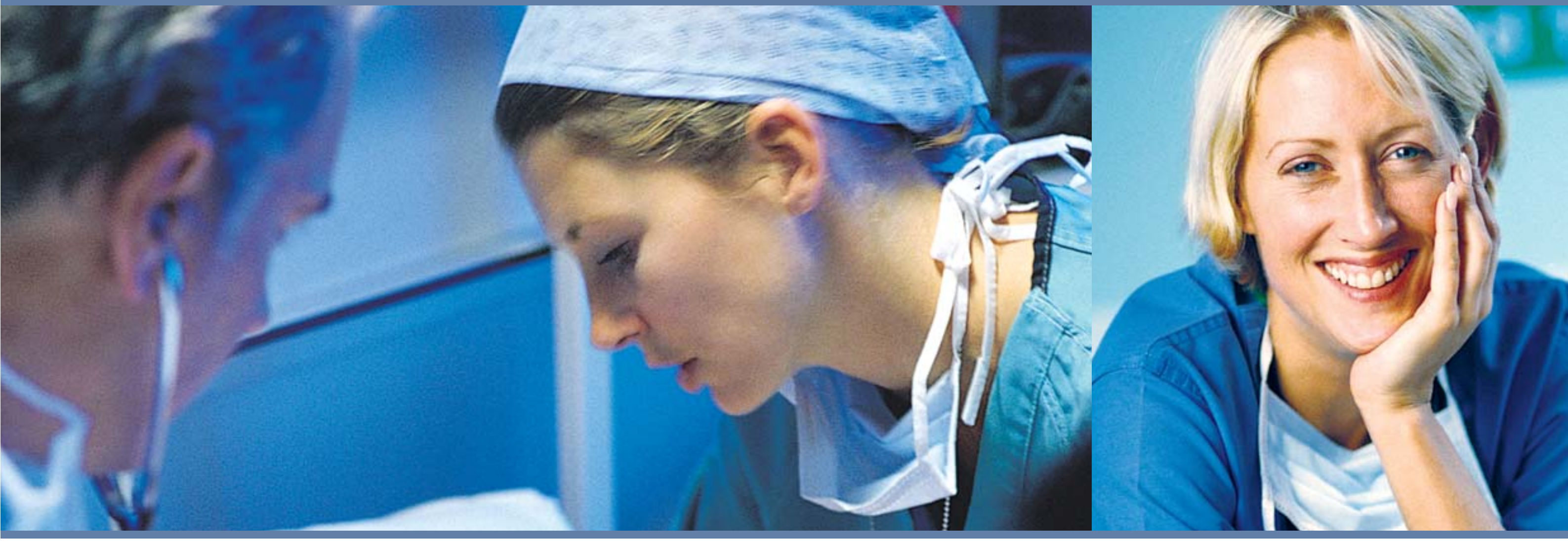
Ramsay Health Care Limited

ABN 57 001 288 768

Prospectus for Convertible Adjustable Rate Equity Securities ('CARES')



RAMSAY HEALTH CARE

This Prospectus is an important document and requires your immediate attention.

Goldman Sachs JBWere

Lead Manager and Underwriter

Important Notice

This Prospectus is an important document and requires your immediate attention. It should be read in its entirety. If you have any queries about any part of this Prospectus you should consult your accountant, stockbroker, solicitor or other professional adviser.

Before applying for CARES, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits and risks involved. Various risks may affect the future operating and financial performance of Ramsay and the value of an investment in Ramsay. Some of these risks are discussed in more detail in Section 8 of this Prospectus.

The potential tax effects of the CARES Offer will vary between investors. A summary of potential Australian tax implications is contained in Section 7 of this Prospectus but all investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

This Prospectus is dated 27 April 2005. A copy of this Prospectus has been lodged with ASIC. ASIC takes no responsibility for the contents of this Prospectus. This Prospectus is a replacement prospectus and replaces the prospectus for CARES lodged with ASIC on 19 April 2005 (the 'Original Prospectus').

The expiry date of this Prospectus is 13 months after the date of the Original Prospectus. No securities will be issued on the basis of this Prospectus after that expiry date. The Closing Date for the CARES Offer is expected to be 17 May 2005.

Ramsay will apply within seven days after the date of this Prospectus for the grant by ASX of official quotation of CARES. ASX takes no responsibility for the contents of this Prospectus.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the CARES Offer, which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Ramsay in connection with the CARES Offer.

Foreign Jurisdictions

This Prospectus does not constitute an offer of, or an invitation to subscribe for, any CARES in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

No action has been taken to register or qualify the CARES being offered under the CARES Offer or otherwise permit a public offering of the CARES in any jurisdiction outside Australia. CARES have not been and will not be registered under the United States Securities Act of 1933, as amended (US Securities Act) or the securities laws of any state of the United States and may not be offered or sold in the United States, except pursuant to an exemption from the registration requirements of the US Securities Act and applicable state securities laws or to, or for the account or benefit of, US persons (as defined in Rule 902(k) under the US Securities Act) (US Persons).

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. Persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. It is the responsibility of any Applicants who are citizens of jurisdictions outside Australia to ensure compliance with all laws of any jurisdictions which are relevant to their Applications.

Privacy

When making an Application, Applicants will be required to provide personal information to Ramsay and the Share Registry.

Such information will be used to assess your acceptance of CARES, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

Ramsay and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act:

- the Underwriter in order to assess your acceptance of CARES;
- the Share Registry for ongoing administration of the register; and
- printers and mailing houses for the purposes of preparation and distribution of statements and for handling of mail.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Ramsay or the Share Registry. You can request access to your personal information by telephoning or writing to Ramsay through the Share Registry as follows:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Tel: +61 3 9415 4255
Fax: +61 2 8234 5050

Exposure Period

The Corporations Act prohibits the acceptance of Applications during the seven day period after the date the Original Prospectus was lodged with ASIC. This period is referred to as the Exposure Period and ASIC may extend this period by up to a further seven days.

The purpose of the Exposure Period is to enable the Original Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be accepted until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period. The Original Prospectus was made available online at Ramsay's web site at www.ramsayhealth.com.au during the Exposure Period and on request during this period by calling the CARES Offer information line toll free on 1300 366 027 (from within Australia) or +61 3 9415 4255 (from outside Australia).

Definitions and Abbreviations

Certain terms and abbreviations used in this Prospectus have defined meanings as set out in the Glossary and Appendix A – Terms of Issue.

Financial Amounts

All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

Questions relating to the CARES Offer can be directed to the CARES Offer information line toll free on 1300 366 027 (from within Australia) or +61 3 9415 4255 (from outside Australia), your accountant, stockbroker, solicitor or other professional adviser.

Key Investment Details

KEY CARES OFFER STATISTICS

CARES ISSUE PRICE	$100 per share
NUMBER OF CARES TO BE ISSUED	2.6 million
OFFER PROCEEDS	$260 million

KEY DATES

ANNOUNCEMENT OF CARES OFFER AND ORIGINAL PROSPECTUS LODGED WITH ASIC	19 April 2005
RECORD DATE FOR DETERMINING ELIGIBLE SHAREHOLDERS FOR PRIORITY	20 April 2005
LODGEMENT OF THIS PROSPECTUS WITH ASIC AND MARGIN ANNOUNCED	27 April 2005
CARES OFFER OPENS	27 April 2005
CARES OFFER CLOSES	(5.00 PM (AEST)) 17 May 2005
RAMSAY EXTRAORDINARY GENERAL MEETING	20 May 2005
ALLOTMENT OF CARES	24 May 2005
CARES COMMENCE TRADING ON ASX ON A DEFERRED SETTLEMENT BASIS	24 May 2005
DISPATCH OF HOLDING STATEMENTS AND REFUND CHEQUES	27 May 2005
NORMAL TRADING COMMENCES ON ASX	30 May 2005
FIRST DIVIDEND PAYMENT DATE	20 October 2005
FIRST EXCHANGE DATE	20 October 2010

The above timetable is indicative only. Ramsay, in conjunction with the Underwriter and subject to the Corporations Act, the ASX Listing Rules and other applicable laws, has the right to vary any of the above dates without notice.

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Chairman's Letter

19 April 2005

Dear Investor,

I am pleased to present to you an opportunity to invest in an offer of 2.6 million Convertible Adjustable Rate Equity Securities ('CARES') to raise $260 million to assist in funding the acquisition of Affinity, which was announced by Ramsay on 14 April 2005.

CARES are preference shares and offer investors a floating rate, non-cumulative, preferred dividend fixed at a gross Margin of 2.85% above the 180 day Bank Bill Swap Rate. Dividends are expected to be fully franked.

CARES have no maturity date. However, Ramsay may require exchange or conversion of CARES on or after 20 October 2010. If Ramsay does not exchange or convert CARES by 20 October 2010, the Margin will be increased by a one-time step up of 2.00% (200 basis points) per annum until CARES are exchanged or converted.

The acquisition of Affinity is a rare opportunity for Ramsay to buy a group of quality hospital assets and grow its business significantly in one transaction. Affinity is currently the largest Australian private hospital operator, providing 21% of private hospital beds and treating 25% of all patients admitted to private hospitals. Affinity operates 48 hospitals across metropolitan and regional Australia and three hospitals in Indonesia.

The Directors of Ramsay are excited about the opportunity the Acquisition provides and the prospects we see to add value and enhance the earnings potential of the Affinity hospitals.

Concurrent with the Acquisition of Affinity, Ramsay has entered into a non-binding heads of agreement (the HOA) to divest certain Affinity hospitals for net proceeds of $406 million. These divestments are aimed at optimising Ramsay's hospital portfolio and are consistent with undertakings given to the ACCC in relation to the Acquisition.

Owning and operating hospitals is our core business and what we do very well. Ramsay has owned and operated hospitals for more than 40 years and has significantly increased shareholder value since its listing in 1997.

Ramsay is recognised as an industry leader in operating private hospitals in Australia, both in terms of its practices and strategies, as well as financial performance. Our emphasis on maintaining strong relationships with doctors, staff, private health funds and patients, and the efficient management of our hospital facilities, are keys to the success of the Ramsay business model.

Ramsay has a proven track record of making strategic and value-accretive acquisitions and successfully integrating them. We believe that Ramsay will now be better positioned to take advantage of growth opportunities through further development of facilities, and from the expected growth in demand for private health services.

The Directors believe Ramsay will be able to extract benefits for shareholders through the synergies available from bringing the two hospital groups together.

This is an offer to invest in the growing private hospital industry which is supported by positive demographic and social trends. The private health sector has become a robust part of the health system over the past five years and the participation of the private sector in the balanced Australian health care system is now recognised as necessary by the government.

The Acquisition is being funded through a combination of sources including this $260 million CARES Offer, a $97 million Entitlement Offer, a $103 million Institutional Placement and $1,039 million of Bank Debt.

If you were a holder of Shares as at 7.00pm (AEST) on 20 April 2005 (the Record Date) and you are an Australian resident you will be entitled to a priority in allocation over Applicants who apply as members of the general public.

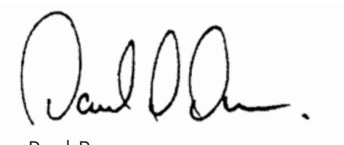
The CARES Offer is due to open on 27 April 2005 and close on 17 May 2005. However, it is possible that these dates may change so I encourage you to lodge your Application early.

Further details of this offer, as well as information on Ramsay, Affinity, and the impact of the Acquisition are set out in this Prospectus. I urge you to read it carefully. It should be noted that there are risks associated with the Acquisition. Details of these risks and the risks associated with investing in CARES are set out in Section 8 of this Prospectus.

If you have any questions in relation to the CARES Offer, please contact the CARES Offer information line toll free on 1300 366 027 (from within Australia) or +61 3 9415 4255 (from outside Australia).

On behalf of the Directors, I recommend the CARES Offer to you.

Yours faithfully



Paul Ramsay
Chairman

Section 1 Investment Summary

Operations Overview

Affinity Health Care Hospital Locations

A Queensland
- Belmont Private Hospital
- Caboolture Private Hospital
- Caloundra Private Hospital
- Hillcrest Rockhampton Private Hospital
- John Flynn – Gold Coast Private Hospital
- Nambour Selangor Private Hospital
- Noosa Hospital
- North West Private Hospital*
- Pindara Gold Coast Private Hospital
- St. Andrew's – Ipswich Private Hospital
- Sunnybank Private Hospital

B Regional NSW
- Armidale Private Hospital
- Dudley–Orange Private Hospital
- Lingard Private Hospital
- North Gosford Private Hospital
- Nowra Private Hospital
- Port Macquarie Private Hospital
- Warners Bay Private Hospital

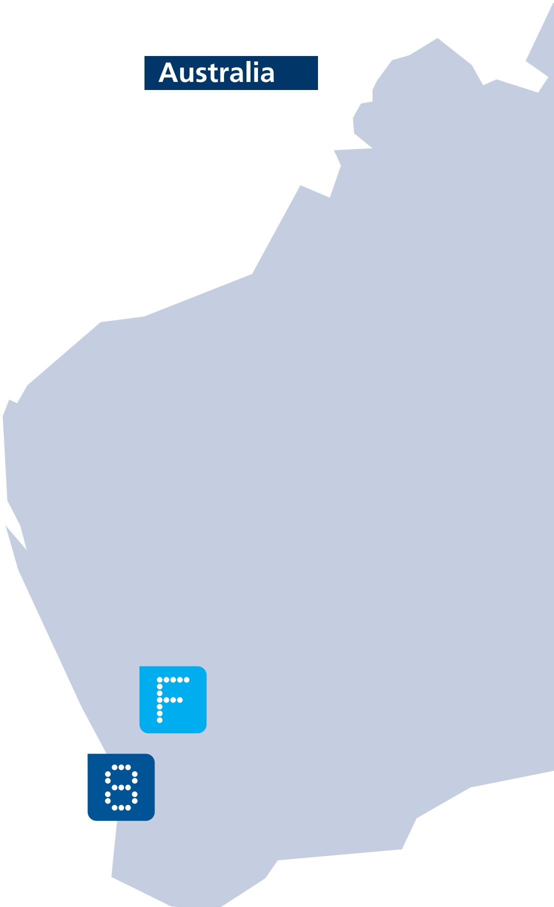
C Sydney Region NSW
- Castlecrag Private Hospital
- Kareena Private Hospital
- Lady Davidson Private Hospital*
- Macarthur Private Hospital
- Nepean Private Hospital*
- Prince of Wales Private Hospital*
- St. George Private Hospital
- Strathfield Private Hospital
- The Hills Private Hospital*

D Regional Victoria
- Shepparton Private Hospital
- The Avenue Hospital
- Wangaratta Private Hospital
- Warringal Private Hospital
- Waverley Private Hospital

E Melbourne Region VIC
- Como Private Hospital*
- Cotham Private Hospital*
- Frances Perry House
- Glenferrie Private Hospital
- JF Moreland*
- Knox Private Hospital*
- Linacre Private Hospital
- Masada Private Hospital
- Melbourne Private Hospital*
- Ringwood Private Hospital*
- Victorian Rehabilitation Centre – East*/North*

F Western Australia
- Attadale Private Hospital
- Glengarry Private Hospital
- Joondalup Health Campus
- The Mount Hospital*

G Indonesia
- RS Internasional Bintaro
- RS Mitra Internasional
- RS Surabaya Internasional Hospital



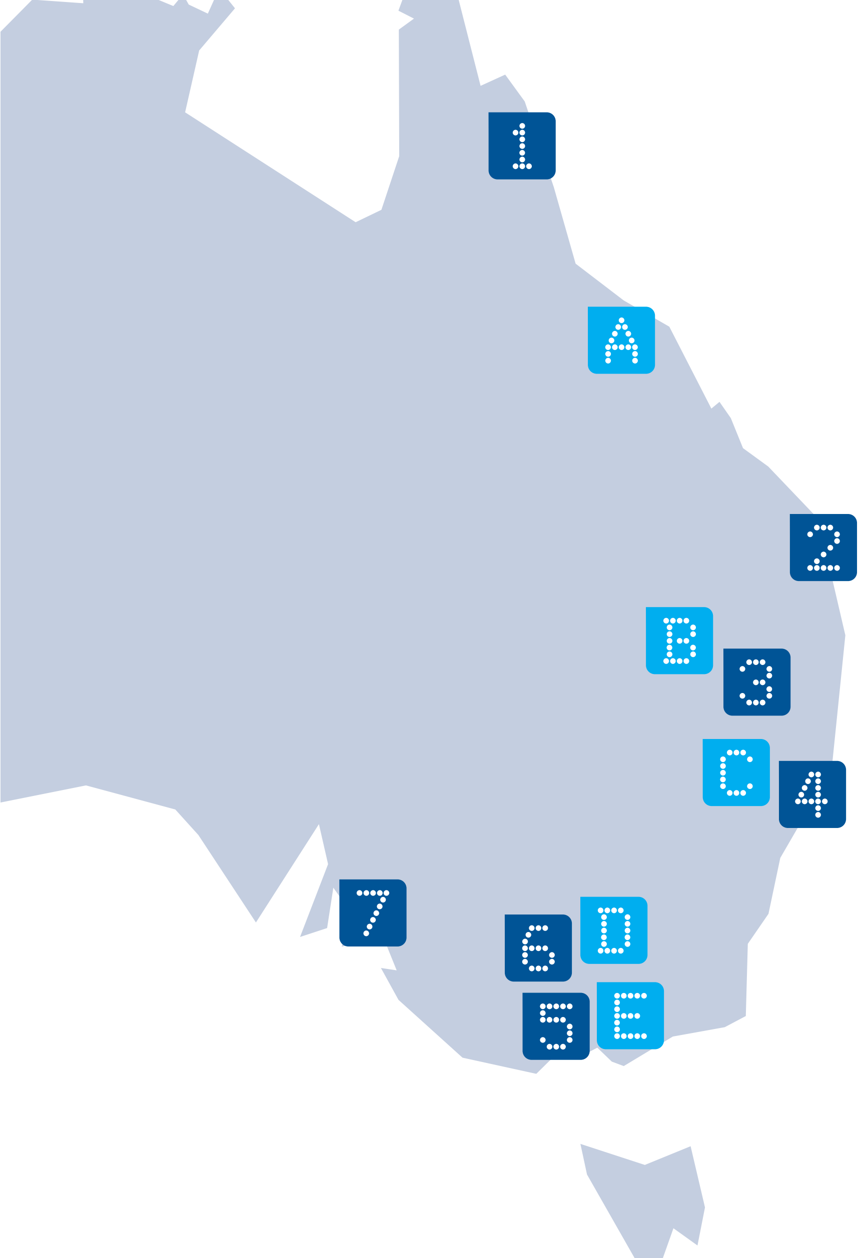
Lake Macquarie

Northside West Clinic

* Proposed Divestment hospitals see Section 5.4 and Section 9.9

Cairns Private Hospital

Greenslopes Private Hospital



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
- Hunters Hill Private Hospital
- Figtree 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
- Ellis Residential Care
- Mildura Base Hospital
- Murray Valley Private 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
- Coastal Private Hospital
- Hollywood Private Hospital

Hospital Classifications
- Medical/Surgical
- Rehabilitation
- Psychiatric
- Day Surgery
- Aged Care

1. Investment Summary and Acquisition Highlights

1.1 The Acquisition

On 13 April 2005, Ramsay, through a wholly owned subsidiary, acquired Affinity Health (the 'Acquisition') for $1,428 million including assumed debt (excluding Ramsay's transaction costs).

Affinity is Australia's largest private hospital operator, with an estimated 21% of all private hospital beds and treating 25% of all patients admitted to private hospitals. Affinity operated 48 hospitals across metropolitan and regional Australia and three hospitals in Indonesia.

The acquisition of Affinity represents a transforming transaction for Ramsay and will create Australia's largest private hospital company. The Acquisition provides Ramsay with a unique opportunity to expand significantly through one transaction and apply its successful hospital management expertise across a greater number of facilities for the benefit of its Shareholders, doctors, patients and employees.

The CARES Offer will partly fund the Acquisition, with the balance being funded by an Entitlement Offer, an Institutional Placement, and additional Bank Debt.

Ramsay will use the proceeds of the CARES Offer, Entitlement Offer, and Institutional Placement to pay down bridging debt used to initially fund the Acquisition. These arrangements are described in Section 6.

Concurrent with the Acquisition, Ramsay has entered into a non-binding heads of agreement (the 'HOA') to sell 14 of Affinity's hospitals to certain parties associated with the vendors of Affinity for net proceeds of $406 million (the 'Proposed Divestments'). For further details of the Proposed Divestments and the HOA refer to Section 5.4 and Section 9.9.

Further, on 13 April 2005 Ramsay gave undertakings to the ACCC. These undertakings are discussed in Section 5.5.

1.2 Key Benefits of the Acquisition

Strategic Rationale

Ramsay believes that the acquisition of Affinity will create significant value for its Shareholders. The Acquisition provides a number of benefits:

- Significantly increases Ramsay's presence in its core business where it has a proven track record of profitable growth and creating value for its shareholders
- Positions Ramsay to take advantage of continuing strong demand for hospital services, underpinned by underlying positive demographic trends and supportive government policies
- Offers significant cost and revenue synergies
- Allows the use of Ramsay management and systems to improve Affinity margins closer to those achieved by Ramsay
- Enhances Ramsay's opportunity to secure mutually acceptable outcomes with:
  - Health funds
  - Medical equipment and supply companies
  - Other service providers and suppliers

Ramsay Post Acquisition

- Ramsay intends to apply its proven hospital management expertise to further enhance the operational and financial performance of the Affinity hospitals
- Ramsay has a strong track record of successfully integrating acquisitions, particularly in turnaround situations, and is confident it can successfully integrate the Affinity facilities into Ramsay
- An integration plan has been developed which is expected to see Affinity, subject to the divestments discussed below, largely integrated over the next 24 months
- Concurrent with the Acquisition, Ramsay has entered into the HOA to divest 14 of Affinity's hospitals to certain parties associated with the vendors of Affinity, for net proceeds of $406 million (refer to Section 5.4 and Section 9.9 for further details).
- Ramsay has given certain undertakings to the ACCC as described in Section 5.5. One of these undertakings is to divest such other hospitals (if any) in addition to the Proposed Divestments as are required to be divested by the ACCC to address competition concerns. The Directors are not in a position at this time to quantify the potential financial impact of any such divestments. If the ACCC required Ramsay to divest other hospitals Ramsay may be materially adversely affected.

Synergies Associated with the Acquisition

Having regard to the benefits and risks of the Acquisition, and subject to there being no material adverse change to the business and economic conditions in the market in which the Company and Affinity operates, the Directors are confident that the Company's Core Net Profit following the full integration of Affinity will benefit from the Acquisition and Proposed Divestments as indicated below:

Synergies are presented below on the basis that Ramsay can commence integration on or around 1 September 2005 with ACCC approval.

Cost Benefits

- Ramsay has identified that substantial savings can be achieved by integrating corporate functions and utilising current Ramsay infrastructure
- Ramsay will be better able to utilise labour across the enlarged group through micro-management and economies of scale
- Ramsay expects to accrue additional benefit from being able to secure lower prices from suppliers due to higher volume purchasing
- Ramsay expects to achieve pre-tax cost synergies of approximately $35 million per annum by year three (i.e. FY2008). The Directors expect that approximately 45% of these pre-tax synergies can be achieved in year one (i.e. FY2006)
- In addition, it is anticipated that the acquiror of the Proposed Divestments will pay Ramsay a total of $13.5 million during FY2006 for the provision of certain corporate services to the divested operations

Revenue Benefits

- Ramsay expects to achieve pre-tax revenue synergies of approximately $15 million per annum by year three (i.e. FY2008). The Directors expect that approximately 50% of these synergies can be achieved in year two (i.e. FY2007)

Restructuring Costs and Synergy Related CAPEX

- One-off restructuring costs (primarily redundancy costs) are estimated to be a total of approximately $17 million pre-tax over four financial years. Because of their non-recurring nature, these restructuring costs will not be included in the calculation of Core EBITDA
- In addition, one-off capital expenditure required in order to achieve the synergies are estimated to be approximately $19 million. These cash costs are estimated to be incurred over the next four financial years, with the majority expected to be incurred in the third and fourth financial years

Financial Impact

- As a result of revenue and cost benefits, the Directors expect that incremental Core EBITDA of approximately $50 million per annum can be achieved by year three (i.e. FY2008)
- With respect to the factors above the Company expects the Acquisition and the Proposed Divestments will be neutral to mildly accretive to Core EPS in FY2006 and accretive to Core EPS thereafter
- Following the Acquisition, Ramsay will be more highly geared than in previous years. The Company intends to use proceeds from the Proposed Divestments and surplus cash flow to reduce this leverage (see Section 5.4)

Dividends

- Ramsay paid dividends in the last 12 months of 18.5 cents per share (a dividend of 10.0 cents per share for the half year ended 30 June 2004 and 8.5 cents per share for the half year ended 31 December 2004). The Directors expect to at least maintain this level of dividends per share over the next 12 month period. However, no guarantee can be given about the payment of dividends, the level of franking, or imputation of such dividends in any future period, as the extent of dividends payable will depend on the Company's financial and taxation position at that time.

Further details of the impact of the Acquisition and the Proposed Divestments on the Company's earnings are set out in Section 6.3.

1.3 Funding of the Acquisition

The Acquisition will be funded through a combination of sources as set out in the table below:

Sources and Application of Funds	$m
Total Acquisition Cost	
Purchase Price	1,428
Ramsay's Acquisition and Funding Costs	71
Total	**1,499**
Sources of Funding	
Entitlement Offer	97
Institutional Placement	103
CARES Offer	260
Bank Debt	1,039
Total	**$1,499**

The table above shows the eventual sources of funding for the Acquisition. Not all of the funds from these sources had been received by Ramsay at completion of the Acquisition. Until the completion of the CARES Offer, Entitlement Offer and Institutional Placement, $450 million of the total acquisition cost of $1,499 million is being funded by the Bridge Facilities. The Hybrid Bridge Facility for the CARES Offer was provided by Sumitomo Mitsui Finance Australia Limited as lender, with Goldman Sachs JBWere Capital Markets Limited acting as lead arranger and the Equity Bridge Facility for the Equity Offer was provided by Goldman Sachs JBWere Capital Markets Limited. Refer to Section 9.14 for a detailed description of the Bridge Facilities.

The Company intends to reduce the Bank Debt with the proceeds from the Proposed Divestments.

This Prospectus only relates to the CARES Offer. Details of the CARES Offer can be found below.

1.4 Overview of the CARES Offer

Ramsay intends to offer 2.6 million CARES at a Face Value of $100 each to raise $260 million.

The CARES Offer is fully underwritten by Goldman Sachs JBWere. A summary of the underwriting agreement including the Underwriter's rights to terminate its obligations is set out in Section 9.10.

1.5 Summary of CARES Terms

This Section sets out a summary of the terms and conditions of CARES (Terms of Issue). The Terms of Issue are set out in full in Appendix A. This information is a summary only and should be read in conjunction with the other information contained in this Prospectus. There are particular risks attached to investing in CARES, a summary of which is set out in Section 8. Answers to key questions about the CARES Offer are set out in Section 2.

Issuer	Ramsay Health Care Limited (ABN 57 001 288 768).
Security	Convertible Adjustable Rate Equity Securities (CARES) which are non-cumulative, redeemable and convertible preference shares in Ramsay.
Face Value	$100 per CARES.
Offer Size	A proposed issue of $260 million (2.6 million CARES). Ramsay reserves the right to issue fewer than 2.6 million CARES.
Dividends	The Holder of each CARES is entitled to a preferred, non-cumulative, floating rate dividend equal to: $\text{Dividend Entitlement} = \frac{\text{Dividend Rate x Face Value x N}}{365}$ where: N is the number of days in the Dividend Period The payment of Dividends is at the Directors' discretion and is subject to there being funds legally available for the payment of Dividends and the restrictions which apply in certain circumstances under the financing arrangements summarised in Sections 9.13 and 9.14. If declared, the first Dividend will be payable on each CARES in arrears on 20 October 2005 and thereafter on each 20 April and 20 October until CARES are converted or exchanged. See clause 2.4 of the Terms of Issue in Appendix A.

Dividend Rate	The Dividend Rate for each Dividend Period is calculated as: Dividend Rate = (Market Rate + Margin) x (1 – T) where: The Market Rate is the 180 day Bank Bill Swap Rate applying on the first day of the Dividend Period expressed as a percentage per annum. The Margin for the period to 20 October 2010 is 2.85% per annum. It was determined by the Bookbuild held on 26 April 2005. T is the prevailing Australian corporate tax rate applicable on the Allotment Date. If Ramsay does not convert or exchange by 20 October 2010 the Margin will be increased by a one-time step-up of 2.00% (200 basis points) per annum.
Step-up	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010
Franking	Ramsay expects the Dividends paid on CARES to be fully franked. If a Dividend is not fully franked, the Dividend will be grossed up to compensate for the unfranked component. If, on a Dividend Payment Date, the Australian corporate tax rate differs from the Australian corporate tax rate on the Allotment Date, the Dividend will be adjusted downwards or upwards accordingly. See clauses 2.2 and 2.3 of the Terms of Issue in Appendix A.
Conversion or Exchange by Ramsay	CARES have no maturity. Ramsay may convert or exchange some or all CARES at its election for Shares or $100 in cash for each CARES on 20 October 2010 and each Dividend Payment Date thereafter. Ramsay also has the right to: • convert or exchange CARES after the occurrence of a Regulatory Event; and • convert CARES on the occurrence of a Change in Control Event. Ramsay cannot elect to convert or exchange only some CARES if such conversion or exchange would result in there being less than $50 million in aggregate Face Value of CARES on issue. See clauses 3.2 and 3.5 of the Terms of Issue in Appendix A.
Conversion Ratio	The rate at which CARES will convert into Shares will be calculated by reference to the market price of Shares during the 20 Business Days immediately preceding, but not including, the conversion date, less a conversion discount of 2.5%. An adjustment is made to the market price calculation in the case of a Change in Control Event. The Conversion Ratio for each CARES will not be greater than 400 Shares. See clauses 3.6 – 3.9 of the Terms of Issue in Appendix A.
Ranking	CARES rank equally amongst themselves in all respects and are subordinated to all creditors but rank in priority to Shares.
Participation	Unless CARES are converted into Shares, CARES confer no rights to subscribe for new Shares in any fundraisings by Ramsay or to participate in any bonus or rights issues by Ramsay.
Voting Rights	CARES do not carry a right to vote at general meetings of Ramsay except in limited circumstances. See clause 5 of the Terms of Issue in Appendix A.
Quotation	CARES will be quoted on the ASX, subject to successful application.
Risks of an investment in CARES	See Section 8.

