to executives of the consolidated entity. The rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the directors of Ramsay Health Care Limited. The rights cannot be transferred and will not be quoted on the ASX. Non-executive directors are not eligible for this plan.

Information with respect to the number of rights granted under the executive performance rights plan is as follows:

		2004		2003	
	Notes	Number of rights	Fair Value of Rights @ Grant Date	Number of Rights	Weighted average exercise price
Balance at beginning of year	23.2(a)	-	-	-	-
- granted	23.2(b)	310,714	\$4.08	-	-
Balance at end of year	23.2(d)	310,714	\$4.08	-	-
Exercisable at end of year		-	-	-	-

23. EMPLOYEE BENEFITS (continued)

a) Rights held at the beginning of the reporting period

There were no rights held by executives at 1 July 2003.

b) Rights granted during the reporting period

The following table summarises information about rights granted by Ramsay Health Care Limited to executives during the year.

Number of rights	Grant date	Vesting date	Weighted average Fair value of Performance rights
310,714	6-Jan-04	6-Jan-07	\$4.08

c) Rights exercised during the reporting period

There were no rights exercised by executives during the year ended 30 June 2004.

d) Rights held at the end of the reporting period

The following table summarises information about rights held by executives as at 30 June 2004

Number of rights	Grant date	Vesting date	Weighted average Fair value of Performance rights
310,714	6-Jan-04	6-Jan-07	\$4.08

23.3 EMPLOYEE SHARE INCENTIVE SCHEME (OLD SCHEME)

An employee share incentive scheme, established in 1997, ceased during the year. Under the scheme directors, executives and certain members of staff of the consolidated entity were issued with options over the ordinary shares of Ramsay Health Care Limited. The options, were issued for nil consideration, in accordance with performance guidelines established by the directors of Ramsay Health Care Limited. The options could not be transferred, gave no voting rights, and were not quoted on the ASX. There are currently no executives and staff eligible for this scheme.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

		2004		2003	
	Notes	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of year	23.3 (a)	240,750	\$1.53	1,372,500	\$1.64
Exercised	23.3 (c)	240,750	\$1.53	1,131,750	\$1.66
Balance at end of year		-	-	240,750	\$1.57
Exercisable at end of year		-	-	240,750	\$1.53

23.3(a) Options held at the beginning of the reporting period:

The following table summarises information about options held by employees as at 1 July 2003:

Number of options	Grant date	Vesting date	Expiry Date	Exercise Price
49,000	15 December 1998	Various	15 December 2003	\$1.85
191,750	11 October 2000	Various	11 October 2003	\$1.50

23.3(b) Options granted during the reporting period:

No options were granted during the reporting period.

23. EMPLOYEE BENEFITS (continued)

23.3(c) Options exercised:

(i) The following table summarises information about options exercised by employees during the year ended 30 June 2004:

Number of Options	Grant date	Exercise date	Expiry date	Weighted average exercise price	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued *
13,000	15/12/98	Jul'03	15/12/03	1.85	24,050	13,000	Jul'03	4.08
34,000	11/10/00	Jul'03	11/10/03	1.50	51,000	34,000	Jul'03	4.08
3,000	15/12/98	Aug'03	15/12/03	1.85	5,550	3,000	Aug'03	4.45
20,500	11/10/00	Aug'03	11/10/03	1.50	30,750	20,500	Aug'03	4.45
22,000	15/12/98	Sep'03	15/12/03	1.85	40,700	22,000	Sep'03	4.35
50,000	11/10/00	Sep'03	11/10/03	1.50	75,000	50,000	Sep'03	4.35
5,000	15/12/98	Oct'03	15/12/03	1.85	9,250	5,000	Oct'03	4.30
87,250	11/10/00	Oct'03	11/10/03	1.50	130,875	87,250	Oct'03	4.30
6,000	15/12/98	Nov'03	15/12/03	1.85	11,100	6,000	Nov'03	4.39
<u>240,750</u>					<u>\$378,275</u>	<u>240,750</u>		

(i) The following table summarises information about options exercised by employees during the year ended 30 June 2003:

Number of Options	Grant date	Exercise date	Expiry date	Weighted average exercise price	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued *
98,500	17/09/97	Jul'02	17/09/02	1.85	182,225	98,500	Jul'02	4.139
146,500	17/09/97	Aug'02	17/09/02	1.85	271,025	146,500	Aug'02	4.158
246,500	17/09/97	Sep'02	17/09/02	1.85	456,025	246,500	Sep'02	3.769
4,000	23/09/97	Aug'02	23/09/02	1.85	7,400	4,000	Aug'02	4.153
23,000	15/12/98	Mar'03	15/12/03	1.85	42,550	23,000	Mar'03	3.486
71,250	11/10/00	Jul'02	11/10/03	1.50	106,875	71,250	Jul'02	4.130
49,750	11/10/00	Aug'02	11/10/03	1.50	74,625	49,750	Aug'02	4.170
27,500	11/10/00	Oct'02	11/10/03	1.50	41,250	27,500	Oct'02	4.038
25,000	11/10/00	Nov'02	11/10/03	1.50	37,500	25,000	Nov'02	3.541
257,000	11/10/00	Jan'03	11/10/03	1.50	385,500	257,000	Jan'03	3.649
25,000	11/10/00	Feb'03	11/10/03	1.50	37,500	25,000	Feb'03	3.450
10,000	11/10/00	Mar'03	11/10/03	1.50	15,000	10,000	Mar'03	3.486
21,250	11/10/00	Apr'03	11/10/03	1.50	31,875	21,250	Apr'03	3.500
25,000	11/10/00	May'03	11/10/03	1.50	37,500	25,000	May'03	3.832
101,500	11/10/00	Jun'03	11/10/03	1.50	152,250	101,500	Jun'03	3.681
<u>1,131,750</u>					<u>\$1,879,100</u>	<u>1,131,750</u>		

* Fair value of shares issued during the reporting period is estimated to be the weighted average market price of shares calculated on their respective issue dates.

(d) Options held as at the end of the reporting period:

There were no options on issue at the end of the reporting period.

23. EMPLOYEE BENEFITS (continued)

(e) Fair values of options

The fair value of each option is estimated on the date of grant using the Binomial option-pricing model with the following weighted assumptions used for grants made on 15 December 1998 and 11 October 2000:

	11 October 2000	15 December 1998
Dividend yield	5.4%	4.5%
Historic volatility	38%	31%
Risk-free interest rate	5.98%	4.50%
Expected life of option	3 years	5 years

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. Historic volatility is indicative of future trends.

The resulting weighted fair values per option for those options vesting after 16 December 1998 are:

Number of options	Grant date	Vesting date	Weighted average Fair value
49,000	15-Dec-98	Various	0.32
191,750	11-Oct-00	Various	0.28

Currently, these fair values are not recognised as expenses in the financial statements. However, should these grants be expensed, they would be amortised over the vesting periods resulting in an increase in employee benefits expenses of \$469 (2003: \$15,210). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e. options that do not vest).

(f) The exercise conditions of the options and the vesting dates are set out in Note 21.

24. STATEMENT OF CASH FLOWS

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

24. STATEMENT OF CASH FLOWS (continued)

	Consolidated		Ramsay Health Care Limited	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
(b) Reconciliation of cash				
Cash balances comprise:				
Cash on hand	43	39	-	-
Cash at bank and on deposit	22,445	16,841	46	195
Restricted cash balances	-	(1,869)	-	-
Closing cash balance	22,488	15,011	46	195

(c) Bank facilities

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

(d) Acquisition of controlled entity in current year

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

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

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

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

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

The components of the acquisition are:

	2004 \$000
Consideration	
- cash paid	2,891
- deferred contingent purchase consideration	1,133
- transaction costs	47
	<u>4,071</u>

Net Assets of Glad Pty Ltd at 7 January 2004

Current assets		
- cash		452
- receivables		5,939
- prepayments		88
- future income tax benefit		403
Non-current assets		
- property plant and equipment	10(c)	979
Current liabilities		
- trade creditors		(167)
- lease liability		(18)
- provisions		(5,106)

24. STATEMENT OF CASH FLOWS (continued)

	2004 \$000
Non-current liabilities	
- lease liability	(119)
- provisions	(126)
- deferred tax liability	(26)
Fair value of net tangible assets	<u>2,299</u>
Goodwill arising on acquisition	<u>1,772</u>
	<u>4,071</u>
Net cash effect	
Consideration paid	4,071
Deferred contingent purchase consideration	(1,133)
Cash paid for purchase of controlled entity as reflected in the consolidated financial report	<u><u>2,938</u></u>

(e) Acquisition of controlled entity in prior year

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

	Notes	2003 \$000
Consideration		
- Cash paid		16,753
- Cash received		<u>(1,009)</u>
		<u>15,744</u>
Net Assets of Cairns Private Hospital at November 2002		
Current assets		
- Prepayments		52
- Inventories		526
Non-current assets		
- Property, plant and equipment, hospital and bed licenses	10(c)	16,907
Current liabilities		
- Provisions		(500)
Non-current liabilities		
- Provisions		(1,241)
Fair value of net tangible assets		<u>15,744</u>
Net cash effect:		
- Consideration paid		<u>15,744</u>
Cash paid for purchase of 100% of the assets of Cairns Private Hospital as reflected in the consolidated financial report		<u><u>15,744</u></u>