1.6 Purpose of the CARES Offer and Use of Proceeds

The purpose of the CARES Offer is to assist in the Acquisition of Affinity Health. In addition to the funds raised under the CARES Offer, Ramsay has raised Bank Debt of $1,039 million, $103 million under the Institutional Placement, and is conducting the Entitlement Offer to raise gross proceeds of $97 million to fund the Acquisition.

1.7 Conditions Precedent to the CARES Offer

The CARES Offer is subject to Shareholders, at an Extraordinary General Meeting to be held on 20 May 2005, approving:

- by special resolution
  - the terms of issue of the CARES; or
  - amendments of the Constitution which would permit Ramsay to issue CARES; and
- by ordinary resolution, the issue of up to 2.6 million CARES at a Face Value of $100 each for the purposes of Listing Rule 7.1.

If either of these conditions is not satisfied, the CARES Offer will not proceed and Ramsay will refund Application Monies (without interest) as soon as practicable.

Paul Ramsay, who will be entitled to 42.7% of issued Shares in Ramsay post the Entitlement Offer and Institutional Placement has indicated he will vote in favour of all resolutions and will not participate in the CARES Offer.

If you are a Shareholder and you apply for CARES under this Prospectus you will not be entitled to vote at the Extraordinary General Meeting.

1.8 Enquiries

This Prospectus is important and requires your immediate attention. It should be read in its entirety.

If you are in any doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant or other professional adviser.

If you have any questions in relation to the CARES Offer please contact the CARES Offer information line toll free on 1300 366 027 (from within Australia) or +61 3 9415 4255 (from outside Australia).

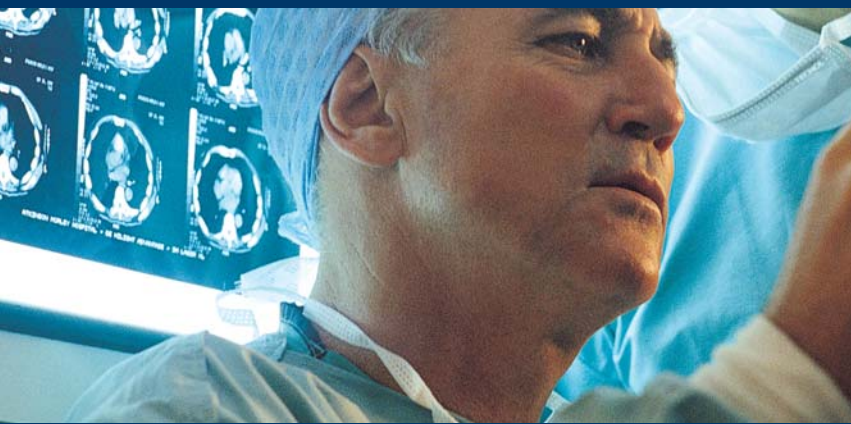
Other questions should be directed to your stockbroker, solicitor, accountant or other professional adviser.

1.9 Risks

There are risks associated with investing in CARES that should be considered before applying for CARES.

These risks include, but are not limited to, general market risk, risks associated with CARES, risks associated with the Acquisition, and risks related to the business of Ramsay (including Affinity) post the Acquisition.

A summary of the key risks is set out in Section 8. Those risks might not be exhaustive and investors should consider their own personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser with any questions prior to submitting an Application.




Section 2 Answers to Key Questions Regarding CARES

2. Answers to Key Questions Regarding CARES

This Section contains answers to some of the questions that prospective investors may have about CARES. These answers are intended as a guide only. Further details are provided elsewhere in this Prospectus, which should be read in its entirety.

The Terms of Issue of CARES are set out in full in Appendix A.

2.1 What are CARES?

CARES are redeemable, convertible preference shares that entitle Holders to non-cumulative Dividends. The Dividends are expected to be fully franked (refer to Section 7) and payable half-yearly, subject to declaration by Ramsay's Directors. CARES rank in priority to Shares for payment of Dividends and for a return of capital on a winding-up of Ramsay.

CARES may be converted or exchanged on the occurrence of certain events at the sole discretion of Ramsay. Holders do not have the right to require Ramsay to convert CARES into Shares or have them exchanged for cash. In addition, CARES may be converted or exchanged by Ramsay on 20 October 2010 and each subsequent Dividend Payment Date (see clause 2.7 of the Terms of Issue in Appendix A).

2.2 Why are CARES being issued?

The CARES Offer forms part of the funding for Ramsay's acquisition of Affinity. Refer to Section 5 for details regarding the Acquisition.

2.3 Dividends

2.3.1 When will Dividends be paid?

Subject to the conditions described in Section 2.3.6, Holders of CARES will be entitled to Dividends that are due to be paid half-yearly in arrears on 20 April and 20 October each year, or if that day is not a Business Day, then the next Business Day. The first Dividend will be paid in respect of the period from the date on which CARES are first allotted to 20 October 2005. A conversion or exchange date is also a Dividend Payment Date. The last Dividend Payment Date is the date on which CARES are converted or exchanged.

2.3.2 How will the Dividend Rate be calculated?

The Dividend Rate through to 20 October 2010 will be a floating rate, and will be set on the first Business Day of each Dividend Period and will be calculated as:

Dividend Rate = (Market Rate + Margin) x (1-T)

where:

- the Market Rate will be the 180 Bank Bill Swap Rate on the first Business Day of the Dividend Period
- the Margin for the period to 20 October 2010 is 2.85% per annum. It was determined by the Bookbuild held on 26 April 2005.
- T is the prevailing Australian corporate tax rate

As an example, if the Market Rate on the Allotment Date is 6.00% per annum, the Margin is 2.85% per annum and the prevailing corporate tax rate in Australia is 30%, the Dividend Rate for the first Dividend Period would be calculated as follows:

Dividend Rate = (6.00% + 2.85%) x (1 – 0.3) = 6.20%

The actual Dividend Rate for each Dividend Period (including the first Dividend Period) may be lower or higher than the example given above.

2.3.3 Will the Margin change over time?

If Ramsay does not convert or exchange CARES by 20 October 2010, the Margin for any Dividend Periods commencing on or after that date will be increased by a one-time step-up of 2.00% (200 basis points) per annum.

2.3.4 How will Dividends be calculated?

The Dividends payable on each CARES for each Dividend Period will be calculated in accordance with the following formula:

Dividend Payable = Dividend Rate x Face Value x N/365

Continuing from the previous example, assuming the Dividend Rate for CARES for the period to 20 October 2005 is 6.20% per annum and the number of days in the Dividend Period is 184, the Dividend for that Dividend Period for each CARES would be as follows:

6.20% x $100 x 184/365 = $3.1230 per CARES

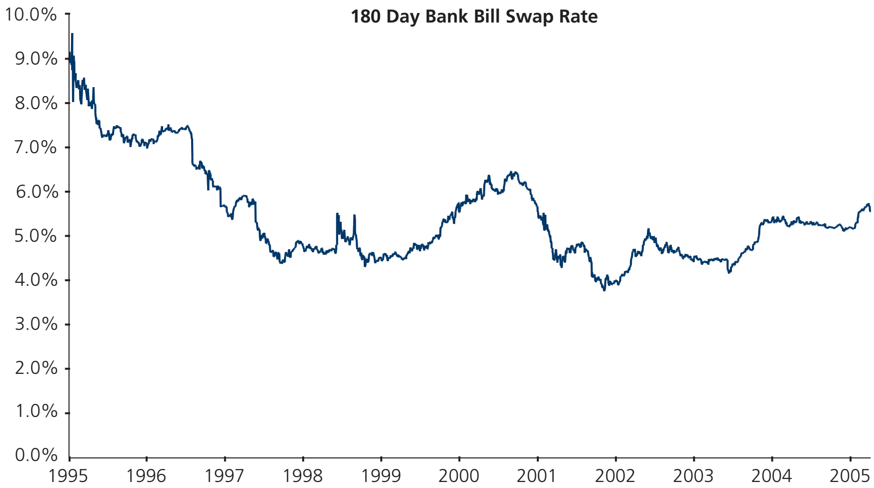
All calculations of Dividends will be rounded to the nearest four decimal places. For the purposes of making any Dividend payment in respect of a Holder's aggregate CARES, any fraction of a cent will be disregarded.

2.3.5 What is the Market Rate?

The Market Rate is the 180 day Bank Bill Swap Rate which will be reset at the beginning of each Dividend Period.

The 180 day Bank Bill Swap Rate is a primary per annum benchmark interest rate for the Australian money market.

The graph below shows movements in the Bank Bill Swap Rate since 1995



2.3.6 Will Dividends always be paid and what happens if a Dividend is not paid?

Dividends on CARES may not always be paid and are non-cumulative. Therefore, if a Dividend is not paid in full for any particular Dividend Period, a Holder will not receive that Dividend unless Ramsay elects, at its discretion, to make up for that payment.

The payment of Dividends is subject to:

- the Directors, at their discretion, declaring the Dividend to be payable;
- there being funds legally available for the payment of dividends; and
- the restrictions which apply in certain circumstances under the financing arrangements as summarised in sections 9.13 and 9.14.

If for any reason a Dividend Entitlement has not been paid in full within 20 Business Days after its Dividend Payment Date, the Company must not without approval of a special resolution passed at a separate meeting of Holders of CARES declare or pay a cash dividend or make any distribution on any issued share in Ramsay over which CARES rank in priority for participation in profits, or redeem, reduce, cancel, or acquire for any consideration any issued share in Ramsay (other than CARES), until such time as:

- the Dividends for two consecutive Dividend Periods to which Holders are entitled are paid in full; or
- an Optional Dividend has been paid to the Holders equal to the unpaid amount (if any) of the two immediately preceding Dividends; or
- all CARES have been converted, redeemed, bought back or cancelled.

See clause 2.10 of the Terms of Issue in Appendix A.

2.3.7 What happens if a Dividend is not fully franked?

Ramsay expects the Dividends paid on CARES to be fully franked (refer to Section 7 for further details). If a Dividend is not fully franked, the Dividend will be grossed up to compensate for the unfranked component. If the Directors make a declaration to pay a Dividend which is not fully franked and not grossed up, Ramsay will be restricted in making dividend payments and distributions and restricted in returning capital of Ramsay ranking equally with or below CARES as described in clause 2.10 of the Terms of Issue in Appendix A.

2.3.8 What happens to Dividends if the Australian corporate tax rate changes?

If, on a Dividend Payment Date, the Australian corporate tax rate differs from the Australian corporate tax rate on the Allotment Date, the Dividend will be adjusted downwards or upwards accordingly. See clause 2.2 of the Terms of Issue in Appendix A.

2.4 Conversion and Exchange

2.4.1 What is conversion and exchange?

On a conversion or exchange date, at its sole discretion, Ramsay may:

- convert CARES into Shares;
- redeem, buy back or cancel CARES at Face Value; or
- undertake a combination of the two.

Any buyback or cancellation will be subject to Ramsay obtaining all relevant approvals.

2.4.2 When can Ramsay convert or exchange?

CARES have no maturity. Ramsay may convert or exchange some or all CARES at its election for Shares or $100 in cash for each CARES on 20 October 2010 and each Dividend Payment Date thereafter.

Ramsay also has the right to convert or exchange CARES if the Directors resolve that there has occurred or been announced a change in a law, interpretation, governmental ruling (including one relating to taxation) or accounting standard (or interpretation by an accounting standard setting body) which will:

- materially increase Ramsay's net costs in keeping CARES on issue;
- affect whether CARES can be franked or whether the Holders are entitled to franking credits;
- affect whether CARES are classified as equity for accounting purposes; or
- impose additional, unacceptable requirements on Ramsay.

Ramsay may also convert CARES if:

- a takeover bid is made in respect of Ramsay and the offer is, or becomes, unconditional and:
  - the bidder has a relevant interest in more than 50% of the Shares on issue; or
  - the Directors issue a statement recommending acceptance of the offer; or
- the Court approves the convening of a meeting to consider a scheme of arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person having a relevant interest in the Company of more than 50%.

Ramsay cannot elect to convert or exchange only some CARES if such conversion would result in there being less than $50 million in aggregate Face Value of CARES on issue.

See clause 3.5 of the Terms of Issue in Appendix A.

2.4.3 Can a Holder require conversion or exchange?

No. Only Ramsay may require conversion or exchange. Refer to clause 3.2 of the Terms of Issue in Appendix A for more details.

2.4.4 What happens on conversion?

On conversion, each CARES will convert into one Share and additional Shares will be issued to the Holder that, from the conversion date, rank equally in all respects with the Shares already on issue.

The rate at which CARES will convert into Shares will be calculated by reference to the market price of Shares during the 20 Business Days immediately preceding, but not including, the conversion date, or in the case of a Change in Control Event the 20 Business Days immediately preceding the date of announcement of the takeover bid or scheme of arrangement, less a conversion discount of 2.5%. In the case of a Change in Control Event an adjustment will be made to that market price by reference to the offer price under the takeover bid or scheme of arrangement. See clause 3.8 of the Terms of Issue in Appendix A. The maximum number of shares that can be issued on conversion is 400.

The number of Shares issued on conversion may be adjusted to reflect transactions affecting the capital of Ramsay (including capital reconstructions, buybacks, returns of capital, bonus and rights issues and other circumstances at the sole discretion of the Directors) as set out in clause 3 of the Terms of Issue in Appendix A.

2.4.5 Can Holders choose whether they receive cash or Shares?

No. Holders have no right to choose whether their CARES are exchanged or converted into Shares or a combination of both. The choice is at Ramsay's absolute discretion.

2.4.6 What happens if Ramsay does not require conversion or exchange by 20 October 2010?

If Ramsay does not convert or exchange CARES by 20 October 2010, the Margin for each Dividend Period commencing on or after 20 October 2010 will be increased by a one-time step-up of 2.00% (200 basis points) per annum.

2.5 What is the Buy-Back Agreement?

Each Holder from time to time agrees with Ramsay on terms as set out in the Buy-Back Agreement that, upon Ramsay determining to buy back CARES (which it is able to do at its sole option) and giving an exchange notice to Holders notifying that their CARES are to be bought back, those Holders will be deemed to have sold to Ramsay the CARES which Ramsay has elected to buy back and identified in the exchange notice on the terms of the Buy-Back Agreement. Any such buy-back will be subject to Ramsay obtaining all relevant approvals.

The Buy-Back Agreement provides that Ramsay will buy back each CARES for its Face Value on the relevant exchange date. Each Holder irrevocably appoints any Director, officer, or duly authorised attorney to effect the transfer and agrees that in exercising the power of attorney, Ramsay may act in the interests of Ramsay as the buyer of CARES. See Schedule 1 to the Terms of Issue in Appendix A for more detail.

2.6 Other Investment Considerations

2.6.1 How will I be able to realise my investment in CARES?

Ramsay will apply for CARES to be listed on the ASX. Once listed, CARES can be purchased or sold on the ASX through any stockbroker at the prevailing market price. That price may be higher or lower than the Face Value, and will depend, among other things, on the level of supply and demand for CARES.

If quotation is not granted, CARES will not be issued and Application Monies will be refunded to Applicants. No interest will be paid to Applicants on Application Monies.

2.6.2 Is brokerage or stamp duty payable?

Brokerage or stamp duty is not payable on your Application. You may have to pay brokerage on any subsequent transfer of your CARES on the ASX.

2.6.3 What are the taxation implications of holding or disposing of CARES for new investors?

Potential investors should obtain their own taxation advice as the tax implications of investing in CARES will depend on a Holder's individual circumstances. A general outline of the tax implications for certain investors who are Australian residents can be found in Section 7. If you intend to invest in CARES you should seek your own professional taxation advice.

2.6.4 What are the implications of AIFRS?

For reporting periods beginning on or after 1 January 2005, the Company must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the

Australian Accounting Standards Board. For the Company, AIFRS will apply for the first time in FY2006. Ramsay received confirmation from Ernst & Young that CARES should be classified as equity for accounting purposes, and included on Ramsay's balance sheet, under current A-GAAP and following the implementation of AIFRS. Consequently, Holders should continue to be entitled to Dividends after the introduction of AIFRS. However, should the introduction of AIFRS impact the tax or regulatory classification of CARES, it may constitute a Regulatory Event and entitle Ramsay to require exchange or conversion of some or all CARES.

2.6.5 Do CARES have voting rights?

CARES do not generally have voting rights, except in the limited circumstances prescribed by ASX Listing Rules and as described in clause 5.1 of the Terms of Issue in Appendix A. On a poll, each CARES confers on its Holder on a resolution on which the Holders are entitled to vote, one vote.

2.6.6 In a winding-up of Ramsay, what will Holders receive?

If Ramsay is wound up, Holders will be entitled to a return of capital (not exceeding the Face Value and the payment of any Dividend Entitlement calculated from the preceding Dividend Payment Date to the date of commencement of the winding-up). Payment of these amounts will depend on the amount of funds remaining in Ramsay after all creditors and liabilities ranking ahead of CARES have been paid. Holders rank ahead of Shareholders in a winding-up for a return of capital (not exceeding the Face Value) and the payment of any Dividend Entitlement calculated from the preceding Dividend Payment Date to the date of commencement of the winding-up.

If there is a shortfall of funds on a winding-up, there is a risk that Holders will not receive these amounts in full. CARES do not confer any further right to participate in a distribution of Ramsay's surplus assets.

2.6.7 Do CARES entitle the Holder to participate in new issues of Shares?

No. Unless CARES are converted into Shares, CARES confer no rights to subscribe for new securities in any fundraisings by Ramsay or to participate in any bonus or rights issues by Ramsay.

Refer to clause 4.8 in the Terms of Issue in Appendix A.

2.6.8 Do CARES have a credit rating?

No. At the time of issue CARES will not be rated by any credit agency. Ramsay has no intention of seeking a credit rating for CARES.

2.6.9 What are the risks of investing in CARES?

There are particular risks associated with investing in CARES, as well as general risks associated with investing in Ramsay. See Section 8 for a summary of the key risks that Ramsay believes are associated with an investment in CARES. Those risks are not exhaustive and potential Applicants should consider their own circumstances and raise any questions with their broker, accountant, financial or other professional adviser prior to investing in CARES.

Prospective investors should read the whole of this Prospectus carefully. If you are unclear in relation to any matter or uncertain if CARES are a suitable investment, you should consult a stockbroker, solicitor, accountant, financial or other professional adviser.

Section 3 Details of the CARES Offer

3. Details of the CARES Offer

3.1 Who May Apply

The CARES Offer is made only to persons receiving this Prospectus (including an electronic copy of this Prospectus) in Australia. No action has been taken to register CARES or otherwise permit a public offering of CARES in any jurisdiction outside Australia. In particular, CARES have not been and will not be registered under the US Securities Act or the securities laws of any state in the United States and may not be offered or sold at any time within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable states securities laws. This Prospectus does not constitute an offer or invitation to potential investors where such an offer or invitation would be unlawful.

3.2 When to Apply

The CARES Offer is expected to open on 27 April 2005 and is expected to close at 5.00pm (AEST) on 17 May 2005. Applications must be received by Ramsay's Share Registry no later than 5.00pm (AEST) on 17 May 2005. Applicants who have received a Broker Firm Allocation should not return their Application to Ramsay's Share Registry but instead return it to their broker in accordance with the broker's instructions.

Ramsay, in consultation with the Underwriter, may close the CARES Offer early, extend the Closing Date or withdraw the CARES Offer without notice. Applicants are encouraged to submit their Application Form promptly.

3.3 How to Apply

You may apply for CARES:

- by completing the Application Form attached to or accompanying this Prospectus or obtained from the Ramsay website at www.ramsayhealth.com.au in accordance with the instructions set out in the Application Form; or
- through the Broker Firm Offer as instructed by your broker.

Persons who receive the electronic version of the Prospectus should ensure that they download and read the Prospectus in its entirety.

3.3.1 Ramsay Eligible Shareholders

Ramsay Shareholders with an Australian address as at 7.00pm (AEST) on 20 April 2005 (Eligible Shareholders) are eligible for a priority allocation over Applicants who apply as members of the general public.

The level of this priority allocation will be determined by Ramsay at its sole discretion having regard to the level of Applications. It will not entitle you to any particular allocation.

To be eligible to receive a priority allocation, Eligible Shareholders must complete a personalised Application Form. Eligible Shareholders who do not apply on the personalised Application Form will not be eligible to receive a priority allocation.

All Eligible Shareholders who wish to apply for CARES should contact the CARES Offer information line to receive a personalised Application Form with a copy of this Prospectus. Eligible Shareholders who have obtained a copy of this Prospectus from the Ramsay website at www.ramsayhealth.com.au should contact the CARES Offer information line on 1300 366 027 (from within Australia) or +61 3 9415 4255 (from outside Australia) to receive a personalised Application Form (and Prospectus).

3.3.2 Broker Firm Applicants

Applicants who have received a Broker Firm Allocation of CARES from a Participating Broker (Broker Firm Applicants) should contact their Participating Broker for information about how to submit an Application Form.

The application process for Broker Firm Applicants differs in two important respects from the process described above:

- the Application Monies must be made payable to the Participating Broker (not to the 'Ramsay CARES Offer'); and
- the completed Application Form and Application Monies must be delivered to the Participating Broker directly (not to the Ramsay Share Registry).

These differences, and any other requirements, will be explained to Broker Firm Applicants in further detail by their Participating Broker.

If you submit a Broker Firm Application, your broker will act as your agent in submitting your completed Application Form and Application Monies to the Ramsay Share Registry (which receives them on behalf of Ramsay). It will be your broker's responsibility to ensure they are submitted to Ramsay's Share Registry by 5.00pm on the Closing Date.

Ramsay, Ramsay's Share Registry and the Underwriter take no responsibility for any acts or omissions by your broker in connection with your Broker Firm Application or Application Monies.

3.4 Minimum Application Amount

The Face Value and issue price of each CARES is $100. Applications must be for a minimum of 50 CARES ($5,000).

3.5 Electronic Prospectus

A copy of this Prospectus may be viewed in read-only format on the Ramsay website at www.ramsayhealth.com.au. During the Offer Period, electronic copies of this Prospectus will include an Application Form (but not the personalised Application Form for use by Eligible Shareholders).

Persons who receive an electronic copy of this Prospectus at www.ramsayhealth.com.au are entitled to obtain a printed copy of the Prospectus (including the accompanying Application Form) free of charge during the Offer Period by contacting the CARES Offer information line on 1300 366 027 (from within Australia) or +61 3 9415 4255 (from outside Australia).

There is no facility for electronic applications. Completed Application Forms must be mailed or delivered to the Ramsay Share Registry in the manner set out in Section 3.7.

Eligible Shareholders should ensure they obtain and apply on the personalised Application Form in order to ensure they are eligible to receive the priority allocation. The personalised Application Form is not available electronically but can be obtained by contacting the CARES Offer information line.

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. Persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. It is the responsibility of any Applicants who are citizens of jurisdictions outside Australia to ensure compliance with all laws of any jurisdictions which are relevant to their Applications.

3.6 Conditions Precedent to the CARES Offer

The CARES Offer is subject to Shareholders, at an Extraordinary General Meeting to be held on 20 May 2005, approving:

- by special resolution:
  - the terms of issue of the CARES; or
  - amendments of the Constitution which would permit Ramsay to issue CARES; and
- by ordinary resolution, the issue of up to 2.6 million CARES at a Face Value of $100 each for the purposes of Listing Rule 7.1.

If either of these conditions is not satisfied, the CARES Offer will not proceed and Ramsay will refund Application Monies (without interest) as soon as practicable.

Paul Ramsay, who will be entitled to 42.7% of issued Shares in Ramsay post the Entitlement Offer and Institutional Placement has indicated he will vote in favour of all resolutions and will not participate in the CARES Offer.

If you are a Shareholder and you apply for CARES under this Prospectus you will not be entitled to vote at the Extraordinary General Meeting.

3.7 Where to Send Your Completed Application Form

The Closing Date and time for receipt of completed Application Forms at the address set out below is 5.00pm (AEST) on 17 May 2005.

Applicants should either return their completed Application Form and payment to the address set out below or, if applying through their broker, forward their completed Application Form and payment directly to their broker in accordance with their broker's instructions.

Applicants are encouraged to submit their completed Application Form as soon as possible.

All Application Forms for Applicants not applying through a broker should be mailed or delivered to the Share Registry as set out below.

By mail:

Ramsay CARES Offer
Computershare Investor Services Pty Limited
GPO Box 7115
Sydney NSW 2001
Australia

By hand delivery:

Ramsay CARES Offer
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Australia

If you have lost your Application Form you should telephone the CARES Offer information line on 1300 366 027 (from within Australia) or +61 3 9415 4255 (from outside Australia).

3.8 Payment

All Applications must be accompanied by payment in full of $100 per CARES. Application Monies will only be accepted in Australian currency and in the form of cheques or bank drafts, which must be drawn on, or payable at, an Australian financial institution.

For all Applications other than Broker Firm Applications, cheques or bank drafts should be made payable to 'Ramsay CARES Offer' and crossed 'not negotiable'.

Do not forward cash as consideration for the Application. Receipts for payments will not be provided.

By returning an Application Form you acknowledge, among other things, that you have received and read the Prospectus.

3.9 Refunds

To the extent that any Applications are not satisfied, Application Monies will be refunded without interest. Ramsay reserves the right to cancel the CARES Offer at any time, in which case all Application Monies will be refunded in full without interest.

3.10 Taxation Implications for Investors

Section 7 contains a general summary of the Australian taxation implications of acquiring, holding and disposing of CARES.

Taxation implications will vary depending upon the specific circumstances of individual investors. Investors should obtain their own professional advice before concluding on the particular taxation treatment which will apply to them.

3.11 ASX Quotation

Application will be made to the ASX within seven days after the date of this Prospectus to enable CARES to be quoted on the ASX. If official quotation for CARES is not obtained, all Application Monies will be refunded to Applicants as soon as reasonably practicable without interest and the CARES Offer will not proceed. It is expected that trading on ASX in CARES will commence on 24 May 2005 on a deferred settlement basis.

3.12 Register and Holding Statements

Ramsay will apply to have CARES participate in CHESS. On admission to CHESS, CARES must be held in either the CHESS subregister under sponsorship of a broker or on the issuer-sponsored subregister. These two subregisters will make up the register. Following the issue of CARES, you will be sent a holding statement that sets out the number of CARES allocated to you in the CARES Offer. Ramsay will not issue certificates to Holders of CARES. It is the responsibility of each Applicant to confirm their allocation of CARES before trading in CARES. Any person who sells CARES before receiving confirmation of their allocation in the form of their holding statement will do so at their own risk. Ramsay and the Underwriter disclaim all liability, in negligence or otherwise, to any person who trades CARES before receiving their holding statement, whether on the basis of a confirmation of allocation provided by Ramsay or otherwise.

3.13 Bookbuild and Determination of Dividend Margin

On 26 April 2005 the Underwriter conducted a Bookbuild to determine the Margin. As part of the Bookbuild, certain institutional investors and Participating Brokers (who were invited to bid for a firm allocation of CARES for their retail clients) were invited to lodge bids for CARES. On the basis of those bids, Ramsay and the Underwriter determined the Margin (see Section 2.3) and the allocations of CARES to institutional investors and the Participating Brokers. CARES allocated during the Bookbuild will be issued pursuant to this Prospectus.

3. Details of the CARES Offer

3.14 Allocation Policy

Ramsay and the Underwriter will determine the persons to whom CARES will be allocated. In determining the allocation of CARES, Ramsay and the Underwriter will have the objective of achieving an orderly and successful secondary market and a wide distribution of CARES. Eligible Shareholders will be allocated CARES in preference to general Applicants (see Section 3.3.1).

In the event of demand in excess of $260 million Applications (excluding Broker Firm Applications and firm allocations made under the Bookbuild) may be scaled back. This may include scaling back to below the minimum Application of 50 CARES. Some Applications may be rejected.

Broker Firm Applicants

Broker Firm Applications will not be scaled back. The distribution of Broker Firm Allocations to individual clients by Participating Brokers will be at the discretion of the relevant Participating Broker.

Eligible Shareholders and members of the general public

In the event that Ramsay receives applications for CARES in excess of $260 million, Applications from Eligible Shareholders and/or members of the general public will be scaled back. Any scale back of Eligible Shareholder Applications or Applications from members of the general public will occur at the discretion of Ramsay and the Underwriter, in such manner as Ramsay and the Underwriter consider is reasonable in the circumstances.

In the event that scale-back is required, Eligible Shareholders will be entitled to receive a preference in allocation over general retail Applicants who are not institutional investors who received an allocation in the Bookbuild and do not have a Broker Firm Allocation from a Participating Broker.

Section 4 Overview of Ramsay

4. Overview of Ramsay

4.1 Introduction

The business of Ramsay Health Care was founded in 1964 by the Chairman and substantial shareholder Mr Paul Ramsay, when he opened the first private psychiatric hospital in Mosman, Sydney. Listed on the ASX in 1997, the Company has grown into one of Australia's leading private hospital operators. The Company is primarily focused on the development and management of private hospitals in Australia. The Company owns and/or operates a range of healthcare facilities including medical/surgical, veterans, psychiatric, and rehabilitation hospitals. Before the addition of the hospitals and facilities related to the Acquisition, the Company's portfolio included 42 facilities located throughout Australia including 36 private hospitals, five aged care facilities, and one day surgery centre in total comprising over 4,000 beds. Prior to the Acquisition, Ramsay catered to the health needs of approximately 230,000 patients for the eight months to 28 February 2005 and employed approximately 10,000 people.

4.2 Ramsay's Strategy

Ramsay's objectives are to provide consistently competitive returns for its Shareholders through:

- Focusing on core hospital management to achieve strong organic growth
- Investing in enhancements and expansions to existing facilities
- Growing through acquisitions in the hospital sector
- Pursuing opportunities outside hospitals close to core competencies

On a stand-alone basis (excluding the effect of the Acquisition), Ramsay is targeting growth of at least 10% in Core Net Profit in FY2005. This target is based on continuing solid organic growth, further benefits from the expansion program and the contribution from the recently acquired Benchmark Hospital Group. Pursuing value-adding acquisitions is also part of Ramsay's ongoing growth strategy.

In addition to the Acquisition of Affinity, since July 1 2004, Ramsay has completed the purchase of:

1. Benchmark Healthcare, which operates and manages 10 hospitals in Victoria and South Australia
2. Murray Valley Private Hospital, a 30 bed facility in Victoria which complements Albury Wodonga Private Hospital
3. Rockingham Private Hospital, now Coastal Private Hospital, a 45 bed facility which will be operated as a unit of Hollywood Private Hospital
4. Five aged care facilities from Ellis Residential Care in Victoria

To date, integration of these four acquisitions has proceeded according to or ahead of plan and the Company expects that these acquisitions will be substantially integrated by the end of FY2005 and prior to commencing the integration of Affinity.

The acquisition of Affinity is in-line with Ramsay's strategy to pursue value-adding acquisitions. The Acquisition firmly establishes Ramsay as the country's largest private hospital operator.

4.3 Overview of the Australian Hospital Industry

Australia's hospital system has a range of service providers in both the public and private sectors. Private hospitals are an integral, mainstream component of Australia's health care system, comprising approximately 32% of total hospital beds.

Moreover, private hospitals account for almost four out of every 10 hospital admissions and perform 56% of all surgery. Private hospitals also treat around 500,000 accident and emergency cases a year.

The participation by the private hospital sector in the Australian health care system has risen significantly over the past 10 years. The pace of growth of this participation has exceeded the growth in the public system.

In the four years to 2003, private hospital admissions were up 37.5% while public hospital admissions are up only 6%. The growth in demand for private hospital services is largely attributable to government initiatives. Federal government initiatives have resulted in a material increase in private health insurance membership (and consequently, the use of private hospitals).

4.4 Business Overview

4.4.1 Ramsay Hospital Locations (Excludes hospitals acquired as part of the Acquisition)

Location	Number of Hospitals
1. Cairns – QLD	1
2. Brisbane – QLD	2
3. Regional NSW	8 + 1 day surgery
4. Sydney – NSW	7
5. Melbourne – VIC	7 + 1 aged care facility
6. Regional VIC	2 + 4 aged care facilities
7. Adelaide – SA	7
8. Perth – WA	2

4.4.2 Operating Divisions

All Ramsay hospitals are fully accredited with the Australian Council on Healthcare Standards.

Medical/Surgical and Veterans Hospitals

Ramsay's medical and surgical hospitals provide medical, obstetric and/or surgical services for admitted patients. Specifically, they offer a wide and varied range of services which, dependent on the hospital, may include intensive care, day surgery, maternity, cardiac surgery, neurosurgery, ophthalmology, orthopaedic surgery, general surgery, ear, nose and throat surgery, gynaecology, plastic surgery, dermatology and paediatric surgery, etc.

This division is the largest in the group, comprising 24 hospitals throughout metropolitan and regional Australia. It includes veteran hospitals, such as Hollywood Private Hospital in Perth, Greenslopes Private Hospital in Brisbane, the nation's largest private hospital, as well as co-located hospitals, such as North Shore Private Hospital in Sydney.

Psychiatric Hospitals

Ramsay continues to be a leader in the private hospital sector in psychiatric care with appropriate representation on all major psychiatric industry groups. The Company has eight psychiatric hospitals throughout Queensland, NSW, Victoria and South Australia. It offers both in-patient and day patient programs for mood disorders, acute disorders and eating disorders, and specialises in the treatment of drug and alcohol disorders and general acute psychiatric care.

Rehabilitation Hospitals

Ramsay operates four stand-alone rehabilitation hospitals in Sydney, Melbourne and Adelaide. These hospitals provide in-patient, day patient and outpatient services with programs to suit those suffering from stroke, brain injury, spinal injury, muscular, skeletal or general rehabilitation needs.

Aged Care – Residential and Home Care

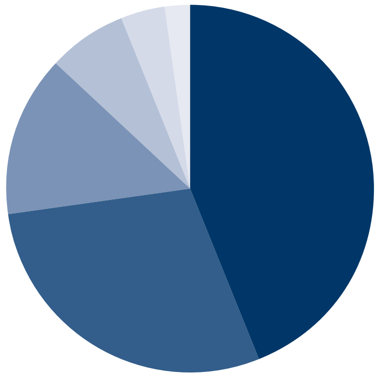
Ramsay has recently purchased five residential care facilities in Victoria. These facilities provide a mix of high care, low care and extra service units.

Ramsay also owns a home care business, Silver Circle, which currently operates in Victoria and NSW with over 1,400 staff.

4. Overview of Ramsay

4.4.3 Ramsay – Revenue Breakdown by Hospital Type as at 31 December 2004

Year results	
Medical / Surgical	**44%**
Veterans	**29%**
Co-located	**14%**
Psychiatric	**7%**
Rehabilitation	**4%**
Home Care	**2%**



4.5 Overview of Services Provided

The health industry is built on the foundation of diverse and complex human relationships and Ramsay has long recognised the importance of managing relationships with all key stakeholders at every level of the organisation.

This focus has seen Ramsay benefit through mutually beneficial relationships with the following groups:

- patients
- medical practitioners and associated medical colleges
- staff
- funding bodies including the Department of Veteran Affairs
- public hospitals (particularly in relation to the co-located facilities)
- suppliers
- government
- ex-service organisations

Ramsay's core competencies are managing the inputs and relationships that contribute to a successful episode of patient care whether it is medical/surgical, psychiatric or rehabilitation.

Typically, inputs to the episode may comprise:

- surgical procedures in theatres
- cardiac catheter laboratory procedures and diagnostic interventions
- delivery (maternity) suites
- bed accommodation (Wards, Intensive Care Units, Cardiac Care Units)
- hydrotherapy (pool)
- nursing care
- radiology
- pathology
- medical staff
- pharmacy
- allied health staff
- group therapy
- counselling
- other support services

Services can be provided in the in-hospital setting, home environment (domiciliary outreach, hospital-in-the-home), on an outpatient basis and in accident and emergency departments.

Ramsay's role is to co-ordinate and provide access to the inputs to ensure that the patient receives timely provision of services. Some of these inputs are directly managed and others outsourced.

Within this process, Ramsay has particular skills in developing strong and enduring relationships with medical practitioners and associated revenue generation, managing costs efficiently, and maintaining high quality standards.

4.6 Financial Overview

The following table summarises Ramsay's recent financial performance for the financial years ended 30 June 2003 and 30 June 2004 and the six months ended 31 December 2004 and the 12 months ended 31 December 2004. The table is in abbreviated form and does not contain all the disclosure that would be presented in audited financial statements.

$m	Year ended 30 June 2003	Year ended 30 June 2004	Six months ended 31 December 2004	12 months ended 31 December 2004
Revenue	662.2	768.1	544.6	938.6
EBITDA	91.0	105.8	66.5	120.5
Depreciation	24.0	28.2	18.0	32.3
EBITA	67.0	77.6	48.5	88.2
Amortisation	0.6	0.7	2.5	2.9
EBIT	66.4	76.9	46.0	85.3
Net borrowing costs	12.8	15.6	12.0	20.3
Net Profit before tax and unusual items	53.6	61.3	34.0	65.0
Tax expense	16.5	19.3	11.7	21.6
Net Profit before unusual items	37.1	42.0	22.3	43.4
Unusual Items (net of tax)	0	3.7	0	1.5
Net Profit	37.1	38.3	22.3	41.9
Core Net Profit	37.7	42.7	24.8	46.3

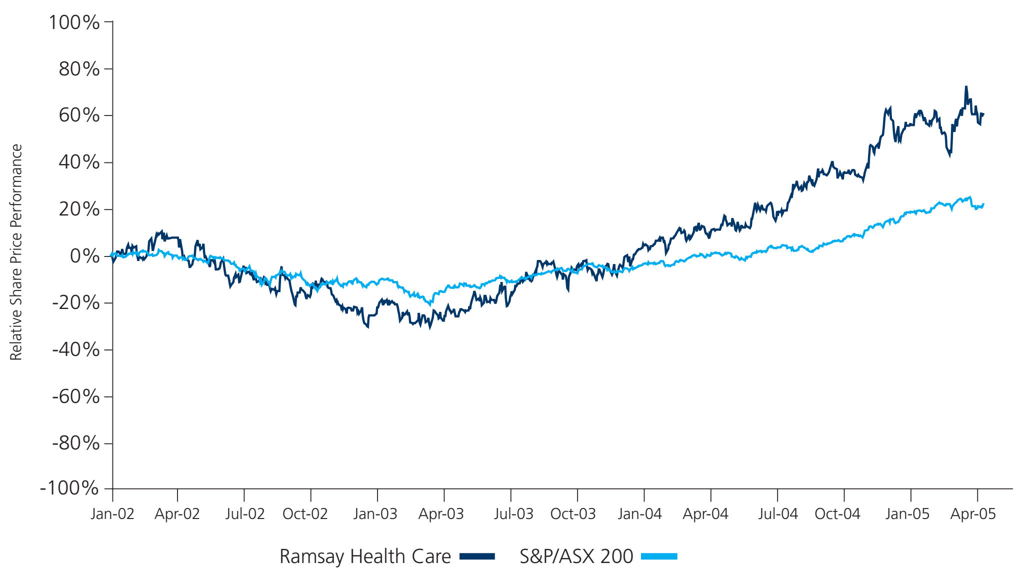
Source: Ramsay audited financial statements June 2004 (pre unusual items). Ramsay half year accounts at December 2004 (pre unusual items). Ramsay unaudited financial results for the half year ended 30 June 2004 (pre unusual items).

4.7 Share Price Performance

Ramsay has outperformed S&P/ASX 200 index since January 2002.

Investors should, however, note that past share price performance provides no guidance to future share price performance.

Ramsay's Historical Share Price Performance



4.8 Board and Management

4.8.1 Board

Paul J Ramsay AO

Non-Executive Chairman

Appointed Chairman in May 1975. 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, he has overseen the building of nine private hospitals and has developed Ramsay to its present strong position in Australian health care.

Mr Ramsay is Chairman of Prime Television Limited, and in June 2002 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 organisations.

Michael S Siddle

Non-Executive Deputy Chairman

Appointed Deputy Chairman in May 1975. Mr Michael Siddle has been with Ramsay 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.

Mr Siddle is Deputy Chairman of Prime Television Limited.

Marjorie L Brislee

Non-Executive Director

Appointed Non-Executive Director in June 1997. Mrs Marjorie Brislee, a former manager of Ramsay, joined the company in 1976 and has hospital management experience in Australia, United States, Hong Kong and the United Kingdom.

Tony Clark AM FCA FAICD

Non-Executive Director

Appointed Non-Executive Director in October 1998. Mr Tony Clark is a Chartered Accountant and was formerly Managing Partner of KPMG NSW. In 1995 Mr Clark was awarded membership of the Order of Australia for services to Business, Commerce and Community.

Mr Clark is Chairman of Cumnock Coal Limited, Deputy Chairman of Tourism Australia, and a Director of Telstra Corporation Limited, Carlton Investments Limited and Amalgamated Holdings Limited.

Peter J Evans FCA

Non-Executive Director

Appointed Non-Executive Director in June 1990. 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 acts as a director for a number of other companies including Prime Television Limited.

Patrick S Grier MAICD

Managing Director

Appointed Managing Director in June 1997. 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 as manager of the group's operating entities.

Mr Grier is a director of the Australian Private Hospitals Association.

Rod H McGeoch AM LLB MAICD

Non-Executive Director

Appointed Non-Executive Director in July 1997. 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. 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.

Mr McGeoch is Chairman of Pacific Healthcare Australia Limited, Chairman of Vantage Private Equity Growth Limited and a director of Telecom Corporation of New Zealand Limited, Gullivers Travel Group Limited, and LIPA Pharmaceuticals 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.

Kerry C D Roxburgh B.Comm MBA SDIAM

Non-Executive Director

Appointed Non-Executive Director in July 1997. 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 Hong Kong 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.

Mr Roxburgh is Chairman of Asian Express Airlines Pty Limited, a non-executive director of PNG Sustainable Energy Limited, Everest Babcock & Brown Group, and 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.

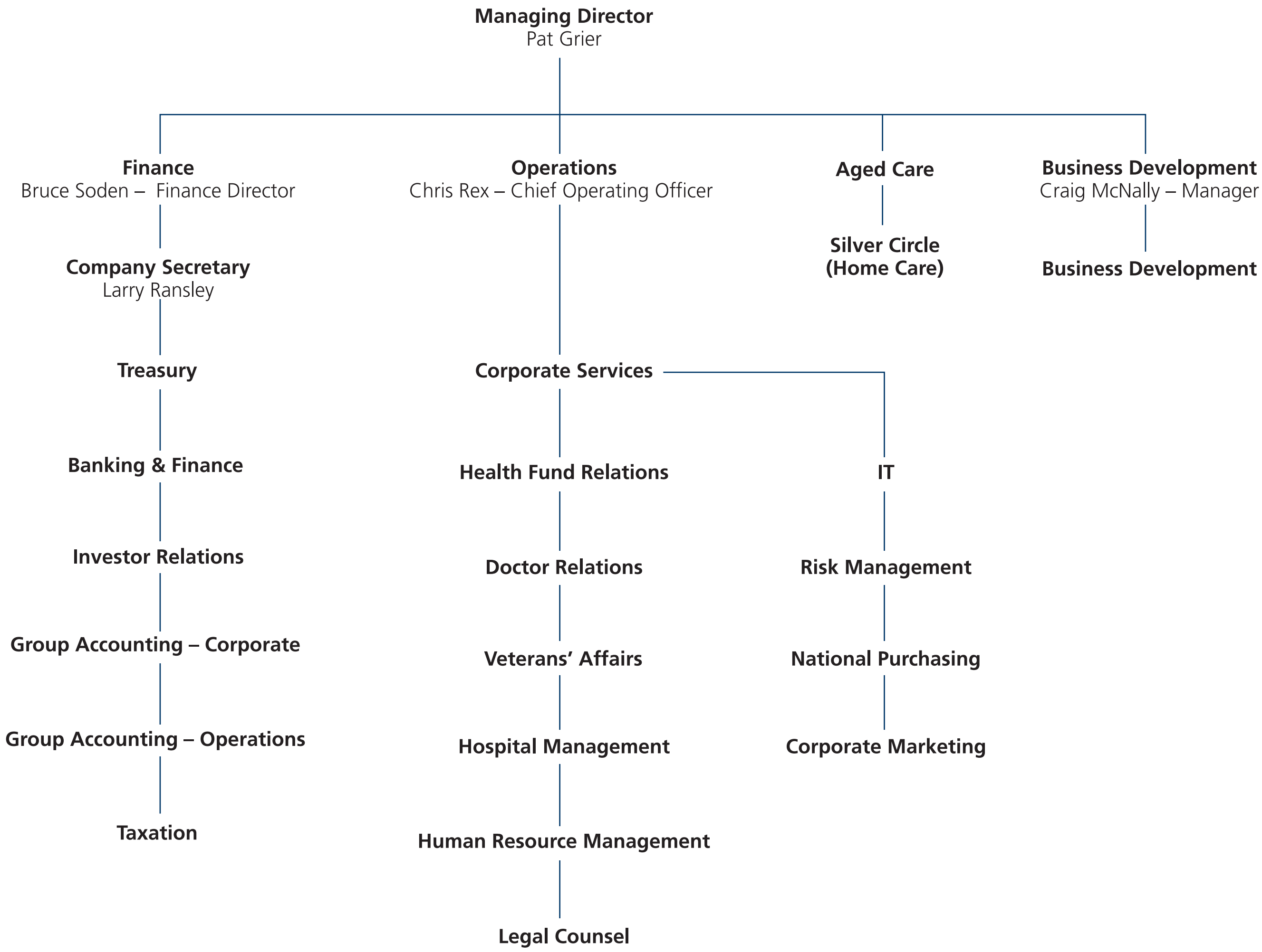
Bruce R Soden B.Comm AC MAICD

Finance Director

Appointed Finance Director in January 1997. Mr Bruce Soden joined Ramsay 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's operating entities in 1994. Prior to this, he spent four years as Senior Vice President and Director of Ramsay, Inc., a listed United States health care company, based in New Orleans.

4. Overview of Ramsay

4.8.2 Management Structure



Section 5 Overview of the Acquisition and Affinity

5. Overview of the Acquisition and Affinity

5.1 The Acquisition

On 14 April 2005, Ramsay announced the acquisition of Affinity for $1,428 million including assumed debt (excluding Ramsay's transaction costs). In acquiring Affinity, Ramsay becomes the largest private hospital operator in Australia. The Acquisition is being funded from the CARES Offer, the Entitlement Offer, the Institutional Placement, and Bank Debt.

Concurrent with the Acquisition, Ramsay has entered into the HOA to sell 14 of Affinity's hospitals to certain parties associated with the vendors of Affinity for net proceeds of $406 million (the 'Proposed Divestments'). This divestment will allow Ramsay to optimise its portfolio of hospitals and is consistent with undertakings given to the ACCC by Ramsay (refer to Section 5.4 and Section 9.9 for further details of the HOA).

5.2 Rationale for the Acquisition

The Acquisition provides an opportunity for Ramsay to acquire a group of quality hospital assets and expand the Company significantly in a single transaction. Ramsay has a proven track record of making strategic and value accretive transactions and successfully integrating them. Similarly, Ramsay believes that the acquisition of Affinity will provide a number of benefits:

- Significantly increases Ramsay's presence in its core business where it has a proven track record of profitable growth and creating value for its Shareholders
- Positions Ramsay to take advantage of continuing strong demand for hospital services, underpinned by underlying positive demographic trends and supportive government policies
- Offers significant cost and revenue synergies
- Ramsay management and systems may be used to improve Affinity margins closer to those achieved by Ramsay
- Enhances Ramsay's opportunity to secure mutually acceptable outcomes with:
  – Health funds
  – Medical equipment and supply companies
  – Other service providers and suppliers

5.3 Description of Affinity

This section describes Affinity before the Proposed Divestments. Refer to Section 5.4 and Section 9.9 for details related to the Proposed Divestments.

The financial and non-financial information contained in this Prospectus relating to Affinity has been derived from certain information made available by Affinity and its advisers during the due diligence process for the Acquisition and from publicly available sources.

While Ramsay has conducted due diligence on Affinity, no assurance can be given as to the accuracy or completeness of the information provided by or on behalf of Affinity as part of this due diligence. To the extent that this information is incomplete, incorrect, inaccurate or misleading, there is the risk that the future profitability and prospects of Ramsay may differ (including in a materially adverse way) from Ramsay's expectations as reflected in this Prospectus.

5.3.1 Overview

Affinity operates 48 hospitals across metropolitan and regional Australia of which 45 are medical/surgical hospitals, two are rehabilitation hospitals, and one is a psychiatric hospital. Affinity also has three medical/surgical hospitals in Indonesia. Affinity is the largest Australian private hospital operator, operating 21% of private hospital beds and treating 25% of all patients admitted to private hospitals.

Summary of Operating Statistics – FY2004[1]

	Australia	Indonesia	Total
Hospitals	48	3	51
Beds[2]	5,381	617	5,998
Admissions	504,800	30,400	535,200
Patient Bed Days	1,442,800	144,200	1,587,000
Occupancy	74%	64%	72%

[1] Affinity operating statistics include day-surgery and over night beds.

[2] As at 28 February 2005.

5.3.2 Australian Hospital Locations

Affinity operates the largest portfolio of private hospitals in Australia. Its Australian Hospitals are located in metropolitan and rural population centres in New South Wales, Victoria, Queensland, and Western Australia.

Location	Number of Hospitals
1. Regional QLD	8
2. Brisbane – QLD	3
3. Regional NSW	7
4. Sydney – NSW	9
5. Regional VIC	2
6. Melbourne – VIC	15
7. Regional WA	1
8. Perth – WA	3

Co-Located and Privatised Hospitals

Under certain arrangements with Mayne Group, Affinity agreed to acquire all of Mayne Group's rights and obligations in respect of the following seven co-located and privatised hospitals:

- Caboolture Private Hospital
- Noosa Hospital and Medical Centre
- Armidale Private Hospital
- Prince of Wales Private Hospital
- Melbourne Private Hospital
- Joondalup Health Campus
- Frances Perry House

In all cases, the arrangements with Mayne Group required Affinity to be novated to the rights and obligations of Mayne Group in respect of the arrangements between Mayne Group and the States governing these co-located and privatised hospitals. Pending completion of the novation, the arrangements with Mayne Group gives Affinity the rights to receive the revenue from the co-located and privatised hospitals together with the obligation to fund the expenses of those businesses.

The novations in respect of Armidale Private Hospital, Prince of Wales Private Hospital, Caboolture Private Hospital, Noosa Hospital and Medical Centre and Frances Perry House have completed. The novations in respect of Melbourne Private Hospital and Joondalup Health Campus have not completed.

Relevant governmental approvals are outstanding in respect to the novation of Melbourne Private Hospital and Joondalup Health Campus. It may be that the approvals are deferred pending a consideration of the implications of the Acquisition.

In the meantime, the revenue and expense arrangements with Mayne Group continue in respect of those hospitals.

Prince of Wales Private Hospital and Melbourne Private Hospital are Proposed Divestment hospitals. Refer to Section 5.4.4 for more information.

5. Overview of the Acquisition and Affinity

As part of the acquisition from Mayne, Affinity acquired Logan Private Hospital which has now been closed. Affinity also acquired Port Macquarie Base Hospital however, by subsequent agreement with Mayne Group and the State of New South Wales, Affinity will not enter into novation arrangements in respect of Port Macquarie Base Hospital. This hospital has been returned to public sector ownership.

5.3.3 Services Provided

Affinity's Australian hospitals are predominantly medical/surgical facilities which provide a comprehensive array of acute services.

Acute services include general medical and surgical services as well as more complex services such as cardiology and neurosurgery. Affinity is also one of the largest providers of private rehabilitation services in Australia. Affinity offers predominantly elective (non-emergency) procedures, however, it is also the largest provider of private emergency medicine in Australia with nine emergency departments.

Affinity has a number of hospitals which have a particularly strong reputation for providing quality hospital services to their local and extended communities. These hospitals have achieved their reputations in certain specialities, with a higher than normal proportion of patients travelling from outside the hospital's local catchment area, bypassing other hospitals, to be treated at these 'flagship' hospitals. The Directors believe that some of Affinity's 'flagship' hospitals include The Avenue Private, Strathfield Private, John Flynn Private, Pindara and St George Private Hospitals.

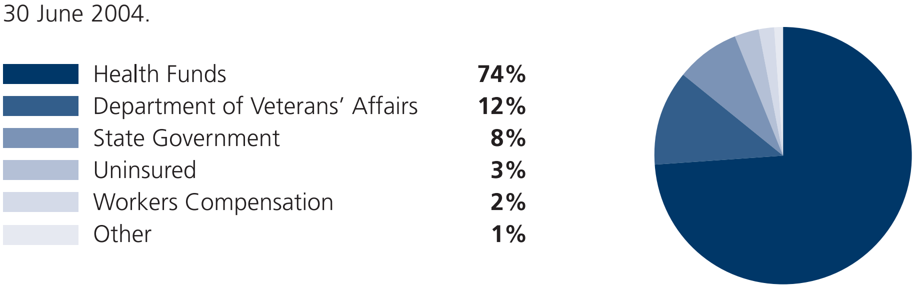
5.3.4 Financial Overview

The table below shows Affinity's pro forma historical sales, EBITDA and EBITA for each of the financial years ended 30 June 2003 and 2004, the half year ended 31 December 2004, and for the 12 months ended 31 December 2004. The Affinity pro forma financial information contained in the table below has been extracted from available data provided to the Company during the due diligence process and has not been subject to audit or independent verification or review.

	Years Ended 30 June		6 Months Ended	12 Months Ended
$m	2003	2004	31 December 2004	31 December 2004
Sales	1,198.2	1,276.8	671.3	1,304.3
EBITDA	110.8	149.0	85.9	162.2
EBITA	69.9	106.5	64.6	118.1

5.3.5 Sources of Revenue

The following chart shows the sources of Affinity's Australian revenue for the 12 months ended 30 June 2004.



5.3.6 Indonesia

Affinity also owns and operates three private hospitals in Indonesia – two in Jakarta and one in Surabaya – which have a total of 617 beds. The Indonesian Hospitals admitted over 30,300 patients in FY2004, with more than 144,000 patient days.

All three of the Indonesian Hospitals are located on the island of Java. Each hospital is well established and provides a broad range of inpatient and outpatient services. All of the Indonesian Hospitals have substantial outpatient clinics with both general practice and specialist services which help generate hospital admissions. The demographic focus for these hospitals is the middle to upper income population.

5.4 Proposed Divestments

In order to optimise Ramsay's portfolio of hospitals following the Acquisition and consistent with undertakings which have been provided by Ramsay to the ACCC (see Section 5.5), Ramsay has entered into the HOA to sell 14 of Affinity's hospitals to certain parties associated with the vendors of Affinity for net proceeds of $406 million (the 'Proposed Divestments'). For further details of the HOA refer to Section 9.9.

5.4.1 Description of Proposed Divestments

Of the hospitals which Affinity currently owns and/or operates, Ramsay is proposing to sell the following hospitals:

Hospitals included in Proposed Divestments	Location
The Hills Private Hospital	Sydney Region NSW
Prince of Wales Private Hospital	Sydney Region NSW
The Mount Hospital	Western Australia
Melbourne Private Hospital	Melbourne Region VIC
Knox Private Hospital	Melbourne Region VIC
North West Private Hospital	Queensland
Nepean Private Hospital	Sydney Region NSW
Ringwood Private Hospital	Melbourne Region VIC
Como Private Hospital	Melbourne Region VIC
Cotham Private Hospital	Melbourne Region VIC
Victorian Rehabilitation Centre – East	Melbourne Region VIC
Victorian Rehabilitation Centre – North	Melbourne Region VIC
Lady Davidson Private Hospital	Regional NSW
JF Moreland	Melbourne Region VIC

5.4.2 Summary of Operating Statistics for Proposed Divestments – FY2004

Based on information provided to the Company during the due diligence process, a summary of operating statistics for the Proposed Divestments in respect of the year ended 30 June 2004 is shown below.

Hospitals	14
Beds	1,622
Admissions	152,412
Patient Bed Days	488,360
Occupancy	83%

5.4.3 Financial Overview of Proposed Divestments

Revenue and hospital level EBITDA (pre corporate costs) has been extracted from the information provided to the Company during the due diligence process. This information has not been subject to audit or independent verification or review and should be read in conjunction with the risks described in Section 8.

	Years Ended 30 June		12 Months Ended
$m	2003	2004	31 December 2004
Sales	376.6	408.0	417.8
EBITDA	45.2	55.4	56.9

5.4.4 Co-Located and Privatised Hospital Divestments

The Proposed Divestments include Prince of Wales Private Hospital and Melbourne Private Hospital which are co-located and privatised hospitals. The divestment of these hospitals is subject to the receipt of consent from the New South Wales and Victorian State Governments respectively. If a consent is not received within approximately four months Ramsay will enter into revenue and expense arrangements with the purchasers of the Proposed Divestments similar to those described in Section 5.3.2.

5.4.5 Risk of Proposed Divestments Not Proceeding

Completion of the Proposed Divestments is subject to satisfaction of certain conditions set out in Section 9.9. If these conditions are not satisfied or certain aspects of the Proposed Divestments take longer than anticipated, the sale of one or more of the Proposed Divestments hospitals may not proceed as prescribed by the HOA. In this event, Ramsay would seek to proceed with an alternative divestment process within the parameters of any undertaking provided to the ACCC in relation to the Acquisition (see Section 5.5).

From a financial perspective, it is expected that an alternative divestment process would generate terms at least as favourable as those proposed by the HOA.

5.5 ACCC Undertakings

On 13 April 2005 Ramsay gave undertakings to the Australian Competition and Consumer Commission under section 87B of the Trade Practices Act 1974 to:

- take all steps necessary to preserve the Affinity Business as a separate and independently viable going concern in the provision of private hospital services (or any other service provided by the Affinity Business);
- procure that the management, sales, service, administration and operations of the Affinity Business will be conducted by the Senior Management of the Affinity Business separately from the management, sales, service, administration and operations of the rest of the Ramsay Group;
- not employ or otherwise engage directly or indirectly any present or former employees of the Affinity Business;
- ensure that the Senior Management of the Affinity Business operates that business independently of Ramsay's operations;
- keep the books and records of the Affinity Business separate from Ramsay, and to ensure that no information in relation to the Affinity Business is directly or indirectly requested or received by Ramsay;
- provide and maintain access to sufficient working capital and sources of credit for the Affinity Business and current levels of promotional advertising sales and technical assistance marketing and merchandising support so as to ensure that the Affinity Business remains economically viable; and
- except in the ordinary course of business, or in accordance with the undertakings, not sell or transfer the ownership of the Affinity Business or any assets within that business or make any material change to the attributes or extent of that business,

until the ACCC advises Ramsay in writing that it does not have any competition concerns in respect of the Affinity acquisition.

Ramsay has undertaken to divest the Proposed Divestments hospitals referred to in Section 5.4 and such other hospitals (if any) as are in good faith required to be divested by ACCC to address competition concerns.

Ramsay is entitled to receive:

- – information about the Affinity Business as is necessary to enable it to comply with its legal and reporting obligations (including continuous and periodic disclosure);
- – such other information as the directors of Ramsay require to fulfil their duties as directors; and
- – all information necessary to enable Ramsay to effect any divestiture.

If circumstances arise which require some modification of this undertaking due to changed circumstances Ramsay and the ACCC may review the Undertakings and negotiate any amendment in good faith.