25. EXPENDITURE COMMITMENTS

		Consolidated		Ramsay Health Care Limited	
	Notes	2004 \$000	2003 \$000	2004 \$000	2003 \$000
(a) Finance leases					
- not later than one year		562	758	-	-
- later than one year but not later than five years		1,047	1,386	-	-
- later than five years		-	-	-	-
Total minimum lease payments		1,609	2,144	-	-
- future finance charges		(147)	(49)	-	-
- lease liability		1,462	2,095	-	-
- current liability	15	506	754	-	-
- non-current liability	18	956	1,341	-	-
		1,462	2,095	-	-
Total lease liability accrued for:					
Current					
- Surplus lease space (operating lease)(i)	16	403	662	-	-
- Finance leases	15	506	754	-	-
		909	1,416	-	-
Non-current					
- Surplus lease space (operating lease)(i)	19	-	649	-	-
- Finance leases	18	956	1,341	-	-
		956	1,990	-	-
		1,865	3,406	-	-

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

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

(b) Lease expenditure commitments

Operating leases (non-cancellable):

Minimum lease payments

- not later than one year	6,225	6,293	-	-
- later than one year but not later than five years	16,729	17,692	-	-
- later than five years	15,904	17,408	-	-

Aggregate lease expenditure
contracted for at balance date

38,858	41,393	-	-
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Amounts provided for:

- surplus lease space - current	403	662	-	-
- non-current	-	649	-	-
	403	1,311	-	-

Amounts not provided for:

- rental commitments	38,455	40,082	-	-
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Aggregate lease expenditure
contracted for at balance date

38,858	41,393	-	-
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25. EXPENDITURE COMMITMENTS (continued)

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

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

	Consolidated		Ramsay Health Care Limited	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Current	138	752	-	-
Non-current	-	518	-	-
	138	1,270	-	-

(c) Capital expenditure commitments

Estimated capital expenditure
contracted for at balance date but
not provided for, payable:

- not later than one year	1,966	19,693	-	-
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(d) Commitment to manage & operate the Mildura Base Hospital:

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

26. SEGMENTAL INFORMATION

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

27. SUPERANNUATION COMMITMENTS

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

28. COMMITMENTS

During June 2004 the Consolidated entity signed a new 5 year bank facility for \$550 million to replace and expand the existing banking facility. Under this facility the Consolidated entity is subject to a negative pledge and the facility is partially secured. Refer to note 31 for further details.

29. AUDITORS' REMUNERATION

Amounts received or due and receivable
by the Auditors for:

Audit of financial statements	469,810	460,139	-	-
Audit of other reports	85,422	34,565	-	-
Other audit related services	10,945	10,945	-	-
Total audit	566,177	505,649	-	-
Other services				
Taxation	134,052	307,233	-	-
Other	327,810	180,081	-	-
Total Other Services	461,862	487,314	-	-
	1,028,039	992,963	-	-

30. DIRECTOR & EXECUTIVE DISCLOSURES

a) Details of Specified Directors & Specified Executives

i. Specified Directors

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

ii. Specified Executives

C. Rex	- <i>Chief Operating Officer</i>
C. McNally	- <i>Business Development Manager</i>
C. Bromwich	- <i>State Operations Manager – NSW</i>
K. Chant	- <i>Business Development</i>
P. Fitzmaurice	- <i>Group Corporate Services Manager</i>

b) Remuneration of Specified Directors & Specified Executives

i. Remuneration Policy

The Remuneration Committee of the Board of Directors of Ramsay Health Care Limited is responsible for determining and reviewing compensation arrangements for the directors, the Chief Executive Officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such directors and officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such directors and officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and executives' emoluments to the company's financial and operational performance. All executive directors and executives have the opportunity to qualify for participation in the Executive Rights Plans, which currently provide incentives where specified criteria are met, including criteria relating to profitability and share price growth.

All executive directors and executives may be considered for annual bonuses payable upon the achievement of annual corporate profitability and operational measures. Cash bonuses for the financial year ended 30 June 2004 were accrued in June 2004 and paid in July 2004.

Cash based incentives in respect of the Managing Director and Executives are determined and approved by the Remuneration Committee having regard to profit growth and achievement of operational objectives (E.g. Meeting of budget or other agreed performance objectives). The Remuneration Committee will also consider the contributions made by a Director or Executive to any major acquisition and capital transactions during the year. The actual bonus awarded is determined and approved by the Remuneration Committee. The annual performance bonus is discretionary. No unique contracts of employment have been entered into with the Managing Director or other Executives. Termination generally requires a minimum of one month's notice by either party and is subject to negotiation.