5.6 Affinity Notes

Following the acquisition of the Mayne hospitals Affinity Health Limited issued 1.25 million secured notes pursuant to a prospectus dated 4 March 2004 (Affinity Notes). Each Affinity Note was issued at $100.00 and if redeemed prior to 14 October 2006 will be redeemed for $106.00 plus outstanding interest on the redemption date. Until redemption, interest remains payable on the Affinity Notes in accordance with their terms.

The Affinity Notes remain on issue after the Acquisition and are tradeable on ASX. In anticipation of a possible IPO of Affinity Health Limited a notice of early redemption of the Affinity Notes was given. Following the Acquisition that notice is of no effect because the IPO did not proceed. Ramsay's intention is to redeem the Affinity Notes at the same time as the Refinancing (as described in Section 9.13). Early redemption is expected to take place no later than 7 June 2005.

Section 6 Effect of the Acquisition on Ramsay

6. Effect of the Acquisition on Ramsay

6.1 Introduction

6.1.1 Overview

This Section provides an overview of the effect of the Acquisition on Ramsay including the pro forma historical statement of financial performance of Ramsay post the Acquisition for the 12 months ended 31 December 2004 and the pro forma statement of financial position as at 31 December 2004 prepared as outlined below in Section 6.2.

The pro forma historical financial information included in this Section is presented in abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

This Section should be read in conjunction with the risks to which the respective businesses and the Acquisition is subject to, as set out in Section 8.

6.2 Basis of Preparation

6.2.1 Pro Forma Statement of Historical Financial Performance

The pro forma historical statement of financial performance has been prepared in order to give investors an illustration of the impact on Ramsay's historical financial performance of Ramsay acquiring Affinity. It does not purport to represent the financial position that would have been obtained or the financial performance that would have occurred had Affinity been acquired on 1 January 2004.

The pro forma historical statement of financial performance of Ramsay post the Acquisition for the 12 months ended 31 December 2004 has been prepared in accordance with AGAAP on the following basis:

- aggregation of Ramsay's financial results, pre unusual items, for the 12 months ended 31 December 2004, extracted from its unaudited financial reports for the six months ended 30 June 2004 and the reviewed financial report for the six months ended 31 December 2004. These aggregated financial results for the 12 months ended 31 December 2004 have been adjusted to show the 12 months contribution of the Benchmark acquisition (acquired 1 July 2004) net of costs of associated borrowings;
- pro forma Affinity revenue, EBITDA, depreciation and EBITA results for the 12 months ended 31 December 2004, extracted from the information provided to the Company during the due diligence process, which has not been subject to audit or independent verification or review and should be read in conjunction with the risks described in Section 8;
- excludes the revenue, EBITDA, depreciation and EBITA of the Proposed Divestments on the basis of the terms specified in the HOA (see Section 9.9), extracted from the information provided to the Company during the due diligence process, which has not been subject to audit or independent verification or review and should be read in conjunction with the risks described in Section 8;
- assumes that the Acquisition, the Entitlement Offer, the Institutional Placement, the CARES Offer, additional Bank Debt, and related transaction costs, as well as the $39.2 million net capital raising undertaken by Ramsay in December 2004, all occurred on 1 January 2004. As such it assumes that the Bridge Facilities were not required;
- excludes any revenue or cost synergies and related one off costs associated with the Acquisition; and
- excludes non-recurring costs associated with the Bridge Facilities.

Ramsay is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. Ramsay will provide, free of charge, a copy of its complete annual financial report lodged with ASIC for the year ended 30 June 2004 and half year accounts for the six months ended 31 December 2004 to any person who requests a copy during the application period in relation to this Prospectus.

6.2.2 Pro Forma Statement of Financial Position

The pro forma statement of financial position of Ramsay post the Acquisition has been prepared in accordance with AGAAP and derived from:

- the statement of financial position of Ramsay as at 31 December 2004, extracted from the reviewed financial report for the half-year ended 31 December 2004; and
- the unaudited statement of financial position of Affinity and the Proposed Divestments as at 31 December 2004 provided to the Company during the due diligence process.

The pro forma statement of financial position of Ramsay post the Acquisition as at 31 December 2004 has been prepared to illustrate the impact of the CARES Offer, the Acquisition, the Entitlement Offer, the Institutional Placement, additional Bank Debt, the Proposed Divestments and related transaction costs as at 31 December 2004 assuming these events occurred on that date.

Due diligence undertaken by Ramsay to date has identified net fair value adjustments to insurance related reserves of Affinity totalling $17.7 million. These have been incorporated in the pro forma statement of financial position, resulting in a decrease in the book value of Affinity net assets acquired. There may be further fair value adjustments identified at a later stage, or adjustments to those identified to date, which would have an offsetting adjustment to goodwill on acquisition.

6.2.3 Impact of Convergence to AIFRS

The pro forma historical financial information contained in this Section has been prepared in accordance with the current AGAAP. For reporting periods beginning on or after 1 January 2005, the Company must comply with Australian equivalents to AIFRS as issued by the Australian Accounting Standards Board. For the Company, AIFRS will apply for the first time in FY2006. In the financial statements for FY2006, the Company will be required to disclose full AIFRS comparatives for FY2005. The differences between current AGAAP and AIFRS identified by Ramsay management to date as potentially having a significant effect on the financial position and financial performance of Ramsay post the Acquisition are summarised in Section 6.9.

6.3 Pro Forma Statement of Historical Financial Performance

The following table sets out the pro forma statement of historical financial performance of Ramsay post the Acquisition for the 12 months ended 31 December 2004, prepared in accordance with AGAAP as outlined in Section 6.2 above. This pro forma statement of financial performance for Ramsay post the Acquisition has been prepared to provide shareholders with an indication of the pro forma combined earnings of Ramsay as if the Acquisition and Proposed Divestments had taken place on 1 January 2004. It does not incorporate the expected cost and revenue synergies and restructuring and the one off costs associated with the planned integration of the Acquisition (see Section 6.7). Accordingly, it does not purport to represent what the actual combined results would have been had this occurred, nor is it a forecast for Ramsay post the Acquisition. Past performance is not always a guide to future performance and the prospects of Ramsay following the Acquisition are likely to vary from the pro forma statement of financial performance shown below, and those variations may be material. The actual statutory reported results for the Company for the year ended 30 June 2005 will be substantially different from those shown below, in so far as they will reflect Affinity results and the impact of the Acquisition only from 14 April 2005.

As previously noted, Ramsay has entered into the HOA to sell the Proposed Divestments for approximately $406 million. Subject to the satisfaction of certain conditions in the HOA, Ramsay expects that the sale of these hospitals will be completed within four months from the date of Acquisition. Consequently, the financial results assume that the Proposed Divestments have occurred and are included in the following table, as if they took effect on 1 January 2004.

Pro Forma Statement of Historical Financial Performance for the 12 months ended 31 December 2004

$m	Ramsay[1]	Adjustments[2]	Ramsay Pro Forma	Affinity[3]	Other Adjustments	Proposed Divestments[3,4]	Pro Forma Combined
Revenue	**938.6**	**105.5**	**1,044.1**	**1,304.3**	**128.6[(5)]**	**(417.8)**	**2,059.2**
EBITDA	**120.5**	**5.4**	**125.9**	**162.2**	**–**	**(56.9)**	**231.2**
Depreciation	32.3	3.1	35.4	44.1	–	(15.5)	64.0
EBITA	**88.2**	**2.3**	**90.5**		**–**		**167.2**
Amortisation	2.9	2.2	5.1		28.2[(6)]		33.3
EBIT	**85.3**	**0.1**	**85.4**	**118.1**	**(28.2)**	**(41.4)**	**133.9**
Net Borrowing Costs	20.3	2.3	22.6		54.4[(7)]		77.0
Profit Before Tax and Unusual Items	**65.0**	**(2.2)**	**62.8**	**118.1**	**(82.6)**	**(41.4)**	**56.9**
Tax Expense	21.6	0.4	22.0	35.4	(16.3)	(12.4)	28.7
NPAT Before Unusual Items	**43.4**	**(2.6)**	**40.8**	**82.7**	**(66.3)**	**(29.0)**	**28.3**
Core Net Profit	46.3	(0.4)	45.9	82.7	(38.1)	(29.0)	61.5
Less Preference Share Dividends							(16.9)
Core Net Profit After Preference Share Dividends							44.6

Notes and adjustments:

1. Shown before unusual items.

2. Adjustments to Ramsay's financial results include the pre-acquisition results for Benchmark as if this Acquisition occurred on 1 January 2004, net of costs of associated borrowings. In addition, interest expense has been reduced and shares on issue increased to take into account the full year impact of the $39.2 million (net of issue costs) capital raising undertaken by the Company in December 2004 as if it had occurred on 1 January 2004.

3. Pro forma Affinity revenue, EBITDA, depreciation and EBITA for the 12 months ended 31 December 2004 extracted from the information provided to the Company during the due diligence process. This information has been presented to an EBITA line only due to Affinity's significantly different corporate structure and gearing profile.

4. Pro forma Proposed Divestments revenue, EBITDA, depreciation and EBITA for the 12 months ended 31 December 2004 extracted from the information provided to the Company during the due diligence process. This information has been presented to an EBITA line only due to Affinity's significantly different corporate structure and gearing profile.

5. Notional adjustment to gross up Affinity revenue to reflect Ramsay's revenue recognition policy in respect of prosthetics.

6. Full year pro forma goodwill amortisation charge in respect of the Acquisition. Goodwill will be subject to an impairment test under AIFRS (refer to Section 6.9 for details)

7. Incremental interest and borrowing costs on the Bank Debt, assuming drawn down on 1 January 2004.

Investors should note that the above pro forma combined financial information does not incorporate the expected cost and revenue synergies and restructuring and other one off costs associated with the planned integration of the Acquisition (see Section 6.7).

6.4 Financial Position

6.4.1 Pro Forma Statement of Financial Position as at 31 December 2004

Set out below are the pro forma statements of financial position for Ramsay and Affinity at 31 December 2004 prepared in accordance with AGAAP, adjusted to reflect the impact of the Acquisition, the CARES Offer, the Entitlement Offer, the Institutional Placement, additional Bank Debt, the Proposed Divestments, and associated transaction costs effective 1 January 2004, along with other adjustments as outlined in Section 6.2.2 and in the notes to the table.

Pro Forma Statement of Financial Position as at 31 December 2004

$m	Ramsay	Affinity	Other Adjustments	Proposed Divestments[1]	Pro Forma Combined
Current Assets					
Cash	13.2	102.8	(102.8)[(2-5)]	–	13.2
Receivables	96.7	194.5	–	(52.9)	238.3
Inventories	18.2	30.7	–	(9.6)	39.3
Other	17.9	4.1	–	(0.9)	21.1
Total Current Assets	**146.0**	**332.1**	**(102.8)**	**(63.4)**	**311.9**
Non-current Assets					
Receivables	–	1.2	–	–	1.2
Intangibles	94.7	83.1	488.1[3]	(1.2)	664.7
Property, Plant and Equipment	585.2	835.1	31.1[4]	(266.3)	1,185.1
Deferred Tax Assets	32.4	39.1	5.3[6]	–	76.8[7]
Other	4.0	2.8	14.8[5]	–	21.6
Total Non-current Assets	**716.3**	**961.3**	**539.3**	**(267.5)**	**1,949.4**
Total Assets	**862.3**	**1,293.4**	**436.5**	**(330.9)**	**2,261.3**
Current Liabilities					
Payables	110.3	156.3	–	(37.9)	228.7
Interest-Bearing Liabilities	7.5	39.6	(39.6)[5]	–	7.5
Current Tax Liabilities	4.4	10.3	(1.8)[5]	–	12.9
Provisions	43.7	88.9	–	(22.5)	110.1
Total Current Liabilities	**165.9**	**295.1**	**(41.4)**	**(60.4)**	**359.2**
Non-Current Liabilities					
Interest-Bearing Debt	298.1	853.6	(220.4)[5]	–	931.3
Deferred Tax Liabilities	35.5	59.9	–	–	95.4[7]
Provisions	43.7	61.3	17.7[6]	(5.1)	117.6
Total Non-current Liabilities	**377.3**	**974.8**	**(202.7)**	**(5.1)**	**1,144.3**
Total Liabilities	**543.2**	**1,269.9**	**(244.1)**	**(65.5)**	**1,503.5**
Net Assets	**319.1**	**23.5**	**680.6**	**(265.4)**	**757.8**
Shareholders Equity					
Share Capital	161.1	27.0	663.1[2]	(265.4)	585.8
Reserves	54.5	(2.4)	2.4	–	54.5
Retained Profits	103.5	(1.8)	15.1	–	116.8
Outside Equity Interest	–	0.7	–	–	0.7
Total Shareholders Equity	**319.1**	**23.5**	**680.6**	**(265.4)**	**757.8**

Notes and adjustments:

1. Pro forma balance sheet of the Proposed Divestments extracted from the Information provided to the Company as part of the due diligence process.
2. Net impact of the Entitlement Offer, Institutional Placement and the CARES Offer, net of transaction costs.
3. Incremental increase in intangibles based on the purchase price and costs associated with the Acquisition less the anticipated proceeds from the Proposed Divestments less the fair value of the net assets acquired.
4. Settlement of the off balance sheet financing in respect of Joondalup.
5. Incremental proceeds from Bank Debt of $1,039 million, less associated borrowing costs and anticipated proceeds from Proposed Divestments.
6. This represents an initial estimate on the assumption that the book value of net assets required equals fair value, after allowing for a $17.7 million increase in medical malpractice and workers compensation provisions. The final value and allocation of intangibles between its component parts will not be determined until a fair value assessment is carried out post completion of the Acquisition.
7. An assessment will need to be performed post Acquisition in respect of the impact of the Acquisition and the Proposed Divestments on the net deferred tax assets and liabilities of Affinity, with any adjustment having an offsetting adjustment on goodwill on acquisition.

6. Effect of the Acquisition on Ramsay

6.4.2 Sources of Acquisition Funding

The Acquisition will be funded through a combination of sources as set out in the table below:

Sources and Application of Funds	$m
Total Acquisition Cost	
Purchase Price	1,428
Acquisition and Funding Costs	71
Total	**1,499**
Sources of Funding	
Entitlement Offer of Shares	97
Institutional Placement	103
CARES Offer	260
Bank Debt	1,039
Total	**1,499**

CARES Offer

This Prospectus relates to the CARES Offer of 2.6 million CARES to raise $260 million.

Entitlement Offer

Under the Entitlement Offer, the Company will issue approximately 15.6 million New Shares at $6.20 per share to raise approximately $97 million.

Institutional Placement

On 18 April 2005, Ramsay received commitments in the Institutional Placement for approximately 14.75 million Shares at an issue price of $7.00 per Share raising a total of approximately $103 million (Institutional Placement). The Shares to be issued under the Institutional Placement are expected to be issued on 27 April 2005.

Bank Debt

Ramsay has raised approximately $1,039 million in new debt finance as part of the funding of the Acquisition.

The Bank Debt has been arranged with an initial syndicate of NAB and ANZ and was drawn down to the extent required to complete the Acquisition. Further information on the Bank Debt is provided in Section 9.13.

As discussed previously, the Company intends to reduce the Bank Debt with the proceeds from the Proposed Divestments.

This facility will also be used to refinance Ramsay's existing bank facility.

Bridge Facilities

As not all of the proceeds from the funding sources described above had been received by the time of completion of the Acquisition (when the purchase price was required to be paid), Bridge Facilities of approximately $450 million have been provided by Sumitomo Mitsui Finance Australia Limited and Goldman Sachs JBWere Capital Markets Limited. For a description of the Bridge Facilities, see Section 9.14. The amount drawn down under the Bridge Facilities is intended to be repaid as the proceeds from each of the Entitlement Offer, Institutional Placement and CARES Offer become available.

6.5 Ramsay Post the Acquisition

The Acquisition of Affinity represents a company transforming transaction for Ramsay and will create Australia's largest private hospital company. The Acquisition provides Ramsay with a unique opportunity to expand significantly through one transaction and apply its successful hospital management expertise across a greater number of facilities for the benefit of its Shareholders, doctors, patients and employees.

Concurrent with the Acquisition, Ramsay has entered into the HOA to sell 14 of Affinity's hospitals to certain parties associated with the vendors of Affinity for net proceeds of $406 million (refer to Section 5.4 and Section 9.9 for further details of the HOA).

Subject to the matters raised in Section 8.1, the Company believes that the integration of Affinity will be substantially complete over the next 24 months. Once Ramsay commences integration, the Company intends to extend its management structure and philosophy to the new hospitals. This will include the implementation of its micro-management techniques which will drive improvements in operations and margins through revenue enhancement, better labour utilisation and supply chain rationalisation.

Over the medium to longer term Ramsay will use the enlarged group as a base for further growth organically and brownfield development.

The following table provides a summary of the key operating statistics of Ramsay post the Acquisition and the Proposed Divestments.

6.5.1 Summary of Pro Forma Operating Statistics – FY2004

	Ramsay	Affinity	Proposed Divestments	Pro Forma Combined
Hospital Facilities	37[1]	51	14	74
Beds	4,045[2]	5,694[3]	1,622	8,117
Admissions	330,151[4]	535,200	152,412	712,939
Patient Days	1,162,505[5]	1,587,000	488,360	2,261,145

[1,2] Includes Benchmark Group acquired July 2004, Murray Valley Private and Coastal Private acquired February 2005.

[3] Includes overnight beds only as at 28 February 2005.

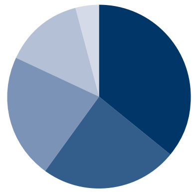
[4,5] Includes Benchmark Group and excludes Murray Valley Private and Coastal Private.

6. Effect of the Acquisition on Ramsay

6.5.2 Pro Forma Post Proposed Divestments Revenue and Bed Breakdown – FY2004

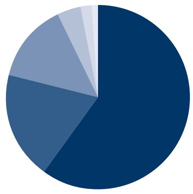
Revenue by State

NSW	36%
QLD	24%
VIC	22%
WA	14%
SA	4%



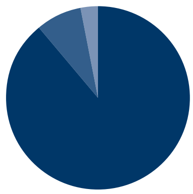
Source of Revenue

Medical / Surgical other	60%
Co-located	19%
Veteran	14%
Psychiatric	4%
Rehabilitation	2%
Aged Care	1%



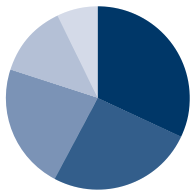
Beds by Specialty Type

Medical / Surgical	89%
Psychiatric	8%
Rehabilitation	3%



Beds by State

NSW	33%
QLD	26%
VIC	22%
WA	12%
SA	7%



6.6 Leverage

As a result of Bank Debt utilised in funding the transaction, Ramsay's leverage will significantly increase relative to historic levels. Ramsay's total current debt, post the Acquisition and repayment of the Bridge Facilities, will be $1,360 million, of which $1,039 million relates to the Acquisition. Leverage will be reduced once funds from the Proposed Divestments of $406 million and excess cash flows are used to pay down Bank Debt. The Bank Debt facilities used to finance the Acquisition contain certain covenants in relation to Ramsay's level of gearing (see Section 8.9). It should be noted that these leverage levels do not include the effects of the CARES Offer as these securities are considered equity from an Australian tax and accounting perspective.

Pro Forma Key Credit Ratios as at 31 December 2004[1]

EBITDA / Interest	3.1 x
Debt / EBITDA	4.1 x
Debt / Total Capitalisation	55.3%

1. Post Proposed Divestments of $406 million.

6.7 Financial Prospects of the Combined Businesses

The Directors are not in a position to disclose forecast financial information on Ramsay post the Acquisition until they have assumed management control of Affinity.

The Directors nevertheless believe it is necessary to provide a meaningful indication of Ramsay's performance post the Acquisition and Proposed Divestments as set out below. Ramsay's future performance could be materially, positively or adversely affected relative to these indications.

Having regard to the benefits and risks of the Acquisition and the Proposed Divestments and subject to there being no material adverse change in the business and economic conditions in the market in which the Company and Affinity operate, the Company expects the Acquisition and the Proposed Divestments will be neutral to mildly accretive to Core EPS in FY2006 and accretive to Core EPS thereafter.

Impact on Core EPS

- **The performance of Ramsay's existing operations** – As indicated when Ramsay's half-year earnings were announced in February 2005, the Directors anticipate that Ramsay's existing businesses will continue to perform well and show strong growth in accordance with Ramsay's guidance of Core Net Profit growth in excess of 10% for FY2005
- **The performance of Affinity's operations** – Over recent years, Affinity has undertaken a significant restructuring and rationalisation of its operations. Based on Ramsay's due diligence enquiries including a review of Affinity's unaudited management accounts for the eight months ended 28 February 2005, the Directors are not currently aware of any material variation in Affinity's EBITDA for FY2005 from that indicated in Section 6.3 for the 12 months ended 31 December 2004
- **Potential synergy benefits** – Post the Proposed Divestments, Ramsay expects approximately $15 million of pre-tax synergies in the first full year of ownership (i.e. FY2006), rising to approximately $50 million per annum in the third year (i.e. FY2008). The synergy benefits are derived from both revenue and cost synergies. In addition under the terms of the HOA in relation to the Proposed Divestments, Ramsay will receive $13.5 million during FY2006 as a contribution towards corporate services provided to the divested operations. Synergies are presented above on the basis that Ramsay can commence integration on or around 1 September 2004 with ACCC approval
- **Goodwill amortisation** – The goodwill arising from the Acquisition is expected to be approximately $571 million, although the final amount will not be determined until the fair value investigation is completed by Ramsay. The goodwill from the Acquisition combined with the goodwill already on Ramsay's balance sheet is anticipated to result in a pro forma goodwill amortisation charge of approximately $33 million per year. The Company will report under AIFRS from FY2006 under which goodwill will not be amortised, but will be subject to an annual impairment test as discussed in Section 6.9 below
- **Interest Expense** – A portion of the Acquisition has been funded by approximately $1,039 million of bank debt at an initial interest rate of approximately 7.9% in FY2006. Ramsay has also refinanced approximately $322 million of current debt at the same effective interest rate. It is expected that this bank debt will be partly paid down through a combination of proceeds from the Proposed Divestments and surplus cash flow. Additionally, deferred financing charges will be recognised as a result of the bank debt facilities and bridge loans. These non-cash costs are expected to be $4.8 million in FY2006 and $2.6 million from FY2007 to FY2010 when the Bank Debt is due to be refinanced. Ramsay's existing deferred borrowing costs of $2.7 million will be written off in FY2005
- **Restructuring costs** – One-off restructuring costs (primarily redundancy costs) are estimated to be a total of approximately $17 million pre-tax over four financial years. Because of their non-recurring nature, these restructuring costs will not be included in the calculation of Core Net Profit
- **Proposed Divestments** – Ramsay has entered into the HOA to divest 14 of Affinity's hospitals to certain parties associated with the vendors of Affinity, for net proceeds of $406 million (refer to Section 5.4 and Section 9.9 for further details)

Impact to Cash Flow

Ramsay expects capital expenditures post the Acquisition and Proposed Divestments for FY2006 and FY2007 comprised as follows:

- **Ongoing capital expenditures for Ramsay and Affinity** – routine capital expenditure for the combined portfolio is estimated to be approximately $74 million in FY2006 and $77 million in FY2007. In addition, an additional $19 million has previously been committed by Ramsay for FY2006 (primarily for facility upgrades at Greenslopes Private Hospital, Hollywood Private Hospital and The Valley)

6. Effect of the Acquisition on Ramsay

- **Affinity capital expenditures** – one time capital expenditure to upgrade the existing Affinity facilities is expected to be approximately $40 million in total over FY2006 and FY2007
- **Synergy related capital expenditures** – In addition, one-off capital expenditure costs required in order to achieve the synergies are estimated to be approximately $19 million. These costs are estimated to be incurred over the next four financial years, with the majority of these costs expected to be incurred in the third and fourth financial years

Impact on Financial Position

See Section 6.4 and 6.6 for discussion on impact on the financial position of the Company.

6.8 Dividends

Ramsay paid dividends in the last 12 months of 18.5 cents per Share (a dividend of 10.0 cents per Share for the half year ended 30 June 2004 and 8.5 cents per Share for half year ended 31 December 2004). Based on current market conditions, the Directors expect to at least maintain this level of dividends per share over the following 12 month period. However, no guarantee can be given about the payments of dividends, the level of franking or imputation of such dividends in any future period, as the extent of dividends payable will depend on the Company's financial and taxation position at that time and are subject to restrictions under the financing arrangements in certain circumstances as summarised in sections 9.13 and 9.14.

6.9 Impact of AIFRS

The Company will be required to prepare financial statements which comply with AIFRS, as issued by the Australian Accounting Standards Board, from 1 July 2005. The financial report for the half year ending 31 December 2005 will be the first financial report prepared in compliance with AIFRS. Comparative information will be required to be restated to reflect the application of AIFRS to that comparative period.

The Company has commenced transitioning its accounting policies and financial reporting from current Australian Accounting Standards to AIFRS. 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 AIFRS. As a result of these procedures, the Company has graded impact areas as either high, medium or low. Detailed technical evaluations, calculation of transition adjustments and management of any process or system changes required, are underway.

The potential impacts on the statements of financial performance and financial position of the Company arising from the adoption of AIFRS, including system upgrades and other implementation costs that may be incurred, are not yet at a stage where they are able to be reliably quantified by the Company.

The most significant potential implications on the conversion to AIFRS, as identified by the Company to date, are the following:

First time adoption of AIFRS

On first time adoption of AIFRS, the Company will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in AIFRS. Various voluntary and mandatory exemptions are available to the Company on first time adoption, which will not be available on an ongoing basis. The exemptions apply relief from retrospectively accounting for certain balances, instruments and transactions in accordance with AIFRS.

The impact on the Company of the changes in accounting policies on first time adoption of AIFRS will be affected by the choices made. The Company is evaluating the effect of the options made on first time adoption in order to determine the best possible outcome for the Company.

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, as currently financial instruments are not classified into one of the five categories. 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.

CARES will be classified as equity for accounting purposes under both the existing Australian Accounting Standards and AIFRS as currently issued. As CARES will be classified as equity, payments to Holders will be treated as dividends.

However, if a change in AIFRS required CARES to be treated as a liability, the payment to Holders would then be classified as interest expense. Such a change could give rise to a conversion or exchange event and entitle the Directors of the Company to resolve that CARES be exchanged or converted.

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:

- identify 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 Company'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 statement of financial position. The future financial effect of this change in accounting policy has not yet been measured, although the Company does not anticipate a material impact on Net Profit as a result of this change. The interest rate swaps that will be taken out against the debt drawn down to fund the Acquisition are expected to be qualifying hedges for the purposes of AIFRS.

Goodwill

Under AGAAP purchased goodwill is required to be amortised on a straight-line basis over a period not exceeding 20 years. The Company currently amortises goodwill on a straight-line basis over its useful life but not exceeding 20 years.

Under AIFRS, straight-line amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit which may or may not give rise to impairment charges. Amortisation recognised in prior years will not be reinstated.

The pro forma historical statement of financial performance for the 12 months ended 31 December 2004 includes $33 million of goodwill amortisation which will not be incurred under AIFRS. Additionally it is expected that included in the goodwill from recent acquisitions are intangible assets which will need to be separately identified under AIFRS. An amortisation charge may be incurred in future periods in respect of these assets if they are assessed as having a definite life. Refer to the Section below on intangible assets for further discussion on the impact of AIFRS on these assets.

Impairment of Assets

Under AASB 136 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 Company's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. As discussed above, 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 currently unknown.

Intangible Assets

Under AASB 138 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 may result in a change in the Company's current accounting policy which currently allows for the revaluation of hospital and bed licences. Under the new policy it is expected that these licences, with a carrying value of $103 million at 31 December 2004, will need to be carried at cost, as there may not be an active market to support their revaluation. If an active market cannot be shown to exist, this would result in the original revaluations being written back against the asset revaluation reserve, the majority of which relates to the increase in value of the hospital and bed licences. The asset revaluation reserve was $54.5 million as at 31 December 2004. Retained earnings will be reduced to the extent that the write down in the current carrying value of bed licences exceeds the value of the asset revaluation reserve.

Additionally, it is expected that included in the goodwill from recent acquisitions are intangible assets which will need to be separately identified under AIFRS. An amortisation charge may be incurred with these assets if they are assessed as having a definite life. The final value and allocation of intangibles between its component parts will not be determined until a fair value assessment is carried out post completion of the Acquisition.

Income Taxes

Under AASB 112 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. As discussed above, if an active market cannot be shown to exist, bed and hospital licenses will be written down to cost. This will result in a significant decrease to the asset revaluation reserve reducing the impact of AASB 112 on the balance sheet. It is not expected that there will be any further material impact as a result of adoption of this standard.

Leases

Under AASB 117 Leases, leases are classified based on the extent to which risks and rewards incidental to ownership of the leased asset lie with lessor or the lessee. The risks and rewards of ownership should be based on the substance of the transaction rather than the form of the contract.

Strict interpretation of the examples of situations contained in the standard, which would normally lead to a lease being classified as a finance lease, may lead to a reclassification of Ramsay's operating leases to finance leases. A reclassification of an operating lease to a finance lease, would result in a decrease in the operating lease expense charged to the profit and loss but would be offset by a depreciation charge related to the leased asset and interest expense in relation to the finance lease liability. Reliable estimation of the future financial effects of the classification of the leases is unknown as the exercise to classify the leases under AIFRS is yet to be performed.



Section 7 Taxation

7. Taxation

7.1 Introduction

The following is a summary of the Australian income tax and capital gains tax (CGT) consequences for potential investors who are Australian residents for taxation purposes and who are individuals, companies or complying superannuation entities and subscribe for and hold CARES on capital account ('Holders' for the purpose of the following discussion in this Section). Tax considerations which may arise for those investors who are in the business of share trading, dealing in securities or otherwise hold CARES on revenue account have not been considered in this tax summary.

This summary is based on the income tax law and administrative practice currently in force as at the date of this Prospectus. It is necessarily general in nature and is not intended to be definitive advice to Holders. Accordingly, each Holder should seek their own tax advice that is specific to their particular circumstances.

Unless the context indicates otherwise, all capitalised terms bear the same meaning as those contained in the Glossary and Terms of Issue.

7.2 Taxation of Dividends

CARES are properly classified as equity interests in Ramsay rather than debt interests for tax purposes.

Accordingly, the Dividends on CARES should be frankable distributions for taxation purposes provided that certain requirements are satisfied.

It is expected that Ramsay will only pay fully franked Dividends on CARES to the extent of the available franking credits in Ramsay's franking account. Accordingly, unless a Holder is not a Qualified Person (refer to Section 7.3), all Holders should include in their assessable income the amount of the fully franked Dividends, grossed up for the franking credits attached to the Dividends on CARES.

The Holders may qualify for the tax offset (equivalent to the franking credits attached to the Dividends) against their income tax liability for the relevant income year provided the Holders are Qualified Persons (refer to Section 7.3).

To the extent the tax offset attributable to the franking credit on a Dividend exceeds the amount of a Holder's income tax liability for an income year, the excess franking credit may be refunded to a Holder who is an individual investor or an individual beneficiary of a trust, the trustee of which is a Holder or a complying superannuation entity.

7.3 Qualification for Franking Credits

Certain imputation measures contained in the Tax Act provide that a shareholder is not required to include the grossed up amount of the franking credits in its assessable income and is not entitled to the tax offset unless the shareholder is a Qualified Person in relation to the dividend.

A shareholder is a Qualified Person if it satisfies the Holding Period Rule and Related Payment Rule. An individual shareholder is automatically taken to be a Qualified Person in relation to the Holding Period Rule for the dividends paid on shares if the total amount of the tax offsets to which the shareholder would be entitled in an income year is $5,000 or less. This is referred to as the Small Shareholder Test.

In terms of the Holding Period Rule, a Holder must have held CARES 'at risk' for a continuous period of at least 90 days (excluding the days of acquisition and disposal) within a period beginning on the day after the date on which the Holder acquired CARES and ending on the 90th day after the date on which CARES became ex-Dividend.

The Holder would be 'at risk' in relation to CARES provided that any of the arrangements it enters into does not result in materially reduced risks of loss or opportunities for gain in relation to CARES.

Under the Related Payments Rule, a Holder who is obliged to make a related payment (essentially a payment passing on the benefit of the Dividend) in respect of a Dividend must hold CARES 'at risk' for at least 90 days (not including the days of acquisition and disposal) within the period beginning 90 days before and ending 90 days after CARES became ex-Dividend.

The exemption from the Holding Period Rule (i.e. the Small Shareholder Test) does not apply to the Related Payments Rule.

Although certain recent changes to the tax law have affected the applicability of these rules, the Australian Government has indicated in a Press Release dated 27 September 2002 that it intends to amend the law to ensure these rules continue to apply.

7.4 CGT Consequences on Disposal of CARES

7.4.1 Sale of CARES

A Holder may have a capital gain or capital loss on the sale of CARES.

To the extent that the capital proceeds received by a Holder on the sale of CARES exceeds the cost base of CARES, the excess would constitute a capital gain in the hands of the Holder. Conversely, a capital loss will arise on a sale of CARES equal to the amount by which the sale proceeds is less than the reduced cost base of CARES.

The cost base or reduced cost base of CARES respectively should include the amount paid to acquire CARES (when issued by Ramsay or purchased on-market) as well as the incidental costs (e.g. broker fees and stamp duty costs) associated with the acquisition and disposal of CARES.

If CARES have been owned for at least 12 months prior to the sale, a Holder may be entitled to receive CGT discount treatment in respect of any gain arising on disposal of CARES. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses (although there are special rules for trusts). The discount percentage is 50% for Holders who are individuals or individual beneficiaries of a trust, the trustee of which is a Holder and 33⅓% for Holders who are complying superannuation entities. Companies do not qualify for CGT discount treatment.

Holders who dispose of their CARES within 12 months of acquiring them will not receive CGT discount treatment.

7.4.2 Redemption or cancellation of CARES

Ramsay may determine to redeem or cancel CARES for an amount equal to the Face Value.

To the extent to which the redemption or cancellation proceeds paid by Ramsay are debited against an amount standing to the credit of the share capital account of Ramsay, the redemption or cancellation proceeds should not be treated as a dividend.

However, to the extent to which the redemption or cancellation proceeds paid by Ramsay are funded out of an account other than Ramsay's share capital account, that amount will be an assessable dividend in the hands of a Holder.

A redemption or cancellation of CARES will constitute a disposal of CARES for CGT purposes. Accordingly, a Holder may derive a capital gain or a capital loss on such disposal to the extent to which the disposal proceeds are greater than the cost base or less than the reduced cost base of CARES respectively.

The cost base (or reduced cost base) of CARES for these purposes would include the amount paid by a Holder to acquire CARES plus the incidental costs associated with the acquisition and disposal of CARES.

The amount of the capital gain resulting from a redemption or cancellation of CARES would be reduced (but not below zero) to the extent that the whole or part of the redemption or cancellation proceeds is treated as a dividend. A Holder may be entitled to CGT discount treatment in respect of any resulting capital gain in the same manner as discussed in Section 7.4.1.

7.4.3 Buy-back of CARES

Ramsay may choose to buy back CARES by giving an appropriate exchange notice to Holders.

For tax purposes, such an event would give rise to income tax and CGT consequences for the Holders similar to those described in relation to the redemption or cancellation of CARES. However, depending on the terms of the buy-back and how much of the proceeds is debited to Ramsay's share capital account, the calculation of the capital gain or capital loss arising would be different.

7.4.4 Conversion of CARES

If Ramsay elects to convert CARES into Shares, one CARES will convert on the basis set out in clause 3.6 of the Terms of Issue in Appendix A. The conversion of CARES is expressed to not constitute a redemption or cancellation of CARES or an issue, allotment or creation of a new share (other than the new shares issued). Instead, the conversion involves changing the rights attached to CARES.

In taxation ruling TR 94/30, the Commissioner of Taxation has expressed a view that the variation of rights attaching to a share does not result in either a full or partial disposal of an asset for CGT purposes unless there is a redemption or cancellation of the share. Accordingly, the conversion of CARES to shares should not result in either a full or partial disposal of CARES by Holders for CGT purposes.

7.5 New Shares

Following the conversion of CARES into Shares, each Holder will be allotted an additional number of Shares determined in accordance with the conversion formula that is set out in clause 3.6 of the Terms of Issue in Appendix A.

The issue of the Shares to a Holder will not be taken to be an assessable dividend in the hands of the Holder.

The Shares will be CGT assets for CGT purposes. The cost base (or reduced cost base) of a Share will be determined by spreading the cost base (or reduced cost base) of CARES across CARES and all of the Shares issued on conversion.

Further, for CGT purposes, the Shares will be taken to have been acquired by a Holder at the time CARES to which the Shares are attributable were acquired by the Holder.

A subsequent sale of the Shares (being the new Shares and CARES that have been converted into Shares) may give rise to a capital gain or capital loss to a Holder. The amount of the capital gain would equal the excess of the sale proceeds over the cost base of the Shares determined in the manner discussed above.

Conversely, a capital loss will arise on a sale of the Shares equal to the amount by which the sale proceeds are less than the reduced cost base of the Shares.

The availability of CGT discount treatment to Holders discussed in Section 7.4.1 in the context of a sale of CARES, applies equally here.

Section 8 Risk Factors

8. Risk Factors

Investing in CARES involves a degree of risk. This Section 8 discusses some of the risks associated with the Acquisition and with an investment in Ramsay. It should be read in conjunction with Sections 4, 5 and 6 which include additional detail on Ramsay and the key implications of the Acquisition and the business risks and opportunities associated with it.

Before applying for CARES, you should consider whether they are a suitable investment for you. Many of the risks associated with an investment in CARES are outside the control of Ramsay and its Directors. These risks include those identified in this Section and other matters referred to in this Prospectus. Additional risks and uncertainties that Ramsay is unaware of or that Ramsay currently believes to be immaterial, may also become important factors that affect Ramsay. The occurrence of any of the events which pose these risks could have a material adverse effect on Ramsay's prospects, financial condition and results of operations. In that case, the trading price of CARES could decline and you could lose some or all of your investment.

Potential investors should read this Prospectus in its entirety and consult their stockbroker, accountant or other professional adviser before making an investment decision.

Factors which potential investors should consider before they make a decision whether or not to apply for CARES include, but are not limited, to the risk factors described below.

8.1 Risks Associated with the Acquisition

8.1.1 Integration Risks

Ramsay has undertaken a detailed financial and operational analysis of Affinity and a detailed business analysis in order to determine the attractiveness of Affinity and the Acquisition to Ramsay. To the extent that the actual results achieved by Affinity are lower than those indicated by Ramsay's analysis, there is a risk that Ramsay's future results and profitability could be adversely impacted. This may occur for a number of reasons, including for example, if the anticipated combined earnings resulting from the merger of Affinity with Ramsay is lower than expected or occurs less quickly than expected.

It may not be possible to successfully integrate the operations of the Affinity business with those of Ramsay in a timely manner or to realise the full cost savings and other economies of scale anticipated. The Acquisition involves the integration of businesses that have previously operated independently, which will involve, among other things, integrating technology platforms, negotiating terms with suppliers and health insurance funds, integrating personnel with diverse business backgrounds and combining different corporate and workplace policies, procedures and cultures. The process of integrating operations could, among other things, divert management's attention from the activities of one or more of the businesses, as well as interrupting business momentum, and could result in a loss of key personnel, any of which could have an adverse effect on Ramsay's business, results of operations or financial condition.

8.1.2 ACCC and "Hold separate" Undertakings

As described at Section 5.5 and elsewhere, Ramsay intends to hold discussions with the ACCC to ensure that its divestitures of hospitals address competition concerns the ACCC may have and has undertaken not to integrate the Affinity business with the Ramsay business pending those discussions.

Ramsay has given certain undertakings to the ACCC as described in Section 5.5. One of these undertakings is to divest such other hospitals (if any) in addition to the Proposed Divestments as are required to be divested by the ACCC to address competition concerns. If the ACCC required Ramsay to divest other hospitals Ramsay may be adversely affected.

It is possible that:

- in order to address ACCC competition concerns, Ramsay may have to agree to divest more hospitals than the level of contemplated divestiture described in Section 5.4 of this Prospectus;
- the process of discussion and negotiation with the ACCC may delay integration of the Affinity hospitals with the Ramsay business; and
- if Ramsay and the ACCC are unable to reach agreement as to the measures required to address competition concerns, the ACCC may institute court proceedings to protect or pursue its position.

8.1.3 Loss of Revenue and Customers

Loss of revenue and customer attrition may have a material adverse effect on the financial performance and operations of Ramsay and the price of CARES and Shares.

8.1.4 Additional Expenses

Ramsay will incur substantial additional expenses integrating Affinity with Ramsay's existing operations. The total amount of the indirect integration costs of the Acquisition are difficult to estimate and may be materially different from Ramsay's estimates.

8.1.5 Loss of Key Personnel

The loss of key personnel could have an adverse effect on Ramsay's business, results of operations or financial condition. In particular, after completion of the Acquisition, Ramsay can provide no assurance regarding the potential loss of Affinity key personnel.

8.1.6 Stakeholder Risk

It is also possible that Ramsay may be unable to successfully communicate the rationale for the Acquisition to Ramsay's investors, employees or suppliers. If any of these groups fail to support the Acquisition, it could adversely affect Ramsay's financial condition, results of operations and the price of CARES and Shares.

8.1.7 Risks of Information Provided By or On Behalf of Affinity

The financial and non-financial information contained in this Prospectus relating to Affinity has been derived from certain information made available by Affinity and its advisers during the due diligence process and from publicly available sources.

While Ramsay has conducted due diligence on Affinity, no assurance can be given as to the accuracy or completeness of the information provided by or on behalf of Affinity as part of this due diligence. To the extent that this information is incomplete, incorrect, inaccurate or misleading, there is the risk that the future profitability and prospects of Ramsay may differ (including in a materially adverse way) from Ramsay's expectations as reflected in this Prospectus.

8.1.8 Termination and Change of Control Risk

Affinity has a number of contracts which can be terminated on short notice without cause or following a change in control of Affinity. To the extent that such contracts are terminated, this will result in Ramsay losing the benefit of these contracts.

8.1.9 Risks Associated with Proposed Divestments

Completion of the Proposed Divestments is subject to satisfaction of certain conditions set out in Section 9.9. If these conditions are not satisfied or certain aspects of the Proposed Divestments take longer than anticipated, the sale of one or more of the Proposed Divestments hospitals may not proceed as prescribed by the HOA. In this event, Ramsay would seek to proceed with an alternative divestment process within the parameters of any undertaking provided to the ACCC in relation to the Acquisition (see Section 5.5) which may not be successful.

As part of any such divestment, Ramsay may be required to enter into certain shared services agreements (for example, extending the use of the current IT platforms for a transition period) with the purchaser or purchasers of the divested hospitals. The cost of providing these shared services may be higher than those proposed under the HOA.

If Ramsay was not able to effect sufficient divestment to repay Facility B within 12 months (refer to Section 9.9 for further details of the HOA), it may have to seek refinancing of that facility.

Ramsay has given certain undertakings to the ACCC as described in Section 5.5. One of these undertakings is to divest such other hospitals (if any) in addition to the Proposed Divestments as are required to be divested by the ACCC to address competition concerns. The Directors are not in a position at this time to quantify the potential financial impact of any such divestments. If the ACCC required Ramsay to divest other hospitals, Ramsay may be materially adversely affected.

8. Risk Factors

8.1.10 Risks Related to Increased Borrowings

Following the Acquisition, Ramsay will significantly increase its exposure to debt funding. As a result, the Company becomes further exposed to interest rate fluctuations which could have an impact on the financial performance of Ramsay, to the extent Ramsay does not utilise fixed rate funding.

The majority of the debt raised to fund the Acquisition has a five year maturity. The risk exists that the debt will be refinanced on terms less attractive than those currently attained.

Increased debt may also restrict the level of debt that may be able to be raised in the future. A restriction of sufficient capital may prevent the business from growing as fast as intended.

8.1.11 Pro Forma Historical Financial Information

The pro forma historical financial information regarding Affinity that is included in this Prospectus has been prepared by aggregating the relevant results of operations and statement of financial position based on information provided to the Company as part of the due diligence process, as outlined in Section 6.2. There is a risk that this information is not up-to-date, complete or reliable and as such, the pro forma historical financial information may not reflect Affinity's actual results of operations or financial position.

The pro forma historical financial information in this Prospectus is presented for illustrative purposes only. Many of the assumptions used to prepare this information are very preliminary since Ramsay's management has not fully assessed the Acquisition-related expenses, fair value adjustments and other conforming accounting changes that will be necessary to reflect the Acquisition when it occurs.

8.1.12 Acquisition Agreements with Mayne Group

Under the terms of its agreements to acquire the hospitals business owned by Mayne Group, Affinity assumed a number of liabilities and provided various indemnities to Mayne Group. A claim under a liability or an indemnity may be significantly more than the Company has anticipated and may have a material adverse effect on Affinity.

Mayne Group also provided a number of representations and warranties. Affinity's ability to make a claim in relation to matters covered by the representations and warranties is subject to various limitations which may affect its ability to recover any or all of the amount sought in relation to any breach of the representations or warranties. Further, the Company's ability to make certain claims in relation to many of those representations and warranties expires shortly. An inability to recover any or all of an amount sought or to make a claim in relation to matters covered by the representations and warranties may have a material adverse effect on Affinity.

Completion of the novation to Affinity of arrangements between the States of Victoria and Western Australia and Mayne Group has yet to occur in respect of Melbourne Private Hospital and Joondalup Health Campus. Failure to complete the novation of these arrangements may have a material adverse effect on Affinity.

8.1.13 Medical Indemnity

As a hospital operator Ramsay is exposed to medical malpractice claims and liability for those claims. It is not possible to predict with certainty what liabilities Ramsay will be exposed to for medical malpractice claims and no assurance can be given that its provisions for medical malpractice liabilities will cover all potential liabilities. Also, it is not possible to predict what future provisions may be required in relation to potential future liabilities for future events or whether such future provisions will cover all potential future liabilities.

The Company has a medical indemnity insurance policy with a large global insurance company. This policy is subject to certain excesses on a per claim and aggregated basis and certain agreed limitations. Accordingly, notwithstanding its insurance policy, there is a risk that Ramsay could be exposed to significant claims in number or in size. In particular the insurance arrangements (particularly relating to the policy excess arrangements and agreed limitations) for Affinity mean that it is effectively self insured. If existing provisions are insufficient to cover liabilities for past events or future provisions are required to be larger than expected to cover potential liabilities for future events or the timing of claims results in larger cash payments in a particular period than expected, this may have a material adverse effect on Ramsay. In addition, reputation is important to the success of Ramsay's business, and, to the extent that medical malpractice claims affect Ramsay's reputation as a provider of high quality and safe hospital services, this may have a materially adverse effect on Ramsay.

Further, as part of Affinity's acquisition of the hospitals business from Mayne Group, Affinity assumed various liabilities (subject to certain insurance arrangements) relating to medical malpractice claims arising from events during the period of ownership by Mayne Group. Ramsay, through its ownership of Affinity, is therefore exposed to the assumed liabilities (including potential liability for past and future medical malpractice claims) as well as any such liabilities arising from the operations of Affinity.

If any one or more of Ramsay's insurers (including the various Affinity insurers) ceased to be in position to meet claims (for example, because of insolvency) Ramsay could be materially adversely affected.

8.1.14 Systems/Technology Risks

Ramsay's ability to manage the Affinity business and meet customer's expectations will be dependent on its ability to maintain an appropriate and efficient technology platform. Ramsay has identified and allocated a substantial amount within its budget process for the integration of the information technology infrastructure of Affinity with Ramsay's information technology systems. Should the requirements to enhance these systems and technology exceed that presently anticipated, or not deliver the expected outcomes, then this could materially and adversely affect Ramsay's financial condition and results of operations.

8.1.15 Requirement to Notify – Licence Continuity

After the Acquisition, Ramsay will be required to notify relevant state governments of its assumption of control of the hospitals in that state. Ramsay will be required to meet certain requirements to maintain the licences for those hospitals. If Ramsay does not maintain all licences it could be adversely affected.

8.2 Risks Related to the Business of Ramsay Post the Acquisition

8.2.1 Government Policy and Regulation

There are a number of areas in which changes in the policies of State and Federal government may have a material impact on the Australian health sector and more specifically the private healthcare sector and Ramsay. Changes which may negatively impact Ramsay include changes in:

- The extent to which the Federal government promotes the growth of the private healthcare sector and, in particular, the use of policies such as the health insurance rebate to promote health fund membership and lifetime health cover
- The government regulation of health funds, in particular restrictions on the levels of insurance premium increases and the scope of coverage. There is no ongoing guarantee that the recent annual average increases in premiums will continue at the same rate (or at all)
- Private hospital licensing policy which could have the effect of reducing the barriers to entry and exposing the Company to increased competition and additional compliance costs
- Medical negligence legislation, the common law of negligence and medical indemnity insurance which could expose the Company to increased claims
- The extent to which State owned public hospitals are promoted to compete with private hospitals for private patients
- The Medicare regime

In addition, Ramsay may become subject to other regulations which could increase the regulatory and compliance obligations of Ramsay. Any new regulatory restrictions or changes in government attitudes or policies in relation to any or all of the existing regulatory areas may have a material adverse effect on Ramsay.

8.2.2 Health Funds

The majority of private hospital revenue is derived from health funds. Therefore, failure to reach a satisfactory commercial relationship with a key health fund has the potential to impact on the financial performance and operations of Ramsay. Failure to achieve an acceptable outcome may be because of differences in rates, terms or conditions (including the introduction of different funding models).

In particular, Affinity Health's contract with Medibank Private, which is the most significant of Affinity Health's health fund contracts, contributing 23% of Affinity Health's revenue in FY2004, is due for renewal at the end of July 2005. Contracts with other funds and the Department of Veterans' Affairs expire at various other times.

Ramsay is also susceptible to factors adversely affecting private health funds. A decline in the profitability of health funds, a decline in health fund membership and an inability of health funds to obtain premium increases (because of government regulation or other restriction) may negatively impact the financial performance of Ramsay.

8.2.3 Relationships with Doctors

The recommendation of a patient's doctor is the single most significant factor in a patient's choice of hospital. Therefore, the Company is heavily reliant on doctors to generate demand for its services. There is no guarantee that doctors will continue to refer their patients to Ramsay hospitals.

As virtually all of the doctors operating or working at Ramsay's hospitals are not employees, doctors have no obligation to use any of Ramsay's facilities. Further, doctors directly affect the efficiency and quality of service of a hospital through the number and type of patients they treat, the time they take in theatre, their consumption of supplies and their decision on when to discharge patients. Furthermore, Ramsay's reputation may be affected by the quality of the doctors using its facilities. Ramsay works closely with its doctors to focus on quality of service and efficiency.

Reduced doctor availability, particularly in non-metropolitan areas and during after-hours periods, may affect the demand for the Company's services.

8.2.4 Reliance on Nursing

The most significant cost in hospital operations is nursing labour. Due to a shortage of nurses there is enhanced competition to recruit and retain nursing staff which also causes additional upward pressure on nursing costs. Should these labour costs be larger than anticipated this may impact on the financial performance and operations of Ramsay.

8.2.5 Insurance

Insurance is maintained within ranges of coverage consistent with industry practice. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims. Post the Acquisition, Ramsay may find it more difficult to find insurance on terms as favourable as those currently received by Ramsay because of its increased risk profile and position in the market.

If any one or more of Ramsay's insurers (including the various Affinity insurers) ceased to be in a position to meet claims (for example, because of insolvency) Ramsay could be materially adversely affected.

8.2.6 Licences

Hospitals are required to be licensed under various legislation. These licences are generally subject to annual review and are subject to revocation in certain circumstances. Hospitals cannot operate without a valid licence. If Ramsay is unable to secure applicable licences for the operation of its hospitals in the future or if any of its existing hospital licences are revoked, this may have a material adverse effect on Ramsay.

8.2.7 Competition

A number of the assumptions related to the financial performance of Ramsay involve maintaining and in some instances growing market share. Ramsay operates in markets with established competitors and no assurance can be given that the actions of existing or future competitors will not have a material adverse effect on Ramsay's ability to implement its plans and on Ramsay's business, results of operations or financial condition.

8.2.8 Reliance on Key Suppliers

There are several key suppliers who provide medical supplies, consumables and equipment to Ramsay. If any of these key suppliers terminated their supply arrangements with Ramsay there could be a disruption cost to the business. In addition, new supply arrangements may be on less favourable terms and conditions than those presently in place.

8.2.9 Acquisitions

Over the last two years Ramsay has acquired several hospitals and aged care facilities. Should these facilities fail to continue their improvement in financial performance and not achieve their expected positive contributions to the Company's overall financial performance, then this may adversely impact on the financial performance and operations of Ramsay.

Ramsay's future business strategy includes the potential acquisition of additional hospitals or aged care facilities. The acquisitions may expose Ramsay to unanticipated liabilities. The process of integrating acquired operations into Ramsay's existing operations may also result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of the Company's existing operations.

Ramsay's potential to make further acquisitions may be restricted by the ACCC depending on the size of the proposed acquisition as well as the ACCC's interpretation of the market in which Ramsay is operating and how a proposed acquisition may alter the competitive environment of that market.

8.2.10 Indonesian Operations

Following the Acquisition, a portion of Ramsay's profitability post the Acquisition will be generated in Indonesia. Economic or political instability in Indonesia (which may be caused by a number of unforeseeable events) may have an adverse effect on Ramsay.

Indonesia's exchange rate has historically fluctuated significantly in relatively short periods of time. Adverse movements in Indonesia's exchange rate could result in a decreased reported contribution from the Indonesian operations, and this may have a material adverse effect on Ramsay. Movements in exchange rates between the countries of Ramsay operations and the countries of origin of such supplies may impact the cost of such supplies.

8.2.11 Industrial Disputes

Many of Ramsay's employees are covered by enterprise bargaining agreements or other unregistered workplace agreements, which periodically require renegotiation and renewal. Disputes may arise in the course of such renegotiations which may lead to strikes or other forms of industrial action that could disrupt Ramsay's operations. Further, any such renegotiation could result in increased labour costs for Ramsay. If any of these events occur, it may have a material adverse effect on Ramsay.

8.2.12 Workers Compensation Insurance

Affinity has in place with a registered insurer workers compensation insurance. Prior to its acquisition, Mayne Group self-insured its workers compensation liabilities related to the hospitals business.

In connection with Affinity's acquisition of the hospitals owned by Mayne Group, Affinity assumed liability for workers compensation claims arising from events during the period of ownership by Mayne Group. If existing provisions are insufficient to cover liabilities for past events or the timing of claims results in larger cash payments in a particular period than expected, this may have a material adverse effect on Ramsay.

8.2.13 Application of and Change to Accounting Policies

Changes in accounting or financial reporting standards may adversely impact the financial performance of Ramsay. As outlined in Section 6.2, for reporting periods beginning on or after 1 January 2005, the Company must comply with AIFRS as issued by the Australian Accounting Standards Board.

The significant differences between AGAAP and AIFRS as applied to the Company are discussed in Section 6.9. The Company has not yet completed its assessment of the potential quantification of the impact of AIFRS on the future results of the Company. As such, adjustments to the selection and application of AIFRS accounting policies may be necessary between the date of this Prospectus and the date of the Company's first complete AIFRS financial report for FY2006. Such adjustments may be required to reflect the effects of changes in financial reporting requirements that are relevant to the Company's first complete AIFRS financial report arising from new or revised standards or interpretations issued by the AASB subsequent to the date of this Prospectus. Adjustments to the application of AIFRS and accounting policies may also be necessary to reflect the effects of changes to the Company's operations, or additional guidance on the application of AIFRS in the particular industry or to a particular transaction. Consequently, the impact of AIFRS may have a material impact on future results.

8.2.14 Other Commercial Risks

There are a number of general commercial risks that could adversely affect Ramsay's financial performance and position, including, but not limited to the following:

- litigation
- an increase in the cost of labour and supplies
- risks associated with development projects, including cost overruns, and delays in revenues flowing from proposed developments
- the operating performance of new hospitals falling materially outside that on which assumptions are based
- development of new services or technology in competition with Ramsay's operations
- the level of market acceptance for existing services
- technological change relating to Ramsay's information systems
- loss of accreditation for Ramsay's operations causing the loss of contracts and subsequent loss of market share
- removal of Ramsay's licences; and
- other causes of interruption.

8.3 Risks Associated with CARES

Set out below are some of the specific risks associated with an investment in CARES.

8.3.1 Financial market conditions

The market price of CARES will fluctuate due to various factors, including movements in interest rates, general movements in the Australian and international equity markets, investor sentiment, worldwide or regional economic conditions, movements in the market price of Shares and factors which may affect Ramsay's financial position and earnings.

The market price of CARES may be more sensitive than that of Shares to changes in interest rates. Increases in relevant interest rates may adversely affect the market price of CARES and CARES could trade on ASX at a price below the Face Value. The price at which CARES trade may also be affected by the market price of Shares.

8.3.2 Liquidity of market for CARES

Ramsay will apply for quotation of CARES on the ASX, but Ramsay is not able to forecast the market price or liquidity of the market for CARES.

The market for CARES on the ASX may be less liquid than the market for Shares and it is possible that CARES may trade on the ASX at a price below their Face Value. Holders who wish to sell their CARES may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for CARES.

8.3.3 Ability to pay Dividends

CARES are not a debt instrument and Dividends are not the same as interest payments. The payment of Dividends is subject to:

(a) the Directors, at their discretion, declaring the Dividend to be payable;

(b) there being funds legally available for the payment of a Dividend; and

(c) the restrictions under the financing arrangements in certain circumstances as summarised in sections 9.13 and 9.14.

There is a risk that either or both of those conditions may not be satisfied and a Dividend may not be paid.

Dividends are non-cumulative and therefore Ramsay is not required to make up any unpaid Dividend in subsequent periods. See clause 2.5 of the Terms of Issue in Appendix A for further details.

8.3.4 Exchange or conversion

Ramsay may exchange or convert all or some CARES on 20 October 2010 or any subsequent Dividend Payment Date, or prior to 20 October 2010 on the occurrence of a Regulatory Event. Ramsay may also convert all or some CARES on the occurrence of a Change in Control Event.

Exchange or conversion may occur before a Holder wishes to dispose of their CARES and this may have negative consequences for a Holder depending on their individual circumstances.

On such exchange or conversion, Ramsay may exchange CARES for their Face Value or convert CARES into Shares. The number of Shares into which CARES will convert if Ramsay elects to convert some or all of CARES is calculated by dividing the Face Value by 97.5% (1 - Conversion Discount) of the arithmetic average of the daily volume weighted average sale price of Shares during the 20 Business Days immediately preceding the conversion date. In the case of a Change in Control Event an adjustment will be made to that market price by reference to the offer price under the takeover bid or scheme of arrangement.

Where Ramsay elects to exchange CARES for their Face Value, depending on when a Holder bought CARES, this could be higher or lower than the price paid for CARES by the Holder.

If entitled to convert or exchange, Ramsay may choose whether to convert or select from one of a number of different exchange methods. Any decision by Ramsay to convert or exchange or the method of exchange chosen by Ramsay may not coincide with a Holder's individual preference in terms of timing or whether the Holder receives Shares or cash in return for their CARES and may be disadvantageous to the Holder in light of market conditions or individual circumstances at the time.

8.3.5 Holders have no right to require Ramsay to exchange or convert CARES

A Holder has no right of conversion or exchange.

Holders cannot require Ramsay to exchange or convert any of their CARES.

8.3.6 CARES have no maturity date

CARES have no maturity date. Should Ramsay elect not to convert or exchange some or all CARES, CARES will remain on issue with a one-time increase in Margin. This might not coincide with Holders' individual preferences and that might disadvantage the Holder in light of the market conditions or individual circumstances.