30. DIRECTOR & EXECUTIVE DISCLOSURES (continued)

ii. Remuneration of specified directors & specified executives

	Primary				Post Employment		Other Benefits		
Specified Directors	Salary & fees	Cash Bonus	Non-Monetary Benefits	Leave Entitlements	Super-annuation	Retirement Benefits	Incentive Rights (Cash Settled)	Options (Old Scheme)	Total
P.J.Ramsay									
2004	\$120,000	-	-	-	\$10,800	\$40,000	-	-	\$170,800
2003	\$120,000	-	-	-	\$10,519	\$40,000	-	-	\$170,519
M.S.Siddle									
2004	\$61,458	-	-	-	\$5,531	\$20,000	-	-	\$86,989
2003	\$60,000	-	-	-	\$5,400	\$20,000	-	-	\$85,400
M.L.Brislee									
2004	\$61,458	-	-	-	-	\$20,000	-	-	\$81,458
2003	\$60,000	-	-	-	-	\$20,000	-	-	\$80,000
A.J.Clark									
2004	\$61,458	-	-	-	\$5,531	\$20,000	-	\$312	\$87,301
2003	\$60,000	-	-	-	\$5,400	\$20,000	-	\$1872	\$87,272
P.J.Evans									
2004	\$67,292	-	-	-	\$6,056	\$20,000	-	-	\$93,348
2003	\$60,000	-	-	-	\$5,400	\$20,000	-	-	\$85,400
I.P.S.Grier									
2004	\$577,406	\$180,000	\$15,183	\$12,771	\$11,002	-	\$59,255	-	\$855,617
2003	\$500,000	\$150,000	\$15,296	\$25,808	\$10,519	-	-	\$2,469	\$704,092
R.H.McGeoch									
2004	\$62,917	-	-	-	\$5,663	\$20,000	-	-	\$88,580
2003	\$60,000	-	-	-	\$5,400	\$20,000	-	-	\$85,400
K.C.D.Roxburgh									
2004	\$61,458	-	-	-	\$5,531	\$20,000	-	-	\$86,989
2003	\$60,000	-	-	-	\$5,400	\$20,000	-	-	\$85,400
B.R.Soden									
2004	\$345,000	\$62,000	\$17,680	\$27,623	\$11,002	-	\$29,627	-	\$492,932
2003	\$325,000	\$25,000	\$15,050	\$26,252	\$10,519	-	-	\$988	\$402,809
Total Remuneration: Specified Directors									
2004	\$1,418,447	\$242,000	\$32,863	\$40,394	\$61,116	\$160,000	\$88,882	\$312	\$2,044,014
2003	\$1,305,000	\$175,000	\$30,346	\$52,060	\$58,557	\$160,000	-	\$5,329	\$1,786,292

30. DIRECTOR & EXECUTIVE DISCLOSURES (continued)

	Primary				Post Employment	Other Benefits		
Specified Executives	Salary & Fees	Cash Bonus	Non- Monetary Benefits	Leave Entitlements	Super- annuation	Performance Rights (Equity)	Options (Old Scheme)	Total
C.Rex								
2004	\$385,000	\$70,000	\$11,727	\$5,257	\$11,002	\$33,293	-	\$516,279
2003	\$360,000	\$70,000	\$10,435	\$21,397	\$10,519	-	\$988	\$473,339
C.McNally								
2004	\$285,000	\$100,000	\$18,554	\$26,302	\$11,002	\$16,647	-	\$457,505
2003	\$265,000	\$12,000	\$13,143	\$32,109	\$10,519	-	\$642	\$333,413
C.Bromwich								
2004	\$270,000	\$35,000	\$9,103	\$69,130	\$11,002	\$13,317	-	\$407,552
2003	\$220,000	\$10,000	\$7,173	\$21,597	\$10,519	-	\$642	\$269,931
K.Chant								
2004	\$220,500	\$21,000	\$5,728	\$13,978	\$11,002	\$13,317	-	\$285,525
2003	\$210,000	\$8,000	\$5,826	(\$4,093)	\$10,519	-	\$642	\$230,894
P.Fitzmaurice								
2004	\$191,314	\$26,000	\$11,580	(\$204)	\$11,002	\$8,323	-	\$248,015
2003	\$150,000	\$10,000	\$4,919	\$10,385	\$10,519	-	-	\$185,823
Total remuneration: Specified Executives								
2004	\$1,351,814	\$252,000	\$56,692	\$114,463	\$55,010	\$84,897	-	\$1,914,876
2003	\$1,205,000	\$110,000	\$41,496	\$81,395	\$52,595	-	\$2,914	\$1,493,400

c) Remuneration Incentive Rights: Granted & vested during the year

i. Incentive Rights (Cash Settled)

During the financial year Incentive Rights were granted as compensation benefits to certain specified directors as disclosed below. The rights were issued free of charge. Each right entitles the holder to the cash equivalent of one fully paid ordinary share in the entity at no cost. The rights granted vest on the third anniversary of the award date, 6 January 2007, subject to achievement of certain key performance hurdles. The key performance hurdle is based upon the company's Total Shareholder Return ranking ("TSR") over the relevant performance period against the last 100 companies in the ASX 200 index. The rights are not transferable and will not be quoted on the ASX. No shareholders approval is required for this scheme.