8.3.7 Ranking of CARES

CARES are not debt instruments. If Ramsay is wound up, Holders will rank behind creditors of Ramsay, but ahead of Shareholders for return of the Face Value and the amount of any Dividend Entitlement which has accrued from the immediately preceding Dividend Payment Date to the date of commencement of the winding-up. CARES do not otherwise participate in a winding-up.

If there is a shortfall of funds on a winding-up, there is a risk that Holders will not receive a full return of capital or payment of any Dividend Entitlement which has accrued since the previous Dividend Payment Date.

8.3.8 New securities

Ramsay may issue further CARES or other preference shares, which rank equally with the existing CARES, without the approval of Holders. In addition, Ramsay may also issue other securities that rank equally with or behind CARES for dividends or repayment of capital in a winding-up of Ramsay. Such further issue of securities by Ramsay may affect the market price of CARES and the liquidity of CARES and may also impact the ability of Ramsay to pay Dividends or the sufficiency of funds on a winding-up.

8.3.9 Taxation treatment

A summary of the potential taxation implications for Holders is set out in Section 7. This discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular Holder. Accordingly, you should seek independent advice in relation to your own individual taxation position.

If there is a change to the taxation system that increases the net costs to Ramsay of having CARES on issue or affects whether CARES can be franked or whether the Holders are entitled to franking credits, Ramsay may decide that a Regulatory Event has occurred. This would allow Ramsay to exchange some or all of CARES for cash consideration or convert CARES into Shares.

8.3.10 Accounting treatment

Changes to the accounting standards that apply to Ramsay may impact upon the accounting treatment of CARES and consequently may impact the accounting classification of CARES.

Section 6.2.3 refers to the implications of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS). CARES will be classified as equity for accounting purposes under both the existing Australian Accounting Standards and AIFRS as currently issued. As CARES will be classified as equity, payments to Holders will be treated as dividends.

However, if a change in the accounting standards required CARES to be treated as a liability, the payment to Holders would then be classified as an interest expense. Such a change could give rise to a Regulatory Event and entitle the Directors of Ramsay to resolve that CARES be exchanged or converted.

The method used for the calculation of basic earnings per share ('EPS') under AIFRS is consistent with the current approach under existing Australian Accounting Standards however the method of calculating diluted EPS is different. Currently, the probability that a company will convert a security into ordinary shares is taken into account in calculating diluted EPS. This 'probability test' has been removed under AIFRS. Therefore an entity must include all potential ordinary shares in the calculation of diluted EPS if the potential ordinary shares are dilutive and decrease EPS. The potential effect of this on Ramsay's diluted EPS can only be determined by reference to the price at which CARES will be converted and any Dividend forgone by Holders and therefore cannot currently be qualified.

Other changes to accounting standards under AIFRS may result in a material impact on the reported earnings and financial position of Ramsay in future periods. See Section 6.10. This could occur due to potential amendments to AIFRS and Interpretations thereof being issued by the standard-setters and IFRIC.

This Section 8 is not exhaustive. You should read this entire Prospectus carefully. If you are unclear in relation to any matter or uncertain if CARES are a suitable investment for you, then you should consult your stockbroker, accountant or other professional adviser.

Section 9 Additional Information

9. Additional Information

9.1 Rights and Liabilities of CARES

The rights and liabilities attaching to CARES will be governed by:

- the Constitution, proposed to be amended at Ramsay's Extraordinary General Meeting; and
- the Terms of Issue as set out in Appendix A.

9.2 Nature of this Prospectus

This Prospectus is a prospectus to which the special content rules under Section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to offers of securities in a class which has been continuously quoted by the ASX for the 12 months prior to the date of the prospectus (Continuously Quoted Securities). ASIC has issued a class order modification to the Corporations Act which means that the special content rules under Section 713 may apply where the security issued (in this case CARES) will, upon conversion, convert into Continuously Quoted Securities.

9.3 Reporting and Disclosure Obligations

Ramsay is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require the ASX to be continuously notified of information about specific events and matters as they arise for the purpose of the ASX making the information available to the stock market conducted by the ASX.

In particular, Ramsay has an obligation under the Listing Rules (subject to certain limited exceptions) to notify the ASX immediately of any information concerning Ramsay, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its Shares. Ramsay is also required to prepare and lodge with ASIC and the ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report and an audit report or review statement.

9.4 Availability of Other Documents

The ASX maintains detailed records of company announcements for all companies listed on the ASX. Ramsay's file is available for inspection at the ASX in Sydney, and Ramsay's announcements may be viewed on the ASX's website at www.asx.com.au.

ASIC also maintains records in respect of documents lodged with it by Ramsay, and these may be obtained from or inspected at any office of ASIC.

Ramsay will provide a copy of any of the following documents, free of charge, to any person who requests a copy during the application period in relation to this Prospectus:

- the annual financial report lodged with ASIC by Ramsay for the year ended 30 June 2004;
- the half-year financial report lodged with ASIC by Ramsay for the half-year ended 31 December 2004;
- a copy of Ramsay's Constitution; and
- any other document used to notify the ASX of information relating to Ramsay under the continuous disclosure provisions of the Listing Rules after the date of lodgement with ASIC of the annual financial report referred to above and before lodgement with ASIC of this Prospectus.

9.5 Rights and Liabilities Attaching to Shares

CARES, in certain circumstances at the election of Ramsay, may be exchanged for Shares.

The rights and liabilities attaching to shares are set out in Ramsay's Constitution. The following is a summary of the principal rights and liabilities attaching to shares as at the date of this Prospectus.

This summary does not contain all of the information included in Ramsay's Constitution which should be read for a more complete description of shareholders' rights. A copy of Ramsay's Constitution is available, free of charge, to any person who asks for it during the period from the date of this Prospectus until the closing date for applications under this Prospectus (see Section 9.4).

9.5.1 Voting Rights

Subject to the rights or restrictions attached to any shares, on a show of hands each shareholder present in person or by proxy, attorney or authorised representative has one vote.

On a poll, each shareholder present in person or by proxy, attorney or authorised representative has:

- one vote for each fully paid share held; and

- a fraction of a vote for every partly paid equivalent. The fraction is equivalent to the proportion which the amount paid is of the total amounts paid up and payable.

9.5.2 Dividends

Subject to the rights or restrictions attached to any shares, dividends are payable on each share on the basis of the proportion which the amount paid up (not credited) on each share is of the total amounts paid and payable on that share (excluding amounts credited).

9.5.3 Variation of Rights

The rights attached to any class of shares may be varied (unless otherwise provided for by the terms of issue of those shares) by:

- a special resolution (i.e. passed by at least 75% of the votes cast by members entitled to vote on the resolution) passed at a meeting of the holders of the shares of that class (where the quorum is shareholders present holding or representing 75% of the nominal amount of the issued shares of the class); or
- where the necessary quorum is not present or the special resolution not passed, the written consent of holders of at least 75% of the issued shares of the class within two calendar months of the meeting.

9.5.4 Transfer of Shares

Shares may be transferred:

- by any computerised or electronic share transfer system conducted in accordance with the rules of the ASX; or
- where Ramsay does not participate in such a system, by an instrument of written transfer in the form approved by the ASX or such other form as approved by the Directors.

Ramsay may apply to hold back or refuse to register any transfer of Shares if:

- Ramsay has a lien on the securities;
- Ramsay is served with a court order restricting the shareholder's capacity to transfer the securities;
- Registration may breach an Australian law.

9.5.5 Issue of Further Shares

All unissued shares are under the control of the Directors, who may allot, issue, grant options over or otherwise dispose of shares at such price, on such terms and conditions, and with such preferred, deferred or other rights as the directors think fit.

Ramsay will not issue any share with a voting right more advantageous than that available to any share previously issued by Ramsay and which does not carry voting rights which confer equitable representation on the holder.

9.5.6 General Meetings and Notices

An annual general meeting of the Company will be held each calendar year. In addition to the annual general meeting, general meetings may be convened by the Directors as necessary. Each registered member of the Company will receive written notice of such general meeting not less than 28 days before the proposed date of the general meeting.

Ramsay may serve a notice on the member personally or by sending it by post addressed to such member at the address entered in the register or the address supplied by that member for the giving of notices, or electronically to the electronic address (if any) nominated by the member.

9.5.7 Winding-Up

If Ramsay is wound up, the assets of the Company shall be distributed, as nearly as may be, to the members of the Company in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up, on the shares held by them respectively unless an alternative approach to distribution of the assets is adopted by the liquidator with the sanction of a special resolution passed by the members of the Company.

9.5.8 Reductions of Share capital

Ramsay may reduce its share capital in any manner permitted by the Corporations Act and the ASX Listing Rules.

9.5.9 Number of Directors

Ramsay's Constitution provides that the number of Directors shall not be less than three and not more than 12. If at any time the number of directors falls below 3, the continuing or surviving Directors may act in cases of emergency or for the purpose of increasing the number of Directors to the minimum number or for calling a general meeting of the Company but for no other purpose.

9.5.10 Amending the Constitution

The Corporations Act provides that the constitution of a Company may be modified or repealed by a special resolution passed by the members of the Company.

The Constitution does not provide for any further requirements to be complied with to effect a modification of, or to repeal, the Constitution.

9.6 Jurisdictions outside Australia

This Prospectus does not constitute an offer of, or an invitation to subscribe for, any CARES in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

No action has been taken to register or qualify CARES being offered under the CARES Offer or otherwise permit a public offering of CARES in any jurisdiction outside Australia.

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. Persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

9.7 Residents of the United States

The offer and sale of CARES have not been and will not be registered under the US Securities Act. Therefore CARES may not be offered, sold, renounced or delivered, directly or indirectly, to persons within the United States or to, or for the account or benefit of, US Persons. Accordingly, the Offer is not being made in the United States or to investors (including Shareholders) in the United States and neither this Prospectus nor the Application Form will be sent to persons in the United States. Envelopes containing Application Forms should not be postmarked or otherwise despatched from the United States and, subject to Ramsay's discretion to accept Applications from institutional investors in jurisdictions outside Australia and the United States in compliance with all applicable laws ('Permitted Foreign Institutions'), all persons subscribing for CARES must provide addresses within Australia for the return of CHESS holding statements for CARES. Ramsay reserves the right to treat as invalid any Application Form:

- postmarked in or which otherwise appears to have been despatched from the United States or by a US Person; or
- that provides an address in the United States for delivery of CHESS holding statements for CARES. By lodging an Application Form, each Applicant acknowledges that the offer and sale of CARES have not been registered under the US Securities Act and represents, warrants and agrees, among other things, that:
  - except in the case of Permitted Foreign Institutions, they are an Australian citizen or resident in Australia, are physically located in Australia at the time of lodging the Application Form;
  - they are not acting for the account or benefit of any person in the United States or a US Person or any other foreign person; and
  - they will not offer or sell CARES in the United States or to, or for the account or benefit of, a US Person. Until 40 days after the commencement of the Offer, an offer, sale or transfer of CARES within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

Return of a fully completed Application Form will be taken to constitute a representation that there has been no breach of the relevant overseas regulations.

9.8 Summary of Acquisition Agreement

On 13 April 2005, Ramsay entered into an agreement to purchase all the shares in AH Holdings Sarl (AHHS) and all the shares in Affinity Health (excluding the shares held by AHHS) (Acquisition Agreement). The Acquisition Agreement completed on 13 April 2005, when Ramsay acquired all those shares (Affinity Shares) for a total purchase price of $1,428 million (including assumed debt) but excluding Ramsay's transaction costs, subject to any adjustments.

9.8.1 Sale and Purchase of Affinity Shares

The Affinity Shares were transferred free from any encumbrance.

Each seller waived, in favour of Ramsay, any pre-emptive rights, rights of first refusal, rights of first offer, tag along rights, drag along rights or other similar rights in respect of the Affinity Shares (as appropriate).

The shareholders' agreement between the sellers in relation to Affinity was terminated.

9.8.2 Warranties

The sellers provided Ramsay with warranties customarily found in acquisition agreements regarding title to the Affinity Shares and authority to complete their obligations under the Acquisition Agreement.

Ramsay may not make a warranty claim unless:

- the amount of the claim is more than $1 million and the aggregate amount of all such claims is more than $5 million (if the claims exceed $5 million then the full amount is claimable, not only that which exceeds $5 million); and
- the claims are made prior to the first anniversary of the date of the Acquisition Agreement.

9.8.3 Other Provisions

Given that the Acquisition Agreement was signed and simultaneously completed there were no conduct pending completion provisions and other usual provisions where there is a delay between signing and completion.

The Acquisition Agreement is governed by the laws of New South Wales and, in relation to the transfer of the Affinity Shares in Luxembourg, the laws of the Grand Duchy of Luxembourg.

9.9 Summary of the Divestments Heads of Agreement (HOA)

On 13 April 2005, Ramsay entered into a non-binding heads of agreement (HOA) with CVC Asia Pacific Limited (CVC) and Ironbridge Capital Pty Limited (Ironbridge) pursuant to which the parties will within 8 weeks of that date exclusively negotiate in good faith for the divestment by Ramsay of 14 hospitals to a new company (Buyer) to be formed by funds advised and managed by CVC and Ironbridge.

The hospitals to be sold are:

- Ringwood Private Hospital
- Victorian Rehabilitation Centre – North
- Lady Davidson Private Hospital
- Prince of Wales Private Hospital
- North West Private Hospital
- The Mount Hospital
- JF Moreland
- Cotham Private Hospital
- Victorian Rehabilitation Centre – East
- Knox Private Hospital
- Melbourne Private Hospital
- The Hills Private Hospital
- Nepean Private Hospital
- Como Private Hospital

The key terms of the HOA are:

- Purchase price – $406 million on a cash free/debt free basis. Up until completion, Ramsay will be entitled to the profits from all the hospitals (other than the co-located and privatised hospitals).
- Conditions precedent – the conditions precedent are:
  - Completion of the Affinity Acquisition
  - The approval of funding by the Buyer's financiers
  - CVC and Ironbridge obtaining final investment committee approval for the Buyer to proceed with the transaction
  - Consent from the relevant State Regulatory Authorities
  - Compliance with the Foreign Acquisitions and Takeovers Act (FATA Consent)

If these conditions (other than State Regulatory Authorities and FATA Consent) are not satisfied within 3 months of the date of the HOA, the HOA will terminate. In the event that the relevant regulatory consents are not obtained within one year of the date of the HOA, either party may terminate the relevant transaction documents (contemplated by the HOA).

- Warranties – warranties similar to those in the Acquisition Agreement will be provided in respect of the divestment of shares and no warranties other than as to authority will be provided in respect of the divestment of assets.

- Completion – it is intended that all the hospitals will be transferred at one time (although transfer can occur on a piecemeal basis at the Buyer's request). If the relevant consents for the transfer of the co-located and privatised hospitals (being Prince of Wales and Melbourne Private) are not obtained in a timely fashion, then the balance of the hospitals will be transferred. Subsequent completion of the sales of Prince of Wales and Melbourne Private will take place once the relevant consents are obtained. It is envisaged that completion of the sales of the hospitals (other than Prince of Wales and Melbourne Private) will occur on a date to be agreed, being not less than 2 weeks and not more than 4 months after all conditions precedent are satisfied.
- Corporate Services – Ramsay will provide to the Buyer certain corporate services (including management information systems, payroll, accounts receivable and payable and certain human resource services) for a period of 12 months from the effective acquisition date for a fixed fee of $13.5 million. This amount will be paid pro rata monthly in arrears over the 12 month period.
- Exclusivity – Ramsay, on a binding basis, agrees to negotiate exclusively with CVC and Ironbridge for 8 weeks from the date of execution of the HOA.

9.10 Summary of Underwriting Agreement – CARES Offer

The Company and the Underwriter have entered into an underwriting agreement for the underwriting of the CARES Offer for an amount of $260 million.

9.10.1 Fees and Costs

The Company must pay the Underwriter an underwriting commission of 2.00% and a management fee of 0.50%, of the proceeds of the CARES Offer.

Upon completion of the CARES Offer, the Company must pay the Underwriter an offer management fee of $650,000.

The Company must also pay the Underwriter's reasonable out of pocket expenses and other costs associated with the CARES Offer.

Upon termination of the underwriting agreement or completion of the CARES Offer, the Company must pay the Underwriter a structuring fee of $125,000. However, the obligation to pay the structuring fee will be satisfied by the payment of the management fee described above.

9.10.2 Conditions

The Underwriter's obligation to subscribe for the shortfall CARES is conditional on the shareholders of the Company approving, on 20 May 2005, the terms of the CARES and the issue of the number of CARES to be issued under the CARES Offer for the purposes of Listing Rule 7.1.

9.10.3 Termination Events

The Underwriter may terminate the underwriting agreement without cost or liability on becoming aware of the happening of any of the following termination events:

- (**insolvency event**) an insolvency event occurs with respect to the Company; or
- (**Acquisition Agreement**) the Acquisition Agreement is terminated or rescinded, or a condition precedent to performance of the Acquisition Agreement in whole or in part (in the reasonable opinion of the Underwriter) becomes incapable of being satisfied, or a condition or obligation is waived, or the Acquisition Agreement is amended in a material respect, without the prior consent of the Underwriter (such consent not to be unreasonably withheld or delayed); or
- (**supplementary prospectus**) the Company is required to lodge a supplementary or replacement prospectus (except a supplementary or replacement prospectus which relates to notifying the Margin determined under the Bookbuild) with ASIC and
  - (i) the Company and the Underwriter are unable to agree the form and content of the supplementary or replacement prospectus; or
  - (ii) the Company does not lodge the supplementary or replacement prospectus

  within 5 business days of becoming aware of the requirement to lodge a supplementary or replacement prospectus; or
- (**withdrawal**) the Company withdraws the CARES Offer documents or the CARES Offer; or
- (**listing**) the Company ceases to be admitted to the official list of ASX or Shares are suspended from official quotation on ASX (other than a voluntary suspension requested by the Company and

consented to by the Underwriter to facilitate the CARES Offer or the Acquisition, such consent not to be unreasonably withheld or delayed); or

- (**listing approvals**) approval is refused or approval is not granted which is unconditional (or conditional only on customary listing conditions which would not, in the reasonable opinion of the Underwriter, have a material adverse effect on the success of the CARES Offer) to the official quotation of all the CARES under the CARES Offer on ASX, on or before 20 May 2005, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- (**notifications**) any of the following notifications are made:
  - (i) ASIC issues an order under section 739; or
  - (ii) an application is made by ASIC for an order under Part 9.5 in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cwlth) in relation to the Prospectus; or
- (**debt funding not available**) a provider of debt or other financial accommodation to the Company pursuant to the Debt Financing Documents terminates or cancels its commitment to provide that financial accommodation on or prior to 23 May 2005; or
- (**failure to obtain Shareholder approval**) the shareholders of the Company fail to pass resolutions on 20 May 2005 to approve the terms of the CARES Offer and the CARES Offer for the purposes of Listing Rule 7.1.

9.10.4 Material termination events

Termination in relation to the following events is further subject to the Underwriter having reasonable and bona fide grounds to believe that the event has or is likely to have a material adverse effect on the outcome, success or settlement of the CARES Offer, could give rise to a material liability of the Underwriter under any law or regulation, or has or likely to have a materially adverse effect on the price at which CARES trade on ASX during the first week of trading or on the willingness of institutional investors to pay the price of the CARES under the CARES Offer (Reasonableness Test):

- (**timetable**) an event specified in the CARES Offer timetable is delayed for more than 5 business days due to the act or omission of the Company; or
- (**indictable offence**) the Chairman, the Chief Executive Officer, Chief Financial Officer or Chief Operations Officer of the Company is charged with an indictable offence in relation to a financial or corporate matter, or the Company is involved in a fraudulent activity; or
- (**default**) a wilful, reckless or intentional default by the Company in the performance of any of its obligations under the agreement occurs.

9.10.5 Postponement and Margin variation events

The Underwriter may postpone the CARES Offer or vary the Margin if at any time before 4.00pm on 27 April 2005 any one of the following events occurs:

- (**market fall**) the S&P/ASX200 Index falls by an amount that is 10% or more of the level as at the close of trading on the date of the underwriting agreement and is at that level or below at the close of trading for 3 consecutive business days (provided that if the fall occurs during the period that is less than 3 consecutive business days prior to 27 April 2005, the required number of consecutive business days will be reduced to that lesser number); or
- (**bond index fall**) at any time the UBS Composite Bond Index (All Maturities) falls to a level that is 4% or more below its closing level and is at that level or below at the close of trading for 3 consecutive business days (provided that if the fall occurs during the period that is less than 3 consecutive business days prior to 27 April 2005, the required number of consecutive business days will be reduced to that lesser number); or
- (**notifications**) any person (other than the Underwriter) who has previously consented to the inclusion of its name in this Prospectus (or any supplementary prospectus) or to be named in the Prospectus withdraws that consent; or
- (**disruption in financial markets**) either of the following occurs:
  - (i) a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or

– (ii) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one Business Day on which that exchange is open for trading,

in either case the effect of which is such as to make it, in the reasonable judgment of the Underwriter, impracticable to market the CARES Offer or to enforce contracts to subscribe for the CARES.

9.10.6 Material postponement and price variation events

Postponement or price variation in relation to any of the following events is subject to the Reasonableness Test:

- (**disclosures in Prospectus**) a statement contained in the Prospectus is misleading or deceptive, or a matter is omitted from the Prospectus (having regard to the provisions of sections 711, 713 and 716); or
- (**disclosures in due diligence report**) the due diligence report or any other information supplied by or on behalf of the Company to the Underwriter in relation to the Group (excluding Affinity), the Acquisition or the CARES Offer is misleading or deceptive; or
- (**new circumstance**) there occurs a new circumstance that has arisen since the Prospectus was lodged that would have been required by the Corporations Act to have been included in the Prospectus if it had arisen before the Prospectus was lodged in relation to the Company or any entity in the Group (excluding Affinity); or
- (**hostilities**) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, the United States of America, the United Kingdom, a member state of the European Union, New Zealand, Japan, Russia, Korea, Pakistan, Indonesia or the People's Republic of China or a major terrorist act is perpetrated anywhere in the world; or
- (**adverse change**) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Ramsay Group or the Affinity Group; or
- (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new law or policy (other than a law or policy which has been announced before the date of the underwriting agreement), any of which does or is likely to prohibit or regulate the CARES Offer, capital issues or stock markets or materially adversely affect the taxation treatment of the CARES; or
- (**change in senior management**) a change in senior management or the board of directors of the Company occurs; or
- (**disqualification**) the Chairman is disqualified from managing a corporation under Part 2D.6 (including as a result of disqualification from acting as a director of a corporation under Part 2D.6), or he is otherwise unable to continue to act as Chairman; or
- (**compliance with regulatory requirements**) a contravention by the Company, a Director of the Company, or any entity in the Group (excluding Affinity) of the Corporations Act, the Trade Practices Act, its constitution, or any of the Listing Rules; or
- (**notifications**) any of the following notifications are made:
  - (i) any person gives a notice under section 730 in relation to the Prospectus; or
  - (ii) a government agency notifies the Company that it objects to the Acquisition or that it does not object to the Acquisition subject to certain conditions (and the effect of those conditions is materially different to the likely "hold separate" arrangements and divestments disclosed in the Prospectus); or
  - (iii) a government agency takes steps to restrain the Company (or Group (excluding Affinity)) from making the CARES Offer or completing the Acquisition or commences or threatens to commence divestment proceedings following completion; or
- (**default**) a default by the Company in the performance of any of its obligations under the underwriting agreement occurs; or
- (**warranties**) a representation or warranty contained in the underwriting agreement on the part of the Company is not true or correct or is misleading or deceptive; or
- (**Certificate**) any certificate given under the underwriting agreement by the Company in respect of compliance with its obligations under the agreement and under the CARES Offer and the status of representations and warranties and termination events is false, misleading, deceptive or inaccurate; or

- (**timetable**) an event specified in the CARES Offer timetable is delayed for more than 3 business days; or
- (**Termination events**) a termination event occurs; or
- (**Offer Documents to comply**) the CARES Offer Documents or any aspect of the CARES Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation.

9.10.7 Indemnity

The Company unconditionally and irrevocably undertakes to indemnify the Underwriter, its related bodies corporate and affiliates and each of their officers, partners, employees and advisers (Indemnified Parties) against all losses as a result of any misleading statement or omission in the CARES Offer documents; any breach by the Company of the underwriting agreement; any of the representations and warranties in the underwriting agreement not being true and correct; the issue and distribution of the CARES Offer documents or making the CARES Offer; liability under the Corporations Act or other applicable law; and any announcement or publicity in relation to the CARES Offer issued with the consent of the Company.

The indemnity does not extend to losses which are caused by fraud, recklessness, wilful default, wilful misconduct, gross negligence of, the Indemnified Party and penalties payable by the Indemnified Party for any contravention by it of any applicable laws and, any amount for which the indemnity would be illegal, void or unenforceable.

9.10.8 Undertakings and Warranties

The Company has given certain undertakings to do and not to do certain things prior to the completion of the CARES Offer, and has given various warranties including in relation to its ability to enter into and perform the underwriting agreement and its compliance with law and the Listing Rules, in terms customarily found in underwriting agreements.

9.11 Summary of Underwriting Agreement – Entitlement Offer and Institutional Placement

The Company and the Underwriter have entered into an underwriting agreement for the underwriting of the Entitlement Offer and the Institutional Placement (together, the Equity Offer) at $6.20.

9.11.1 Fees and Costs

For the Institutional Entitlement Offer and the Institutional Placement, the Company must pay the Underwriter an underwriting commission of 2.75% and a management fee of 0.75%, of the proceeds of the Institutional Entitlement Offer and the Institutional Placement.

For the Retail Entitlement Offer, the Company must pay the Underwriter an underwriting commission of 2.75% and a management fee of 0.75%, of the proceeds of the Retail Entitlement Offer.

The Company must also pay the Underwriter's reasonable out of pocket expenses and other costs associated with the Equity Offer.

Upon completion of the Equity Offer, the Company must pay the Underwriter an offer management fee of $650,000.

Upon termination of the underwriting agreement or completion of the Equity Offer, the Company must pay the Underwriter a structuring fee of $125,000. However, the obligation to pay the structuring fee will be satisfied by the payment of the management fee as described above.

9.11.2 Termination events

The Underwriter may terminate the underwriting agreement without cost or liability on becoming aware of the happening of any of the following events:

- (**insolvency event**) an insolvency event occurs with respect to the Company; or
- (**Acquisition Agreement**) the Acquisition Agreement is terminated or rescinded, or a condition precedent to performance of the Acquisition Agreement in whole or in part (in the reasonable opinion of the Underwriter) becomes incapable of being satisfied, or a condition or obligation is waived, or the Acquisition Agreement is amended in a material respect, without the prior consent of the Underwriter (such consent not to be unreasonably withheld or delayed); or
- (**supplementary prospectus**) the Company is required to lodge a supplementary or replacement prospectus with ASIC and:

  – the Company and the Underwriter are unable to agree the form and content of the supplementary or replacement prospectus within five business days of becoming aware of the requirement to lodge a supplementary or replacement prospectus; or
  – the Company does not lodge the supplementary or replacement prospectus within three business days of the later of becoming aware of a requirement to lodge a supplementary or replacement prospectus and agreeing the form and content of the supplementary or replacement prospectus; or
- (**withdrawal**) the Company withdraws the Equity Offer documents or the Equity Offer; or
- (**listing**) the Company ceases to be admitted to the official list of ASX or the Shares are suspended from official quotation on the ASX (which for the avoidance of doubt does not include any trading halt or a voluntary suspension requested by the Company and consented to by the Underwriter to facilitate the Equity Offer or the Acquisition, such consent not to be unreasonably withheld or delayed); or
- (**listing approvals**) approval is refused or approval is not granted which is unconditional (or conditional only on customary listing conditions which would not, in the reasonable opinion of the Underwriter, have a material adverse effect on the success of the Equity Offer) to the official quotation on ASX of all the Shares being offered under the Equity Offer, on or before 21 April 2005, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- (**notifications**) any of the following notifications are made:
  – ASIC issues an order under Section 739; or
  – an application is made by ASIC for an order under Part 9.5 in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus; or
- (**debt funding not available**) a provider of debt or other financial accommodation to the Company pursuant to the Debt Financing Documents terminates or cancels its commitment to provide that financial accommodation on or prior to 23 May 2005.

9.11.3 Material termination events

Termination in relation to any of the following events is subject to the Underwriter having reasonable and bona fide grounds to believe that the event has or is likely to have a material adverse effect on the outcome, success or settlement of the Equity Offer, could give rise to a material liability of the Underwriter under any law or regulation, or has or is likely to have a materially adverse effect on the price at which Shares trade on the ASX or on the willingness of institutional investors to pay the subscription monies for the Shares being offered under the Equity Offer (Reasonableness Test):

- (**Equity Offer Timetable**) an event specified in the Equity Offer timetable is delayed for more than five Business Days due to the act or omission of the Company; or
- (**indictable offence**) the Chairman, the Chief Executive Officer, Chief Financial Officer or Chief Operations Officer of the Company is charged with an indictable offence in relation to a financial or corporate matter, or the Company is involved in a fraudulent activity; or
- (**default**) a wilful, reckless or intentional default by the Company in the performance of any of its obligations under the underwriting agreement occurs.

9.11.4 Indemnity

The Company unconditionally and irrevocably undertakes to indemnify the Underwriter, its related bodies corporate and affiliates and each of their officers, partners, employees and advisers (**Indemnified Parties**) against all losses as a result of any misleading statement or omission in the Equity Offer documents, any breach by the Company of the underwriting agreement or other binding obligations in relation to the Equity Offer, any representations in the agreement not being true, the issue and distribution of the Equity Offer documents, making the Equity Offer, liability under the Corporations Act or other applicable law, and any announcement or publicity in relation to the Equity Offer issued with the consent of the Company.

The indemnity does not extend to losses to the extent they result from fraud, recklessness, wilful default, wilful misconduct, or gross negligence of the Indemnified Party, any penalties payable by the Indemnified Party for any contravention by it of any applicable laws, any amount for which the indemnity would be illegal, void or unenforceable.

9.11.5 Undertakings and Warranties

The Company has given certain undertakings to do and not to do things prior to the completion of the Equity Offer, and has given various warranties including in relation to its ability to enter into and perform the underwriting agreement and its compliance with the law and the Listing Rules, in terms customarily found in underwriting agreements.

9.12 Summary of DRP Underwriting Agreement

The Company and the Underwriter have entered into the Dividend Reinvestment Plan Underwriting Agreement (DRP Underwriting Agreement) for the underwriting of the issue by the Company of Shares in connection with the Company's Dividend Reinvestment Plan (Plan) for the next four ordinary dividends (excluding any special dividend) beginning with the dividend for the period ending 31 December 2005.

For each dividend, the Underwriter agrees to subscribe, or procure other investors to subscribe, for the lesser of the number of Shares not subscribed for under the Plan, or any such number nominated by the Company (Shortfall DRP Shares). The Company may nominate zero to be the number of Shortfall DRP Shares.

For each Shortfall DRP Share, the Underwriter agrees to pay the price at which the Shares are offered under the Plan, provided that price is not at less than a 2.5% discount to the volume weighted average price of the Shares on the ASX over the 5 days following the record date for the relevant dividend.

Fees and Costs

There are no fees or costs payable by the Company to the Underwriter.

Termination events

The Underwriter may terminate the DRP Underwriting Agreement in respect of a dividend, without cost or liability, if any of the following events occur during the period from giving notice of the Shortfall DRP Shares to the date on which the Shortfall DRP Shares are allotted and issued:

- (**disclosure document required**) the offer or issue of Shortfall DRP Shares requires the issue of a disclosure document to ensure Shortfall DRP Shares can be freely on-sold by the subscriber within 12 months of issue without restriction; or
- (**breach of agreement**) the Company is in breach of any material terms and conditions or any warranties of the DRP Underwriting Agreement; or
- (**change in the Company**) there is a material adverse change in the condition or financial or trading position of the Company and of its related bodies corporate as a group; or
- (**breach of Corporations Act or Listing Rules by the Company**) the Company commits a material breach of the Corporations Act, the ASX Listing Rules or has failed to comply with its continuous disclosure obligations under the Corporations Act or ASX Listing Rules; or
- (**altered structure or constitutions**) the Company alters its capital structure or Constitution without the prior consent of the Underwriter; or
- (**ASIC proceedings**) ASIC issues, or threatens to issue, proceedings in relation to the offer or issue of the Shortfall DRP Shares; or
- (**ASX statement**) the ASX makes any official statement to any person, or indicates to the Company or the Underwriter (whether or not by an official statement) that the official quotation of all of the Shortfall DRP Shares will not be granted by the ASX or such approval has not been given before the close of business on the last date on which the Shortfall DRP Shares may be allotted; or that any Shares of the Company will be suspended from quotation by the ASX.

Material termination events

Termination in relation to any of the following events is subject to the Underwriter holding the reasonable opinion that such events have, or are likely to have a material adverse effect on the offer or issue of Shortfall DRP Shares, the willingness of persons to subscribe for the Shortfall DRP Shares, or the market price of the Shares, or may result in persons who have committed to subscribe for the Shortfall DRP Shares not being able to satisfy their obligations on or before the settlement date:

- (**hostilities**) there is an outbreak or escalation of hostilities in Australia, the United Kingdom, the United States of America, Japan, Indonesia, a member of the European Union, the People's Republic of China or Israel or a major act of terrorism occurs anywhere in the world; or
- (**moratorium on banking declared or material disruption**) a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom, is declared, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
- (**trading suspended**) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one trading day or substantially all of a trading day;

Indemnity

The Company indemnifies and agrees to hold harmless the Underwriter, its related bodies corporate and affiliates and their directors, officers, representatives, partners, agents and employees (Indemnified Persons) against all losses as a result of the invitation, offer or issue of Shortfall DRP Shares, any breach by the Company of the DRP Underwriting Agreement or any of the representations and warranties made by the Company in the DRP Underwriting Agreement not being true and correct.

The indemnity does not extend to losses to the extent that they result from fraud, recklessness, wilful misconduct, willful default or gross negligence of the Indemnified Person, or any amount for which the indemnity would be illegal, void or unenforceable, or would constitute a penalty payable by the Indemnified Person for any contravention of the Corporations Act.

Warranties and Undertakings

The Company has given certain warranties and undertakings to do and not to do certain things during the period from each date at which the Company notifies the Underwriter of the number of Shortfall DRP Shares until the date on which Shortfall DRP Shares are allotted and issued pursuant to the Plan for each dividend. These warranties and undertakings include those in relation to its ability to enter into and perform the DRP Underwriting Agreement and its compliance with the law, the Listing Rules and all applicable policies and guidelines of ASIC, in terms customarily found in DRP underwriting agreements.

9.13 Summary of Senior Debt Facility

Ramsay (and various of its subsidiaries) (together the Ramsay Companies) have entered into an agreement with Australia and New Zealand Banking Group Limited (ANZ) and National Australia Bank Limited (NAB) (and other participants from time to time) (the Banks) for the Banks to provide certain interest-bearing secured senior debt facilities (the Senior Facilities). In addition to the Senior Facilities, the Ramsay Companies also have an existing multi-option facility agreement (MOFA), under which ANZ and NAB are lenders.

The details of the Senior Facilities are summarised in the following table:

Facility	Limit	Maturity Date	Repayment
Facility A Commitment	$1,065,000,000	5 years	Principal on fifth anniversary of the date of the Senior Facilities Agreement. Interest at the end of each interest period (Funding Period).
Facility B Commitment	$350,000,000	12-15 months	Principal on the maturity date (but Ramsay must apply proceeds of certain divestments that occur prior to that date to repay principal owing under Facility B). Interest at the end of each Funding Period.
Facility C Commitment	$50,000,000	5 years	Principal on fifth anniversary of the date of the Senior Facilities Agreement. Interest at the end of each Funding Period.

The limit under the Facility Agreement specified above has been reduced by the Banks' participation in the MOFA at the time the Senior Facilities were entered into.

The Senior Facilities may be refinanced prior to syndication (Refinancing). If the existing or refinanced facility is not compliant with S128F of the Income Tax Assessment Act 1936 (for whatever reasons) Ramsay will be required to gross up interest for withholding tax.

Use of Proceeds

The Senior Facilities provided by the Banks will be made available to the Ramsay Companies to be used for the following purposes:

- In the case of Facility A and Facility B funding (in part) of the Acquisition and associated transaction costs;
- In the case of Facility C, for general corporate funding purposes, including working capital and capital expenditure of the Ramsay group of companies (Consolidated Group).

Guarantors

Subject to compliance with Part 2J.3 (financial assistance) of the Corporations Act, the Senior Facilities are to be guaranteed by all of the entities of the existing Consolidated Group (other than certain dormant subsidiaries). New members of the Consolidated Group will usually become guarantors of the Senior Facilities.

Mandatory Prepayments

The Ramsay Companies are required to apply the proceeds of certain hospital divestments of a hospital by the Ramsay Companies or a guarantor in repayment of the principal outstanding.

Interest

Interest is payable on the Senior Facilities at a rate equal to the sum of the relevant base rate plus the relevant margin. The margin varies, in the case of Facilities A and C, with the then total net debt coverage, and, in the case of Facility B, with the relevant time period. Interest on any overdue amounts is payable at the applicable default rate.

Security

The Senior Facilities will be secured.

Undertakings

The Ramsay Companies and the guarantors provide certain undertakings in the Senior Facilities documentation. These undertakings include:

- To prepare accounts and keep records in accordance with relevant requirements, and to provide certain information to the Banks;
- To comply with certain financial ratios;
- To maintain insurance;
- To comply with environmental laws;
- Restrictions on the ability to amend or vary the Hybrid Bridge Facility (described in 9.14.1 below), the Equity Bridge Facility (described in 9.14.2 below) and related documents;
- Certain negative pledge type covenants;
- Not to make any distribution unless no event of default subsists, and it is permitted in the Senior Facilities documentation, and to the extent such distributions can be made in respect of the CARES, they can only be made from earnings generated in the then current financial year; and
- To comply with certain other general undertakings usual for facilities like the Senior Facilities.

Events of Default

The Senior Facilities documentation provides for certain events of default. These include (among others) in respect of the Ramsay Companies and each of the guarantors:

- A failure to comply with an obligation under a Senior Facilities document;
- An insolvency event;
- A change of control;
- A breach of certain financial covenants;
- A representation or warranty being made which is untrue or misleading in any material respect;
- Any event or series of events which have or are likely to have a material adverse effect;
- A cessation of business; and
- Failure to provide certain security.

Upon an event of default, the Banks can accelerate payment of all amounts owing, cancel the Banks' commitment, and appoint an independent party to review the affairs of Ramsay.

9.14 Summary of the Bridge Facilities

9.14.1 Hybrid Bridge Facility

Ramsay has entered into an agreement with Sumitomo Mitsui Finance Australia Limited (the Initial Lender) and Goldman Sachs JBWere as lead arranger for the Initial Lender to provide an interest-bearing subordinated bridging debt facility (the Hybrid Bridge Facility). The Hybrid Bridge Facility provides funding for the Acquisition, while Ramsay is raising funding by way of the CARES Offer described in this Prospectus. The details of the Hybrid Bridge Facility are summarised in the following table:

Facility	Limit	Maturity Date	Repayment
Hybrid Bridge Facility	$260,000,000	5½ years (maximum maturity)	Principal on maturity date, with right of prepayment. Interest at the end of each Funding Period.

Use of Proceeds

The Hybrid Bridge Facility is made available to Ramsay to use for the following purposes:

- To make payments owing by it in respect of the Acquisition; and
- To pay costs, fees and expenses and other amounts in connection with the Acquisition and the commitment fee payable to the lead arranger and the Initial Lender.

Guarantors

The Hybrid Bridge Facility is guaranteed by the same guarantors as under the Senior Facilities.

Subordination and Mandatory Prepayments

The indebtedness under the Hybrid Bridge Facility is subordinate to the indebtedness under the Senior Facilities, but superior to the indebtedness owed under the Equity Bridge Facilities described in 9.14.2 below. Payments must generally be made first to reduce indebtedness under the Senior Facility. However, Ramsay is required to apply the following amounts in repaying the principal outstanding:

- The net proceeds from the issue of the CARES;
- The proceeds from the issue of other securities (including debt and equity) which Ramsay may issue if the CARES are not fully subscribed or the CARES offer does not proceed; and
- Following repayment of the Senior Facilities the net proceeds from the disposal of certain assets by members of the Consolidated Group.

From the date three months after the initial draw down date, Ramsay and the guarantors agree to do all things reasonably requested by the Initial Lender to exchange the principal outstanding and accrued interest into Subordinated Notes (Subordinated Notes) with effect from the date nine months after the first draw down date. The material terms and conditions of any Subordinated Note are to be the same as the material terms and conditions of the Hybrid Bridge Facility. The initial subscriber to the Subordinated Notes may elect to fix the interest rate on the note at a rate up to the then applicable floating base rate and margin. An early redemption premium of up to 105% can apply on early redemption of the Subordinated Notes.

Interest

Interest is payable on the Hybrid Bridge Facility at a rate equal to the sum of the relevant base rate plus the relevant margin. The margin steps up to a maximum rate after nine months. At any time while an event of default subsists or an amount is not paid when due, interest is payable at this rate plus a further default margin of 2% per annum on the unpaid amount or (in the case of an event of default) on the entire principal.

Security

The Hybrid Bridge Facility can have the benefit of the same security as the Banks in respect of the Senior Facility provided that if the Banks have entered into a Restructuring of the Senior Facilities, the Hybrid Bridge Facility has also been restructured in the same manner.

Undertakings

Ramsay and each of the guarantors provide certain undertakings in the Hybrid Bridge Facility documentation. These undertakings are similar to the undertakings given under the Senior Facilities with the following additional undertakings (among others):

- undertakings in respect of Subordinated Notes
- undertakings in respect of the underwriting agreement concerning CARES
- undertakings restricting Ramsay's ability to raise funding outside of certain permitted methods.

Events of Default

The Hybrid Bridge Facility documentation provides for certain events of default. These include in respect of Ramsay and each of the guarantors events of default similar to the events of default under the Senior Facilities.

Upon an event of default, the Initial Lender can accelerate payment of all amounts owing and cancel the Initial Lender's commitment.

9.14.2 Equity Bridge Facility

Ramsay has entered into an agreement with Goldman Sachs JBWere Capital Markets Limited (GSJCM) for GSJCM to provide an interest-bearing subordinated bridging debt facility (the Equity Bridge Facility). The Equity Bridge Facility provides funding for the Acquisition, while Ramsay is raising funding by way of the Equity Offer. The details of the Equity Bridge Facility are summarised in the following table:

Facility	Limit	Maturity Date	Repayment
Equity Bridge Facility	$190,000,000	6 years (maximum maturity)	Principal on date two months from first draw down, or if not paid at that time, on the maturity date. Interest at the end of each Funding Period.

Use of Proceeds

The Equity Bridge Facility provided by GSJCM will be made available to Ramsay to be used for the following purposes:

- To make payments owing by it in respect of the Acquisition;
- To pay costs, fees and expenses and other amounts in connection with the Acquisition and the commitment fee payable to GSJCM.

Guarantors

The Equity Bridge Facility is guaranteed by the same guarantors as under the Senior Facility.

Subordination and Mandatory Prepayments

The indebtedness under the Equity Bridge Facility is subordinate to indebtedness under both the Senior Facilities and the Hybrid Bridge Facility. Payments must generally be made to reduce indebtedness under those Facilities in priority to the Equity Bridge Facility. However, Ramsay is required to apply the following amounts in repaying the principal outstanding under the Equity Bridge Facilities:

- The net proceeds from the Equity Offer, and any surplus proceeds from the issue of the CARES; and
- The net proceeds from the issue of other ordinary shares or other hybrid securities issued by Ramsay. In this regard GSJCM may require Ramsay to issue shares to repay the Equity Bridge Facility either under the underwriting agreement concerning the Equity Offer or a replacement offer up to a maximum of 28,900,000 in total provided the terms of the shares are acceptable to Ramsay.

If nine months after the initial draw down date the indebtedness under the Equity Bridge Facility is not fully repaid by the proceeds of the Equity Offer and (if necessary) an increase in the CARES Offer and the issue of further hybrid securities by Ramsay, then GSJCM can require Ramsay to convert the remaining principal outstanding into a subordinated note, with the following features:

- secured subordinated note ranking after the Senior Facilities and the Hybrid Bridge Facility;
- no rights of acceleration;
- maturity date six years after draw down;
- floating rate interest with a margin such interest payable partly in cash and partly by issue of additional subordinated notes;
- no interest is payable in circumstances of default under the Senior Facilities or the Hybrid Bridge Facility;
- except for distributions to shareholders under the dividend reinvestment plan for Ramsay no distributions are permitted to shareholders unless all interest owing under the notes at that time have been paid.

Interest

Interest is payable on the Equity Bridge Facility at a rate equal to the sum of the relevant base rate plus the relevant margin. The margin steps up to a maximum rate after nine months. At any time while an event of default subsists or an amount is not paid when due, interest is payable at this rate plus a further default margin of 2% per annum on the unpaid amount or (in the case of an event of default) on the entire principal.

Security

No security will intially be provided for the Equity Bridge Facility. However, GSJCM can be entitled to the benefit of the security provided to the Banks and the Initial Lender if there is an event of default or after nine months provided that the Banks have entered into a Refinancing of the Senior Facilities, the Equity Bridge Facility has also been restructured in a similar manner.

Undertakings

Ramsay and each of the guarantors provides certain undertakings in the Equity Bridge Facility documentation. These undertakings are similar to the undertakings given under the Senior Facilities with the following additional undertakings:

- undertakings in respect of the underwriting agreement concerning the Equity Offer
- undertakings restricting Ramsay's ability to raise funding outside of certain permitted methods.

Events of Default

The Equity Bridge Facility documentation provides for certain events of default. These include in respect of Ramsay and each of the guarantors, events of default similar to the events of default under the Senior Facilities.

Upon an event of default, GSJCM can accelerate payment of all amounts owing and cancel GSJCM's commitment. Also GSJCM is entitled to security as above.

9.15 Interests of Directors

9.15.1 Interests

Except as set out in this Prospectus, no director or proposed director of Ramsay holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Ramsay;
- the CARES Offer;
- or any property acquired or proposed to be acquired by Ramsay, respectively, in connection with its formation or promotion or the CARES Offer;

other than in their capacity as a Shareholder. Except as set out in this Prospectus, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any director or proposed director of Ramsay:

- to induce that person to become, or qualify as, a director of Ramsay; or
- for services provided by that person in connection with the formation or promotion of Ramsay or the CARES Offer.

9.15.2 Holdings of Shares and Options

As at the date of this Prospectus, the Directors hold the following interests in Shares and options over Shares (comprising performance rights), either directly or indirectly:

Name	Shares	Performance Rights	Shares under the Institutional Entitlement Offer[1]	Shares under the Retail Entitlement Offer[2]
P J Ramsay	71,777,116		911,455	–
M S Siddle	25,000		–	2,778
M L Brislee	21,680		–	2,409
A J Clark	85,000		–	9,000
P J Evans	5,680		–	631
I P S Grier	77,165	214,286	–	8,574
R H McGeoch	120,000		–	6,000
K C D Roxburgh	65,000		–	7,222
B R Soden	5,387	107,142	–	599

1 The numbers in this column reflect the number of Shares that Institutional Shareholders who are Directors or associated with the Directors have agreed to acquire under the Institutional Entitlement Offer. These Shares are expected to be issued under the Institutional Entitlement Offer on 27 April 2005. Paul Ramsay has taken up 911,455 of his maximum 7,975,235 Entitlements under the Institutional Entitlement Offer.

2 Each other Shareholder who is a Director or associated with a Director intends to take up their entitlement under the Retail Entitlement Offer to the extent set out in the table above.

9.15.3 Remuneration

The Constitution contains several provisions as to remuneration of executive and non-executive Directors. As remuneration for services, each non-executive Director is to be paid an amount determined by the Board, subject to a maximum aggregate amount determined in general meeting. That aggregate maximum has been set at $600,000 per annum excluding superannuation contribution.

Any Director who performs services outside the ordinary duties of a Director (such as serving on committees or devoting special attention to the business of Ramsay) may be paid extra remuneration as determined by the Board.

In addition, every Director is entitled to be paid all reasonable travel, accommodation and other expenses incurred by the Director in attending meetings of Ramsay, of the Board or of any committees, or while engaged on the business of Ramsay.

Directors' retirement benefits have been provided for non-executive directors in accordance with the Corporations Act.

9.15.4 Indemnity, Insurance and Access

The Constitution provides that:

- Ramsay is to indemnify each Director out of the assets of Ramsay to the relevant extent against any liability incurred by the Director in or arising out of the conduct of the business of Ramsay or in or arising out of the discharge of the duties of the Director.
- Where the Board considers it appropriate, Ramsay may make payments by way of premium in respect of any contract effecting insurance on behalf of or in respect of a Director against any liability incurred by the Director in or arising out of the conduct of the business of Ramsay or in or arising out of the discharge of the duties of the Director.
- Where the Board considers it appropriate, Ramsay may give a former Director access to certain papers, including documents provided or available to the Board and other papers referred to in those documents. Additionally, Ramsay has entered into Director's Deeds of Access and Indemnity with each Director.

9.16 Interests of Experts and Advisers

Except as set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Ramsay;
- or broker or underwriter to the CARES Offer,

(each a relevant person) holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Ramsay;
- the CARES Offer; or
- any property acquired or proposed to be acquired by Ramsay in connection with its formation or promotion or the CARES Offer.

Except as set out in this Prospectus, no one has paid or agreed to pay any amount or given or agreed to give any benefit for services provided by a relevant person in connection with the formation or promotion of Ramsay or the CARES Offer. The amounts set out below are exclusive of GST.

Blake Dawson Waldron has acted as Australian legal adviser to Ramsay in connection with the CARES Offer, the Institutional Placement, the Entitlement Offer and the Acquisition. In aggregate, Ramsay has paid or agreed to pay Blake Dawson Waldron approximately $1.18 million (plus GST and disbursements) for these services to the date of this Prospectus. Further amounts may be paid to Blake Dawson Waldron in accordance with its normal time and attendance charges.

Goldman Sachs JBWere Pty Ltd has acted as Lead Manager and Underwriter to the CARES Offer, the Institutional Placement and the Entitlement Offer in respect of which it will be entitled to receive fees and commissions as described in Section 9.11.1.

Ernst & Young has acted as auditor to Ramsay and has confirmed the accounting treatment of the CARES and taxation matters relating to the CARES Offer. In aggregate, Ramsay has paid or agreed to pay Ernst & Young approximately $17,500 (plus disbursements) in relation to confirmation of the accounting treatment and tax matters in relation to the CARES Offer. Additionally Ramsay has paid or agreed to pay Ernst & Young approximately $70,000 (plus disbursements) in relation to the agreed upon procedures performed in relation to the Entitlement Offer and CARES Offer Prospectuses. Further amounts may be paid to Ernst & Young in accordance with its normal time and attendance charges.

Macquarie Equity Capital Markets Limited has acted as Co-Lead Manager in relation to the CARES offer, Entitlement Offer and the Institutional Placement in respect of which it will be entitled to receive fees and commissions of $1,800,000 of which $900,000 relates to the CARES Offer.

9.17 Consents

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is said to be based, other than as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name and a statement or report included in this Prospectus with the consent of that party, as specified below.

Blake Dawson Waldron has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Goldman Sachs JBWere Pty Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Ernst & Young has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to the statement attributed to it in Section 2.6.4 and sourcing financial information from the audited financial statements for the year ended 30 June 2004 in Section 4.6 being included in this Prospectus in the form and context in which they are included. Ernst & Young has also given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Macquarie Equity Capital Markets has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

9.18 ASX Waivers and Confirmations

The ASX has granted a waiver from Listing Rule 10.11 to the extent necessary to permit related parties of Ramsay to participate in the CARES Offer without the requirement to obtain Shareholder approval, provided that:

- all the Directors (and their associates) combined are restricted to apply for that number of CARES having a face value of no more than 0.2% of the minimum offer size of CARES in total and they otherwise participate in the CARES Offer on the same terms as other subscribers; and
- the Company makes a release to the market of the terms of the waiver from Listing Rule 10.11 permitting the directors (and their associates) to participate in the CARES Offer.

Ramsay has also obtained confirmation from the ASX that:

- ASX considers that the Terms of Issue are appropriate and equitable for the purpose of ASX Listing Rule 6.1;
- ASX Listing Rule 6.10 does not apply to the Terms of Issue which provide for Ramsay to change the date and rate of distributions of CARES;
- ASX Listing Rule 6.12 does not apply to the Terms of Issue which provide for the redemption, buyback, cancellation or conversion of CARES; and
- for the purpose of ASX Listing Rule 7.1.4, the ASX has no objections to the conversion rate of CARES to ordinary shares being calculated based on the market price of ordinary shares at the time of allotment of CARES.

9.19 Consent to Lodgement

Every Director of Ramsay has consented to the lodgement of this Prospectus with ASIC under the Corporations Act.

9.20 Governing Law

This Prospectus, the CARES Offer and the contracts formed on acceptance of applications under the CARES Offer are governed by the laws applicable in New South Wales. Each applicant for CARES submits to the exclusive jurisdiction of the courts of New South Wales.

Appendix A Terms of Issue

Appendix A. Terms of Issue

The terms used in these Terms of Issue are set out in clause 8 below. References to clauses and paragraphs are to clauses and paragraphs of these Terms of Issue.

1. Face Value

The face value of each CARES will be $100.

2. Dividends

2.1 Dividends

Subject to these terms, including without limitation clauses 2.2 and 2.3, the Holder of each CARES is entitled to a Dividend in respect of each Dividend Period (the **Dividend Entitlement**) calculated in accordance with the following formula:

$$\text{Dividend} = \frac{\text{DR} \times \$100 \times \text{N}}{365}$$

where:

N is the number of days in that Dividend Period

DR is the Dividend Rate for that Dividend Period, calculated in accordance with the following formula:

$$(\text{MR} + \text{Margin}) \times (1-\text{T})$$

where:

MR is the Market Rate for that Dividend Period.

Margin is the Margin for the Dividend Period.

T is the prevailing Australian corporate tax rate applicable on the Allotment Date expressed as a decimal, and which will be taken to be 0.30.

2.2 Change in Corporate Tax Rate

If, on a Dividend Payment Date, the Australian corporate tax rate applicable to the franking account of the Company from which the Dividend will be franked (**Ti**) differs from the prevailing Australian corporate tax rate on the Allotment Date (**T**), the Dividend Entitlement will be adjusted in accordance with the following formula:

$$\text{Dividend Entitlement} \times \frac{(1 - \text{Ti})}{(1 - \text{T})}$$

where:

Ti is the Australian corporate tax rate applicable to the franking account of the Company from which the Dividend will be franked at the Dividend Payment Date, expressed as a decimal; and

T has the same meaning as in clause 2.1.

2.3 Fully franked Dividend

If any Dividend is not franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace those Parts), the Dividend will be adjusted in accordance with the following formula:

$$\frac{\text{Dividend}}{1 - [\text{Ti} \times (1 - \text{f})]}$$

where:

Ti has the same meaning as in clause 2.2; and

f is the Franking Rate applicable to that Dividend.

2.4 Payment of Dividend

The payment of a Dividend and any Optional Dividend is subject to:

(a) the Directors, at their discretion, declaring the Dividend or Optional Dividend to be payable or otherwise resolving to pay the Dividend or Optional Dividend as the case may be; and

(b) there being funds legally available for the payment of a Dividend or an Optional Dividend.

2.5 Non-cumulative Dividends

The entitlement of a Holder to the payment of a Dividend is non-cumulative so that if, because of the provisions of clause 2.4, a Dividend is not paid in respect of a Dividend Period or the Dividend paid in respect of a Dividend Period is less than the Dividend Entitlement for that Dividend Period, the Holder has no claim in respect of that Dividend Entitlement or the balance of that Dividend Entitlement.

2.6 Calculation of Dividends

All calculations of Dividends will be rounded to four decimal places. For the purposes of making any Dividend payment in respect of a Holder's total holding of CARES, any fraction of a cent will be disregarded.

2.7 Dividend Payment Dates

Subject to this clause 2, Dividends will be payable in arrears on:

(a) 20 October 2005 and thereafter on 20 April and 20 October in each year until the CARES are converted, redeemed, bought back, or cancelled; and

(b) the conversion or exchange date determined under clause 3.

2.8 Record Dates

(a) A Dividend is only payable to those persons registered as Holders on the Record Date for that Dividend.

(b) An Optional Dividend is only payable to those persons registered as Holders on the Record Date for that Optional Dividend.

(c) In the case of the Dividend payable under clause 2.7(b) the Dividend is only payable to those Holders whose CARES are converted or exchanged.

2.9 Withholding Obligations

The Company will be entitled to deduct from any Dividend or Optional Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by the Company to the relevant revenue authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder is deemed to have been duly paid and satisfied by the Company. The Company must pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment.

2.10 Restrictions in case of non-payment

If the Dividend Entitlement on CARES in respect of a Dividend Period is not paid or otherwise satisfied in full within 20 Business Days after the Dividend Payment Date for that Dividend Period, the Company must not without approval of a Special Resolution passed at a separate meeting of Holders:

(a) declare or pay a cash dividend or make any distribution on any issued share in the Company over which CARES rank in priority for participation in profits; or

(b) redeem, reduce, cancel, buy back or acquire for any consideration any issued share in the company (other than CARES),

until such time as:

(c) a Dividend is paid in respect of two consecutive Dividend Periods equal to the Dividend Entitlements for those Dividend Periods; or

(d) an Optional Dividend is paid to Holders in accordance with clause 2.11; or

(e) all CARES have been converted, redeemed, bought back or cancelled.

2.11 Payment of an Optional Dividend

Without derogating from the fact that the Dividend Entitlement is non-cumulative and that the Directors are under no obligation to declare or resolve to pay a Dividend, if at any time:

(a) the Directors declare, and fix a date for payment of, a Dividend other than a Dividend payable in respect of a Dividend Period under clause 2.7; and

(b) the amount of that Dividend equals the aggregate amount of the Shortfall in respect of the two immediately preceding Dividend Periods,

then once that Dividend (the **Optional Dividend**) is paid it will be treated as if it had been paid for the purposes of clause 2.10 so that the restrictions on the Company in clause 2.10(a) and (b) shall no longer apply.

3. Conversion and Exchange

3.1 Meaning of conversion

Each CARES confers all of the rights attaching to one fully paid Share but these rights do not take effect until 5.00pm Sydney time on the Conversion Date for that share. At that time:

(a) all other rights and restrictions conferred on CARES under these Terms of Issue will no longer have effect (except for rights relating to a Dividend payable on or before the conversion date and any rights to any allotment of additional Shares under clause 3.6 which will subsist); and

(b) each CARES will rank equally with all other fully paid Shares then on issue and the Company will issue a statement that the holder of those shares holds a share so ranking.

The taking effect of the rights of CARES under this clause and the allotment of additional Shares under clause 3.6 is, for the purposes of these Terms of Issue, together termed 'conversion'. Conversion does not constitute cancellation, redemption, the buyback or termination of a CARES or an issue, allotment or creation of a new share (other than the additional shares allotted under clause 3.6).

3.2 Conversion or exchange events

The Company may elect to:

(a) convert or exchange all or some of the CARES by giving notice to the Holders:

(i) at least 21 Business Days (but no more than six months) before:

(A) 20 October 2010; or

(B) any Dividend Payment Date after 20 October 2010; or

(ii) after the occurrence of a Regulatory Event; or

(b) convert all or some CARES by giving notice to Holders after the occurrence of a Change in Control Event.

3.3 Conversion or exchange notice

(a) Where the Company gives a conversion or exchange notice under clause 3.2 the Company:

(i) must, in the case of a notice under clause 3.2(a), state in that notice whether CARES will be converted or exchanged (or whether a combination of those actions will be taken), failing which the Company is taken to have elected to and must convert CARES into Shares; and

(ii) may state in that notice that the conversion or exchange of all or some CARES under clause 3.2 is conditional on some act or event occurring or not occurring.