Specified Directors	Vested Number	Granted Number of Rights	Grant Date	Value per Incentive Right at grant date	Value per Incentive Right at 30 June 2004	Vesting date
I.P.S Grier	-	107,143	6-Jan-04	\$ 4.08	\$ 4.93	6-Jan-07
B.R.Soden	-	53,571	6-Jan-04	\$ 4.08	\$ 4.93	6-Jan-07
Total	-	160,714				

No other Incentive Rights were granted to specified directors.

ii. Performance Rights (Equity)

During the financial year share Performance Rights were granted as equity compensation benefits to certain specified executives as disclosed below. The rights were issued free of charge. Each right entitles the holder to one fully paid ordinary share in the entity at no cost. The rights granted vest on the third anniversary of the award date, 6 January 2007, subject to the achievement of certain key performance criteria. The key performance hurdle is based upon the company's Total Shareholder Return ranking ("TSR") over the relevant performance period against the last 100 companies in the ASX 200 index. The rights are not transferable and will not be quoted on the ASX.

30. DIRECTOR & EXECUTIVE DISCLOSURES (continued)

Specified Executives	Vested Number	Granted Number	Grant Date	Value per Performance Right at grant date	Vesting date
C.Rex	-	71,429	6-Jan-04	\$4.08	06-Jan-07
C.McNally	-	35,714	6-Jan-04	\$4.08	06-Jan-07
C.Bromwich	-	28,571	6-Jan-04	\$4.08	06-Jan-07
K.Chant	-	28,571	6-Jan-04	\$4.08	06-Jan-07
P.Fitzmaurice	-	17,857	6-Jan-04	\$4.08	06-Jan-07
Total	-	182,142			

(d) Remuneration: Share Options exercised during the year

An employee incentive scheme, established in 1997 and 1998, ceased on 11 October 2003 and 15 December 2003 respectively. Under the scheme, directors, executives and certain members of staff of the consolidated entity were issued with options over the ordinary shares of Ramsay Health Care Limited. The options were issued for nil consideration, in accordance with performance guidelines established by the directors of Ramsay Health Care Limited. The options could not be transferred, gave no voting rights, and were not quoted on the ASX. There are currently no executives and staff eligible for this scheme.

Specified Director	Number Exercised	Granted Number	Value per Option at Grant Date	Exercise price per share	Exercise Date	Expiry Date
A.J.Clark	22,000	-	0.32	1.85	15-Sep-03	15-Dec-03

Except as disclosed above, there are no share options exercised during the year for specified directors.

Specified Executives	Number Exercised	Granted Number	Value per Option at Grant Date	Exercise price per share	Exercise Date	Expiry Date
C.McNally	32,500	-	0.28	1.50	09/10/03	11/10/03
C.Bromwich	30,000	-	0.28	1.50	08/10/03	11/10/03
K.Chant	16,500	-	0.28	1.50	14/07/03	11/10/03
Total	79,000					

Except as disclosed above, there were no other share options exercised during the year for specified executives.

30. DIRECTOR & EXECUTIVE DISCLOSURES (continued)

e) Shareholdings of Specified Directors & Specified Executives

Ordinary Shares	Balance 1 July 2003	Granted as remuneration	On Exercise of Options	*Net Change Other	Balance 30 June 2004
Specified Directors					
P.J.Ramsay	66,334,939	-	-	-	66,334,939
M.S.Siddle	25,000	-	-	-	25,000
M.L.Brislee	21,000	-	-	-	21,000
A.J.Clark	73,000	-	22,000	(10,000)	85,000
P.J.Evans	5,000	-	-	-	5,000
I.P.S.Grier	254,600	-	-	(60,000)	194,600
R.H.McGeoch	120,000	-	-	-	120,000
K.C.D.Roxburgh	75,000	-	-	-	75,000
B.R.Soden	5,387	-	-	-	5,387
Specified Executives					
C.Rex	-	-	-	-	-
C.McNally	36,528	-	32,500	(36,528)	32,500
C.Bromwich	9,000	-	30,000	-	39,000
K.Chant	11,000	-	16,500	(21,500)	6,000
P.Fitzmaurice	-	-	-	-	-
Total	66,970,454	-	101,000	(128,028)	66,943,426

*All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

31. BORROWINGS

(a) Accounting Policies

(i) Bilateral Facility and Bank Overdraft:

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

(ii) Bank Loans:

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

(b) Terms & Conditions

(i) Bilateral Facility / Bank Overdraft:

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

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

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

31. BORROWINGS (continued)

(ii) Bank Loans:

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

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

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

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

- (i) North Shore Private Hospital Pty Limited and Alpha Westmead Private Hospital Pty Limited have given a fixed and floating charge (debenture trust deed) over all its assets;
 - (ii) Ramsay Hospital Holdings (Queensland) Pty Limited and Ramsay Hospital Holdings Pty Limited have each given a mortgage of their hospital land;
 - (iii) Ramsay Health Care Limited and Ramsay Health Care Investments Pty Limited, as shareholders of Ramsay Hospital Holdings Pty Limited and Ramsay Hospital Holdings (Queensland) Pty Limited, have mortgaged their shares.
- In September 2001 the consolidated entity signed a 5 year facility agreement for \$250 million. This loan was fully repaid in June 2004.
 - Alpha Westmead Private Hospital Pty Ltd had a long-term secured committed bank loan facility, which was fully repaid in June 2004. (2003: amount drawn under the facility \$32,541,724).

(iii) Lease Liability - Finance Leases:

Lease liabilities are effectively secured by the leased assets.

(iv) Other Loan - Insurance Funding

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

32. RELATED PARTY TRANSACTIONS

Directors

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

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

32. RELATED PARTY TRANSACTIONS (continued)

Ultimate Parent

Paul Ramsay Holdings Pty Limited is the ultimate Australian controlling entity.

Equity Instruments of Directors

The beneficial and direct interest of each director in the equity of the Company as at the date of this report (2003: 30 September 2003) was as follows:

Director	Ordinary Shares				Rights	
	2004	2003	2004	2003	2004	2003
	Direct	Indirect ⁽¹⁾	Direct	Indirect ⁽¹⁾		
P.J. Ramsay	-	66,334,939	-	66,334,939	-	-
M.S. Siddle	25,000	-	25,000	-	-	-
M.L. Brislee	21,000	-	21,000	-	-	-
A.J. Clark	85,000	-	95,000	-	-	-
P.J. Evans	5,000	-	5,000	-	-	-
I.P.S. Grier	194,600	-	254,600	-	107,143	-
R.H. McGeoch	-	120,000	-	120,000	-	-
K.C.D. Roxburgh	75,000	-	75,000	-	-	-
B.R. Soden	2,541	2,846	2,541	2,846	53,571	-

⁽¹⁾ Shares in which the director does not have a direct interest including shares held in director related entities and shares held by family members.

The terms and vesting conditions over these rights are as disclosed in note 30.

Mr Ramsay has a relevant interest in 66,334,939 (2003: 66,334,939) shares held by Paul Ramsay Holdings Pty Limited and is a director of that company. Mr Siddle, Mrs Brislee, Mr Clark and Mr Evans are also directors of Paul Ramsay Holdings Pty Limited.

Movements in Directors' equity holdings

During the year:

- Mr A.J.Clark acquired 22,000 through the exercise of options at an average price of \$1.85 and sold 10,000 shares.
- Mr I.P.S.Grier sold 60,000 shares.

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Transactions with Directors of Ramsay Health Care Limited & the Group

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

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

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

- Entities associated with R.H.McGeoch:

Mr McGeoch is immediate past chairman Emeritus of law firm Corrs Chambers Westgarth, which has performed legal services for the group in return for fees at its usual hourly rates, aggregating \$146,876 (2003: \$68,869).

32. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions within the wholly owned group

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

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

33. EARNINGS PER SHARE

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

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

34. SUBSEQUENT EVENTS

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

The acquisition was funded by debt and cash reserves.

Benchmark operates and manages 10 hospitals in Victoria and South Australia, comprising 980 hospital beds and 68 aged care beds.

The total number of beds will rise to 1,119 beds in 2005 as a result of capacity expansion currently underway. The Group has annual revenue of approximately \$200 million.

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

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

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

35. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

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

Classification of Financial Instruments

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

Hedge Accounting

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

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

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

Goodwill

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

35. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (continued)

Impairment of Assets

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

Share Based Payments

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

Income Taxes

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

Intangible Assets

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

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

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

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

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

36. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating rate interest	Fixed interest rate maturing in:			Total carrying amount as per the Balance Sheet	Weighted average effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years		
	\$000	\$000	\$000	\$000	\$000	%

(i) Financial Assets:

Cash at bank and on deposit						
- 2004	22,445	-	-	-	22,445	4.45%
- 2003	16,841	-	-	-	16,841	4.45%
Total Financial Assets						
- 2004	22,445	-	-	-	22,445	4.45%
- 2003	16,841	-	-	-	16,841	4.45%

(ii) Financial Liabilities:

Overdrafts						
Bank loans						
- 2004	225,000	-	-	-	225,000	6.75%*
- 2003	215,600	-	-	-	215,600	6.82%*
Loan - Insurance Funding						
- 2004	-	7,039	-	-	7,039	3.52%
- 2003	-	9,468	-	-	9,468	4.50%
Finance lease liability						
- 2004	-	506	956	-	1,462	8.35%
- 2003	-	754	1,341	-	2,095	8.35%
Interest Rate Swaps						
- 2004	(150,248)	-	150,248	-	-	^
- 2003	(138,500)	18,371	99,466	20,663	-	^
Total Financial Liabilities						
- 2004	74,752	7,545	151,204	-	233,501	6.66%
- 2003	77,100	28,593	100,807	20,663	227,163	6.73%

All other financial instruments are non interest bearing.

* The weighted average interest rate is arrived at after taking account of the interest rate swaps.

^ The disclosure of effective interest rates is not applicable to derivative financial instruments.

36. FINANCIAL INSTRUMENTS (continued)

(b) Net Fair Values

All financial assets and liabilities have been recognised at the balance date at their net fair values, except for:

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Financial assets</i>				
Listed shares	25	10	25	10
Interest rate swaps	#	#	322	-
<i>Financial liabilities</i>				
Interest rate swaps	#	#	-	4,351
<i>Equity instruments</i>				
Options over ordinary shares	#	#	-	69

Note: # Not applicable since financial instruments are not recognised in the financial statements.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and payables: The carrying amount approximates fair value.

Dividends payable: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term borrowings: The fair values of long-term borrowings are estimated using discounted cash flows analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Non-current investments/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2004

SHAREHOLDER INFORMATION

The following additional information required by the Australian Stock Exchange Limited, was applicable as at 31 August 2004:

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RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES ANNUAL REPORT 2004
40 YEARS OF COMMITMENT TO BETTER HEALTH CARE

(a) Distribution of Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 – 1,000	1,509	967,878	0.75
1,001 – 5,000	2,291	5,739,758	4.45
5,001 – 10,000	394	2,851,245	2.21
10,001 – 100,000	199	4,381,798	3.40
100,001 and over.	40	114,987,827	89.19
Totals	4,433	128,928,506	100.00

(b) The number of shareholdings held in less than marketable parcels is 47 for a total of 1,053 ordinary shares.

(c) 20 Largest Shareholders - Ordinary Capital.

Name	Number of fully paid Ordinary Shares	% of Issued Capital
1. Paul Ramsay Holding Pty Limited	34,317,330	26.62
2. J P Morgan Nominees Australia Limited	21,748,509	16.87
3. Dervat Nominees Pty Limited	13,325,167	10.34
4. National Nominees Limited	9,686,108	7.51
5. Cogent Nominees Pty Limited (SL non cash collateral A/C)	8,906,000	6.91
6. Westpac Custodian Nominees Limited	3,793,127	2.94
7. AMP Life Limited	3,749,782	2.91
8. ANZ Nominees Limited	2,373,067	1.84
9. Queensland Investment Corporation	2,282,575	1.77
10. RBC Global Services Australia Nominees Pty Limited (GSJBW A/c)	1,462,231	1.13
11. Guardian Trust Australia Limited (MFL Mutual Funds Account)	1,375,693	1.07
12. Cogent Nominees Pty Limited	1,375,682	1.07
13. Citicorp Nominees Pty Limited	1,100,141	0.85
14. Cogent Nominees Pty Limited (smp A/cs)	804,361	0.62
15. Citicorp Nominees Pty Limited (cfsil cfs ws small comp A/c)	800,759	0.62
16. Health Super Pty Limited	774,575	0.60
17. Government Superannuation Office (State Super Fund A/c)	678,161	0.53
18. PSS Board	562,012	0.44
19. Bond Street Custodians Limited (macq aust mkt neutral fund)	542,992	0.42
20. Suncorp Custodian Services Pty Limited	488,688	0.38
Totals	110,146,960	85.44

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 31 August 2004 are:

Shareholder	Number of fully paid Ordinary Shares
Paul Ramsay Holdings Pty Limited	66,334,939
Barclays Global Investors Group	6,903,660

(e) Voting Rights

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or by a duly authorised representative in the case of a corporate member, shall have one vote on show of hands, and one vote for each fully paid ordinary share on a poll.

Directory

HEAD OFFICE

Ramsay Health Care
9th Floor, 154 Pacific Highway
St Leonards, NSW 2065
ph: 02 9433 3444

NEW SOUTH WALES

Albury Wodonga Private Hospital
1125 Pemberton Street
West Albury, NSW 2640
ph: 02 6041 1411

Baringa Private Hospital
Mackays Road
Coffs Harbour, NSW 2450
ph: 02 6659 4444

Berkeley Vale Private Hospital
Lorraine Avenue
Berkeley Vale, NSW 2261
ph: 02 4389 1970

Coffs Harbour Day Surgery
69 Albany Street
Coffs Harbour, NSW 2450
ph: 02 6651 6889

Figtree Private Hospital
1 Suttor Place
Figtree, NSW 2525
ph: 02 4255 5000

Hunters Hill Private Hospital
9 Mount Street
Hunters Hill, NSW 2011
ph: 02 8876 9300

Lake Macquarie Private Hospital
3 Sydney Street
Gateshead, NSW 2290
ph: 02 4943 3122

Lawrence Hargrave Private Hospital
72 Phillip Street
Thirroul, NSW 2515
ph: 02 4267 2811

Mt Wilga Private Hospital
2 Manor Avenue
Hornsby, NSW 2077
ph: 02 9847 5000

North Shore Private Hospital
Westbourne Street
St Leonards, NSW 2065
ph: 02 8425 3000

Northside Clinic
2 Greenwich Road
St Leonards, NSW 2065
ph: 02 9433 3555

Northside Cremorne Clinic
1-3 Harrison Street
Cremorne, NSW 2090
ph: 02 9909 8577

Northside West Clinic
23-27 Lytton Street
Wentworthville, NSW 2145
ph: 02 8833 2222

Southern Highlands Private Hospital
99 Bowral Street
Bowral, NSW 2576
ph: 02 4862 9400

Tamara Private Hospital
2-6 Dean Street
Tamworth, NSW 2340
ph: 02 6766 1955

Westmead Private Hospital
Corner Mons & Darcy Road
Westmead, NSW 2145
ph: 02 8837 9000

QUEENSLAND

Cairns Private Hospital
1 Upward Street
Cairns, QLD 4870
ph: 07 4052 5200

Greenslopes Private Hospital
Newdegate Street
Greenslopes, QLD 4120
ph: 07 3394 7111

New Farm Clinic
22 Sargent Street
New Farm, QLD 4004
ph: 07 3358 3888

SOUTH AUSTRALIA

The Adelaide Clinic
33-36 Park Terrace
Gilberton, SA 5081
ph: 08 8269 8100

Central Districts Private Hospital
25-37 Jarvis Road
Elizabeth Vale SA 5112
ph: 08 8250 4111

College Grove Rehabilitation Hospital
18 North East Road
Walkerville SA 5081
ph: 08 8168 5700

Fullarton Private Hospital
293-295 Fullarton Road
Parkside, SA 5063
ph: 08 8272 0233

Kahlyn Private Hospital
40 Briant Road
Magill, SA 5072
ph: 08 8331 0811

North Eastern Community Hospital
580 Lower North East Road
Campbelltown SA 5074
ph: 08 8337 7200

Wakefield Hospital
300 Wakefield Street
Adelaide SA 5000
ph: 08 8405 3333

VICTORIA

Albert Road Clinic
31 Albert Road
Melbourne, VIC 3004
ph: 03 9256 8311

Beleura Private Hospital
925 Nepean Highway
Mornington VIC 3931
ph: 03 5976 0888

Donvale Rehabilitation Hospital
1119 Doncaster Road
Donvale VIC 3111
ph: 03 9842 3566

Mildura Base Hospital
Ontario Avenue
Mildura, VIC 3500
ph: 03 5022 3333

Mitcham Private Hospital
27 Doncaster East Road
Mitcham VIC 3132
ph: 03 9210 3222

Peninsula Private Hospital
525 McClelland Drive
Frankston VIC 3199
ph: 03 9788 3466

South Eastern Private Hospital
Cnr Princes Highway & Heatherton Road
Noble Park VIC 3174
ph: 03 9547 1000

The Valley Private Hospital
Cnr Police & Gladstone Roads
Mulgrave VIC 3170
ph: 03 9790 9333

WESTERN AUSTRALIA

Hollywood Private Hospital
Monash Avenue
Nedlands, WA 6009
ph: 08 9346 6000

SILVER CIRCLE

Victoria
973 Nepean Highway
Moorabin, VIC 3189
ph: 03 9577 3333

New South Wales
Suite 2a, 72 Cooper Street
Surry Hills, NSW 2010
ph: 02 9281 5444

The Ramsay Way

- We are caring, progressive, enjoy our work & use a positive spirit to get things done
- We take pride in our work & actively seek new ways of doing things better
- We value integrity, credibility & respect for the individual
- We build constructive relationships to achieve positive outcomes for all
- We believe that success comes through recognising the value of people & encouraging that value through professional & personal development
- We aim to grow our business while maintaining sustainable levels of profitability, providing a basis for shareholder loyalty.



...a culture of commitment & dedication for 40 years



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