(b) A conversion or exchange notice given under clause 3.2 is irrevocable and may include any other information the Company considers necessary to effect the conversion or exchange in an orderly manner.

3.4 Conversion or exchange date

The conversion or exchange date will be:

(a) in the case of a notice given by the Company in accordance with clause 3.2(a)(i)(A), 20 October 2010; and

(b) in the case of a notice given by the Company in accordance with clause 3.2(a)(i)(B), the next Dividend Payment Date;

(c) in the case of a notice given by the Company in accordance with clause 3.2(a)(ii), the last Business Day of the month following the month in which the exchange notice was served by the Company unless the Company determines an earlier exchange date as notified in the exchange notice having regard to the best interest of the Holders and the relevant event;

(d) in the case of a notice given by the Company in accordance with clause 3.2(b) the earlier of:

(i) the last Business Day of the second week following the date the Company sends the notice to the Holder; or

(ii) the closing date of the takeover bid, or the completion of the scheme of arrangement (as applicable) so long as that date falls after the date on which the Company sends the notice to the Holder.

3.5 Restrictions on conversion and exchange

(a) The Company cannot elect to convert or exchange only some CARES if, as at the date of the conversion or exchange notice, that conversion or exchange would result in CARES left on issue having an aggregate Face Value of less than $50 million.

(b) On an exchange or conversion of some but not all CARES, the Company must endeavour to treat Holders on an approximately proportionate and equal basis, but may discriminate to take account of the effect on marketable parcels and other factors.

3.6 Conversion and additional Shares

(a) Each CARES the subject of a conversion notice will convert on the date of conversion into one Share and upon conversion, each CARES will entitle the Holder to be allotted an additional number of Shares equal to one less than the Conversion Ratio for that conversion provided that if the Conversion Ratio is greater than 400, the Conversion Ratio shall be 400.

(b) The Conversion Ratio is an amount (including any fractions) calculated in accordance with the following formula:

$$\frac{\text{Face Value}}{\text{VWAP} - [\text{CD} \times \text{VWAP}]}$$

where:

CD means the Conversion Discount; and

VWAP means the VWAP during the Reference Period for that conversion.

(c) Where the total number of additional Shares to be allotted on conversion to a Holder in respect of the total number of CARES of that Holder being converted at that time includes a fraction, that fraction will be disregarded.

3.7 Adjustments to VWAP

For the purposes of calculating VWAP in clause 3.6(b):

(a) where, on some or all of the Business Days in the Reference Period, Shares have been quoted on the ASX as cum dividend or cum any other distribution or entitlement and CARES will convert into Shares after the date those Shares no longer carry that entitlement, then the VWAP on the Business Days on which those CARES have been quoted cum dividend or cum entitlement shall be reduced by an amount (**Cum Value**) equal to:

(i) (in the case of a dividend or other distribution), the amount of that dividend or distribution including, if the dividend is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person under the Tax Act;

(ii) (in the case of an entitlement which is traded on ASX on any of those Business Days), the volume weighted average price of all such entitlements sold on ASX during the Reference Period on the Business Days on which those entitlements were traded; or

(iii) (in the case of an entitlement not traded on the ASX during the Reference Period), the value of the entitlement as reasonably determined by the Directors; and

(b) where, on some or all of the Business Days in the Reference Period, Shares have been quoted ex dividend, ex distribution or ex entitlement, and CARES will convert into Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value.

3.8 Adjustment to the Conversion Ratio for a takeover or scheme of arrangement

In the case of conversion as a result of a Change in Control Event, VWAP in the formula in clause 3.6(b) will be the lesser of:

(a) 95% of the Offer Price; and

(b) VWAP plus 50% of the amount calculated by subtracting that VWAP from the Offer Price.

3.9 Discretion in adjustment of conversion mechanism

Where:

(a) the Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities;

(b) the Company undertakes a bonus issue or makes a pro rata offer to holders of Shares to subscribe for, or purchase, securities in the Company or in any other body corporate in a way which, in the reasonable opinion of the Directors, has a diluting or concentrative effect on the value of Shares; or

(c) any other similar event occurs in relation to the Company that may have a diluting or concentrative effect on the value of the Shares,

and the Directors determine that any such occurrence would, in the reasonable opinion of the Directors, affect the relative values of CARES and the Shares, the Directors may:

(d) make such alterations to the definition of VWAP or to the Conversion Discount as the Directors reasonably consider appropriate or necessary to maintain that relativity; or

(e) extend an entitlement to the Holders of CARES to participate in such distribution or pro rata offer based upon the number of Shares to which those Holders would have been entitled if their CARES had been converted on a date nominated by the Directors and adapting the formula in clause 3.6 as the Directors reasonably consider appropriate to maintain the relativity.

An alteration under paragraph (e) will be binding on and must be notified to the Holders of CARES.

3.10 Redemption of CARES

If the Company determines to redeem CARES and gives an exchange notice to the Holders notifying that their CARES are to be redeemed on the relevant exchange date, the Company shall redeem every CARES which the Company has elected to redeem and identified in the exchange notice. For each CARES that is being redeemed, an amount equal to the Face Value will be paid by the Company to the relevant Holders in cash on the relevant exchange date.

3.11 Buyback of CARES

(a) Each Holder of CARES from time to time agrees with the Company on terms as set out in the Buy-Back Agreement that, upon the Company determining to buy back CARES (which it is able to do at its sole option) and giving an exchange notice to the Holders notifying that their CARES are to be bought back, those Holders will be deemed to have sold to the Company the CARES which the Company has elected to buy back and identified in the exchange notice on the terms of the Buy-Back Agreement.

(b) The Buy-Back Agreement will take effect upon, and will have no force or effect until, the happening of the last to occur of the following events:

(i) the Company giving an exchange notice to each Holder that it has determined to buy back the CARES identified in the exchange notice; and

(ii) the Company obtaining all consents (if any) to the buy-back which are required to be obtained from the Company's shareholders or any regulatory authority or other person pursuant to and in the manner required by any applicable law or by the Listing Rules of any stock exchange on which CARES are quoted.

(c) On the relevant exchange date, the Company shall buy back every CARES which the Company has elected to buy back and identified in the exchange notice under the terms of the Buy-Back Agreement. For each CARES that has been bought back an amount equal to the Face Value will be paid by the Company to the relevant Holder in cash on the relevant exchange date.

3.12 Cancellation of CARES

If the Company:

(a) determines to cancel CARES;

(b) obtains all consents (if any) to the cancellation of CARES which are required to be obtained from the Company shareholders or any regulatory authority or other person pursuant to and in the manner required by any applicable law or by the Listing Rules of any stock exchange on which CARES are quoted;

(c) gives an exchange notice to the Holders notifying that their CARES are to be cancelled,

on the relevant exchange date, the Company shall cancel every CARES which the Company has elected to cancel and identified in the exchange notice. For each CARES that has been cancelled, an amount equal to the Face Value will be paid by the Company to the relevant Holders in cash on the relevant exchange date.

4. CARES GENERAL RIGHTS

4.1 CARES rights ranking

CARES rank equally amongst themselves in all respects.

4.2 Preferential dividend

Until conversion, CARES rank in priority to Shares for the payment of dividends.

4.3 Return of capital

Until conversion, if there is a return of capital on a winding-up of the Company, Holders will be entitled to receive out of the assets of the Company available for distribution to shareholders, in respect of each CARES held, a cash payment equal to the sum of:

(a) the amount of any Dividend Entitlement calculated on a daily basis (assuming a 365 day year) throughout the period from and including the date of the preceding Dividend Payment Date to the date of commencement of the winding-up; and

(b) the Face Value,

before any return of capital is made to holders of Shares or any other class of shares ranking behind CARES.

CARES do not confer on their Holders any right to participate in profits or property except as set out in these Terms of Issue.

4.4 Shortfall on winding-up

If, upon a return of capital or a winding-up, there are insufficient funds to pay in full the amounts referred to in clause 4.3 and the amounts payable in respect of any other shares in the Company ranking as to such distribution equally with CARES on a winding-up of the Company, the Holders and the holders of any such other shares will share in any distribution of assets of the Company in proportion to the amounts to which they respectively are entitled.

4.5 Participation in surplus assets

Until conversion, CARES do not confer on their Holders any further right to participate in the surplus assets of the Company on a winding-up.

4.6 Restrictions on other issues

Until all CARES have been converted, redeemed, cancelled or bought back the Company must not, without approval of a Special Resolution passed at a separate meeting of Holders, issue shares ranking in priority to CARES or permit the variation of any rights of any existing shares to shares ranking equally with or in priority to CARES, but the Directors are at all times authorised to issue further CARES, preference shares or other securities ranking equally with or behind any existing CARES.

4.7 Takeovers and schemes of arrangement

If a takeover bid is made for Shares, acceptance of which is recommended by the Directors, or the Directors recommend a scheme of arrangement under Part 5.1 of the Corporations Act in respect of the Shares which will result in a person having a relevant interest in more than 50% of the Shares, the Directors will use reasonable endeavours to procure that equivalent takeover offers are made to Holders or that they are entitled to participate in the scheme of arrangement under Part 5.1 of the Corporations Act or a similar transaction.

4.8 Participation in new issues

Until conversion, CARES confer no rights to subscribe for new securities in any fundraisings by the Company or to participate in any bonus or rights issues by the Company.

4.9 Further assurances

If the Company decides to convert or exchange CARES under these Terms of Issue, the Holder must:

(a) vote in favour (subject to compliance with the law and to the extent that the Holder is entitled to do so) or otherwise abstain from any required resolution;

(b) provide all documentation and execute any authorisation or power necessary; and

(c) take all other action necessary or desirable, to effect the conversion or exchange.

4.10 Sale of shares on exchange

Each Holder irrevocably offers to sell all or some of its CARES on the exchange date to the Company for their Face Value if the Company elects to buy back CARES under these Terms of Issue.

4.11 Appointment of agent

Each Holder irrevocably appoints the Company (and any person authorised by the Company for this purpose) as its agent to execute any document the Company considers necessary or desirable to give effect to clauses 4.9 and 4.10, including any share transfer or buyback agreement.

5. VOTING RIGHTS

5.1 Right to vote

CARES do not entitle their Holders to vote at any general meeting of the Company except in the following circumstances:

(a) on a proposal:

(i) to reduce the share capital of the Company;

(ii) that affects rights attached to CARES;

(iii) to wind up the Company; or

(iv) for the disposal of the whole of the property, business and undertaking of the Company;

(b) on a resolution to approve the terms of a buyback agreement;

(c) during a period in which a Dividend is in arrears; or

(d) during the winding-up of the Company.

For this purpose, a Dividend will be in arrears only if, at the time of the meeting, a Dividend has been declared but has not been paid in full by the relevant Dividend Payment Date.

5.2 Voting Rights

On a poll, each CARES confers on its Holder for a resolution on which the Holders are entitled to vote, one vote.

6. QUOTATION ON ASX

The Company must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of CARES on the ASX and all converted CARES and additional Shares issued under clause 3.6 on each of the stock exchanges on which other Shares of the Company are quoted on the date of conversion.

7. AMENDMENTS TO THE TERMS OF ISSUE

Subject to complying with all applicable laws, the Company may without the authority, assent or approval of Holders amend or add to these Terms of Issue if such amendment or addition is, in the opinion of the Company:

(a) of a formal, minor or technical nature;

(b) made to correct a manifest error;

(c) made to comply with any law, ASX Listing Rules or the listing or quotation requirements of any stock exchange on which the Company proposes to seek quotation of CARES; or

(d) effected in accordance with clause 3.9;

and is not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders.

8. INTERPRETATION AND DEFINITIONS

8.1 Interpretation

(a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms of Issue and the Constitution, then, to the maximum extent permitted by law, the provisions of these Terms of Issue will prevail.

(b) If a calculation is required under these Terms of Issue, unless the contrary intention is expressed, the calculation will be performed to four decimal places.

(c) Definitions and interpretation under the Constitution will also apply to these Terms of Issue.

(d) Unless otherwise specified, the Directors may exercise all powers of the Company under these Terms of Issue that are not, by the Corporations Act or by the Constitution, required to be exercised by the Company in general meeting.

(e) Notices may be given by the Company to Holders in the manner prescribed by the Constitution that the giving of notices to members of the Company and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.

(f) The terms 'takeover bid', 'relevant interest' and 'arrangement' when used in these Terms of Issue have the meaning given in the Corporations Act.

(g) A reference to a statute, ordinance, code, or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

8.2 Definitions

The following expressions shall have the following meanings:

Allotment Date means the date on which CARES are issued.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

Bank Bill Swap Rate means, for a Dividend Period, the rate, expressed as a percentage per annum, calculated as the average mid-rate for bills of a term of 180 days which average rate is displayed on Reuters page designated BBSW (or any page which replaces that page) on the first day of that Dividend Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (Sydney time) on that day, the rate specified in good faith by the Company at or around that time on that date having regard, to the extent possible, to:

(a) the rates otherwise bid and offered for bills of that term or for funds of that tenor displayed on that page BBSW (or any page which replaces that page) at that time on that day; and

(b) if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.

Business Day has the meaning given in the Listing Rules.

Buy-Back Agreement means an agreement under which the Company buys back CARES in the form contained in the schedule to these Terms of Issue.

CARES Register means the register of holders of CARES kept pursuant to the Corporations Act and the Listing Rules.

Change in Control Event means the occurrence of any of the following events:

(a) a takeover bid is made to acquire all or some of the Shares and the offer is, or becomes, unconditional and:

(i) the bidder has a relevant interest in more than 50% of the Shares on issue; or

(ii) the Directors issue a statement recommending acceptance of the offer; or

(b) a court approves the convening of a meeting to consider a scheme of arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person having a relevant interest in the Company of more than 50%.

Company means Ramsay Health Care Limited (ABN 57 001 208 768).

Constitution means the constitution of the Company.

conversion has the meaning set out in clause 3.1.

conversion date has the meaning given in clause 3.4.

conversion notice means a notice given by the Company to Holders under clause 3.2 where the Company elects to convert all or some CARES.

Conversion Discount means 2.5%.

Conversion Ratio means the number calculated in accordance with the formula in clause 3.6(b).

Dividend means a dividend in respect of CARES.

Dividend Entitlement has the meaning set out in clause 2.1.

Dividend Payment Date means each date on which a Dividend is payable in accordance with clause 2.7 whether or not a Dividend is paid on that date.

Dividend Period means for a CARES:

(a) the period from (but not including) the Allotment Date until (but not including) the following Dividend Payment Date; and

(b) thereafter the period from (and including) the Dividend Payment Date until but not including the following Dividend Payment Date.

exchange, in relation to a CARES, means the Company at its option redeeming, buying back or cancelling that CARES for its Face Value.

exchange date has the meaning given in clause 3.4.

exchange notice means a notice given by the Company to Holders under clause 3.2 where the Company elects to exchange all or some CARES.

Face Value means $100.

Franking Rate, in relation to a Dividend, means the franking percentage (within the meaning of Parts 3-6 of the Tax Act or any provisions that revise or replace those Parts) of the Dividend, expressed as a decimal.

Holder at any time means any person entered in the CARES Register at that time.

Listing Rules means the Listing Rules of ASX.

Margin expressed as a percentage per annum is:

(a) for the period up to (but not including) 20 October 2010, 2.85%, set by bookbuild; and

(b) for the period on or after 20 October 2010, 2.85% plus 2.00% (200 basis points).

Market Rate for a Dividend Period means the Bank Bill Swap Rate for that Dividend Period expressed as a percentage per annum.

Offer Price means:

(a) in the case of an off market bid (within the meaning of the Corporations Act) or a scheme of arrangement under part 5.1 of the Corporations Act;

(i) the cash consideration offered as at the conversion date in respect of each Share under the bid or scheme of arrangement; plus

(ii) if that consideration includes any amount which is not cash, the value of the non-cash consideration as determined by an independent expert appointed by the directors (who shall act as an expert) proposed at the time of announcement of the scheme of arrangement or the bid or, if the non-cash consideration has been increased since the announcement, the date of the most recent increase prior to the date when the conversion notice is given; or

(b) in the case of a market bid (within the meaning of the Corporations Act) the cash price offered under the bid as at the conversion date.

Share means an ordinary share in the capital of the Company.

Optional Dividend has the meaning given to that term in clause 2.11.

Record Date means, for a Dividend or Optional Dividend, the date prior to its payment which is determined by the Company in accordance with the Listing Rules.

Regulatory Event means if the Directors resolve (having obtained an opinion from reputable legal counsel or a tax or accounting adviser) that a change in any law, interpretation, ruling issued by any relevant governmental body (including one relating to taxation) or accounting standard (or interpretation by an accounting standard setting body) has occurred (or is announced) and that change will:

(a) materially increase the net costs to the Company of having CARES on issue;

(b) affect whether CARES can be franked or whether the Holders are entitled to franking credits;

(c) affect whether CARES are classified as debt or equity for tax or accounting purposes; or

(d) impose additional requirements that the Directors consider unacceptable.

Reference Period means the period of 20 Business Days immediately preceding but not including:

(a) for a conversion other than on a Change in Control Event, the conversion date for that conversion; or

(b) for a conversion on a Change in Control Event, the date of announcement of the takeover bid or scheme of arrangement.

Shortfall at any time means the amount by which the Dividends paid for the two Dividend Periods immediately preceding that time is less than the Dividend Entitlements for those two Dividend Periods.

Special Resolution means a resolution passed at a separate meeting of Holders by at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution.

Tax Act means:

(a) the Income Tax Assessment Act 1936 or the Income Tax Assessment Act 1997 as the case may be as amended or replaced and a reference to any section of the Income Tax Assessment Act 1936 includes a reference to that section as rewritten in the Income Tax Assessment Act 1997;

(b) any other Act setting the rate of income tax payable; and

(c) any regulation promulgated thereunder.

VWAP means, in respect of a Reference Period, the arithmetic average of the daily volume weighted average sale price of Shares sold on the ASX during that period but does not include any transaction defined in the ASX Market Rules as 'special', crossings prior to the commencement of normal trading, crossings during the after hours adjust phase or any overseas trades or the exercise of options over Shares.

8.3 Business Day

Where these Terms of Issue require any payment or calculation to be made, or a conversion or exchange date falls, on a day that is not a Business Day (the **Original Date**), that payment or calculation must be made, or the conversion or exchange must occur, on the first Business Day following that date (the **Substituted Date**) and where this clause applies in respect of the payment of a Dividend Entitlement:

(a) the Dividend Payment Date for that Dividend Entitlement is the Substituted Date instead of the Original Date;

(b) the Dividend Period for the Dividend Entitlement goes until but does not include the Substituted Date rather than the Original Date; and

(c) the Dividend Period for the next Dividend Entitlement starts from the Substituted Date instead of the Original Date.

Appendix A. Terms of Issue

Schedule 1

Buy-Back Agreement

1. Agreement

(a) This agreement is entered into between the Company and the Holders for the time being of CARES and shall come into force and effect upon the happening of the last to occur of the following events:

- (i) the Company giving an exchange notice to Holders that it has determined to buy back CARES identified in the exchange notice; and
- (ii) the Company obtaining all consents (if any) to the Buy-Back which are required to be obtained from the Company's shareholders or any regulatory authority or other person pursuant to and in the manner required by any applicable law or by the Listing Rules of any stock exchange on which CARES are quoted.

(b) The terms and conditions set out in this agreement are of no force and effect unless and until the agreement has become effective under clause 1(a).

2. Buy-Back

Each Seller agrees to sell to the Buyer the Buy-Back Shares on the terms set out in this agreement.

3. Consideration

The Buyer will pay to each Seller in respect of each Buy-Back Share an amount equal to the Face Value of each Buy-Back Share (namely, $100).

4. Completion

The Buy-Back will be effected on the date specified in the exchange notice as the date for completion of the Buy-Back, which will be determined in accordance with the Terms of Issue, by the Buyer paying the amount determined under clause 3 to the Seller and the Seller delivering to the Buyer a duly executed transfer of the Buy-Back Shares.

5. Appointment of Attorney

By virtue of its holding of the Buy-Back Shares, each Seller irrevocably appoints any director or officer or duly authorised attorney of the Company (each an Attorney) as the true and lawful attorney of the Seller to execute a transfer to the Buyer in registrable form of the Buy-Back Shares (or such other document by which title to the Buy-Back Shares may be vested in the Buyer) and to give any necessary direction to any other person or take any other action which may be required to facilitate the transfer to the Buyer of the Buy-Back Shares, and agrees that in exercising this power of attorney Ramsay or any Attorney shall be entitled to act in the interests of the Company (or a nominee) as the Buyer of the Buy-Back Shares.

6. Definitions and Interpretation

All words and expressions used in this agreement which are defined in the Terms of Issue have the same meaning in this agreement.

Buy-Back	means in relation to CARES, the purchase of CARES from the Holder for the time being by the Buyer pursuant to this agreement
Buy-Back Shares	means CARES referred to in the exchange notice which are the subject of the Buy-Back under this agreement
Buyer	means the Company or any permitted transferee of the Buy-Back Shares nominated by the Company to be the purchaser of the Buy-Back Shares.
exchange notice	means a notice given by the Company to Holders from time to time under clause 3.2 of the Terms of Issue
Seller	means each Holder from time to time to whom the Company gives an exchange notice which indicates that CARES are to be bought back by the Company
Terms of Issue	means the terms of issue of CARES of which this Schedule forms a part.

Glossary

Glossary

In this Prospectus, the following definitions apply unless the context requires otherwise

$ or dollars	Australian dollars
ACCC	Australian Competition and Consumer Commission
Acquisition	has the meaning given in Section 1.1
Acquisition Agreement	has the meaning given in Section 9.8
AEST	Australian Eastern Standard Time
Affinity or Affinity Health	means Affinity Health Holdings Sarl which is the holding company of: Affinity Health Limited (ACN 106 722 347) which operates the Affinity Australian hospitals PT Affinity Health Indonesia which operates the Affinity Indonesian hospitals
Affinity Group	unless otherwise stated, Affinity and its controlled entities
AIFRS	Australian equivalents of International Financial Reporting Standards
ANZ	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522)
Applicant	a person who submits a valid Application Form
Application(s)	an application for CARES pursuant to this Prospectus
Application Form	each form attached to or accompanying the electronic or printed versions of the Prospectus
Application Monies	the money payable on Application being the amount equal to the number of CARES applied for multiplied by $100
ASIC	Australian Securities and Investments Commission
ASTC Settlement Rules	the ASTC Settlement Rules issued by ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532)
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691)
Australian Accounting Standards or Accounting Standards	Professional Standards showing the acceptable method(s) of measuring and recording financial transactions and the level of disclosure required in financial statements maintained by the Australian Accounting Standards Board
Australian Accounting Standards Board	body that has the responsibility for the development of accounting standards for application by companies and other entities in the private sector
Australian Generally Accepted Accounting Principles or AGAAP	generally accepted accounting principles in Australia, including but not limited to applicable Australian Accounting Standards, the accounts provision of the Corporations Act, Urgent Issues Group Consensus Views and authoritative pronouncements of the Australian Accounting Standards Board
Bank Debt	facilities drawn under the Senior Facilities as described in Section 9.13
Board	the board of Directors
Bookbuild	the process described in Section 3.13
Bridge Facilities	the facilities as described in Section 9.14 and drawn down by Ramsay to partly fund the Acquisition and intended to be repaid with the process of the CARES Offer, Entitlement Offer and Institutional Placement
Broker Firm Allocation	the number of CARES allotted to Applicants under the Broker Firm Offer
Broker Firm Applicants	applicants for CARES who apply via their Participating Brokers
Broker Firm Offer	the invitation made by the Company pursuant to this Prospectus to Australian resident retail clients of brokers who have received a firm allocation of CARES from the Underwriter
Business Day	has the meaning given in the Listing Rules

CARES	the Convertible Adjustable Rate Equity Securities offered under this Prospectus
CARES Offer	means the offer of Convertible Adjustable Rate Equity Securities announced by Ramsay on 13 April 2005 to raise up to $260 million, under this Prospectus
CGT	Capital Gains Tax as defined in the *Income Tax Assessment Act 1997* (Cth)
CHESS	Clearing House Electronic Subregister System
Closing Date	17 May 2005 being the last day on which completed Acceptance Forms will be accepted
Company	means Ramsay
Constitution	the constitution of Ramsay
Conversion Discount or **'CD'**	the conversion discount of 2.5%
Core EBITDA	EBITDA pre unusual items
Core EPS	earnings per share before goodwill amortisation and unusual items
Core Net Profit or Core NPAT	net profit after tax and before goodwill amortisation and unusual items
Corporations Act	the *Corporations Act 2001* (Cth)
Debt Financing Documents	means the Senior Facilities and Bridge Facilities as described in Section 9.13 and Section 9.14 respectively
Directors	the directors of Ramsay
EBIT	earnings before interest and tax
EBITA	earnings before interest, tax and amortisation
EBITDA	earnings before interest, tax, depreciation and amortisation
Eligible Shareholder	a Shareholder with a registered address in Australia as at 7.00pm on 20 April 2005
Entitlement Offer	as outlined in Section 6.4.2
EPS	earnings per share
Equity Offer	the Entitlement Offer and the Institutional Placement
Extraordinary General Meeting	the extraordinary general meeting of Ramsay held on 20 May 2005
FY	financial year ending 30 June
Goldman Sachs JBWere Capital Markets	Goldman Sachs JBWere Capital Markets Limited (ABN 97 004 463 263)
Goldman Sachs JBWere	Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897)
HOA	Non-binding heads of agreement for the Proposed Divestments as detailed in Section 9.9
IFRS	International Financial Reporting Standards
Institutional Entitlement Offer	as outlined in Section 6.4.2
Institutional Placement	as outlined in Section 6.4.2
Institutional Shareholder	those persons who were registered as the holder of Shares as at 7.00pm (AEST) on the Record Date (either directly or through a nominee) and to whom the Underwriter extended an invitation to participate in the Institutional Offer

Glossary

Issue Price	$100 per share
Listing Rules	the official listing rules of the ASX
Margin	2.85% per annum for the period up to (but not including) 20 October 2010 and for the period on or after 20 October 2010, 2.85% per annum plus the step-up of 2.00% (200 basis points) per annum
Market Rate	the Bank Bill Swap Rate for 180 day bills applying on the first Business Day of each Dividend Period expressed as a percentage
Mayne Group	Mayne Group Limited (ABN 50 004 073 410)
N	the number of days from (and including) the date on which CARES are first allotted or the preceding Dividend Payment Date (whichever is the later) until (but not including) the relevant Dividend Payment Date. The same formula is applicable should CARES be converted or exchanged on dates other than the half-yearly Dividend Payment Dates
NAB	National Australia Bank (ABN 12 004 044 937)
Participating Broker(s)	Brokers who are offered a firm allocation by the Underwriter pursuant to the Bookbuild
Privacy Act	the *Privacy Act 1988* (Cth)
Proposed Divestments	14 of Affinity's hospitals proposed to be sold to certain parties associated with the vendors of Affinity under the HOA. Refer to Section 6.6 for further details, but does not include any of the hospitals which maybe required to be divested
Prospectus	this Prospectus dated 27 April 2005
Ramsay	Ramsay Health Care Limited (ABN 57 001 288 768)
Record Date	7.00pm (AEST) on 20 April 2005
Retail Entitlement Offer	the Entitlement Offer to Eligible Retail Shareholders made under the Entitlement Offer Prospectus
Shareholder	a registered holder of Shares
Share Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Share(s)	fully paid ordinary shares in the capital of Ramsay
Subsidiary	has the meaning given in the Corporations Act
Sumitomo Mitsui Finance Australia	Sumitomo Mitsui Finance Australia Limited (ABN 21 006 797 897)
T	the prevailing Australian corporate tax rate applicable on the date of allotment, expressed as a decimal, and which will be taken to be 0.30
Underwriter	Goldman Sachs JBWere
Underwriting Agreement	the Underwriting Agreement dated 13 April 2005 between Ramsay and the Underwriter (as amended), as described in Section 9.10

This offer is expected to close at 5:00pm (AEST), 17 May 2005

RAMSAY HEALTH CARE

Ramsay Health Care Limited
ABN 57 001 288 768

Registry Use Only

CARES Offer – Application Form

This Application Form is for CARES offered under the Prospectus dated 27 April 2005 ("Prospectus") (which expires 13 months after the date of the original prospectus dated 19 April 2005). If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. The Prospectus contains information relevant to a decision to invest in CARES and you should read the entire Prospectus carefully before applying for CARES. Any supplementary or replacement documents that Ramsay issues during the period of the CARES Offer (if any) will also be available at www.ramsayhealth.com.au and will be accessible by the same means. Under the Corporations Act 2001, CARES may only be issued if the issuer has reasonable grounds to believe that the Application Form was included in or accompanied by the Prospectus when the Application Form was distributed. Once received by Ramsay or its agents this Application cannot by withdrawn.

Broker Code

Adviser Code

A **Number of CARES applied for** (minimum of 50 CARES)

, ,

Face Value per CARES **at A$100**

B **Application Monies** – I/we lodge full application monies for

A$, , .

C **Individual/Joint applications** - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D **Enter your postal address** - Include State and Postcode

Unit | Street Number | Street Name or PO Box /Other Information

City / Suburb / Town | State | Postcode

E **Enter your contact details**

Contact Name

Telephone Number - Business Hours / After Hours

( )

F **CHESS Participant**

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the offer under the Prospectus will be held on the Issuer Sponsored subregister.

Cheque details – Make your cheque(s) or money order(s) payable to 'Ramsay CARES Offer' or as instructed by your Participating Broker

G

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$
				A$

See back of form for completion guidelines

I/we declare that by lodging this application form, I/we represent and warrant that I/we have read and understood the Prospectus to which this Application Form relates, agree to be bound by the constitution of Ramsay, the Terms of Issue of the CARES and the terms and conditions of the CARES Offer (including the representations, warranties and agreements contained in the Prospectus) and I/we hereby apply for such number of CARES as may be calculated in accordance with the terms of the Prospectus and agree to take such number of CARES equal to or less than the number of CARES indicated in box A.

I/we hereby authorise Ramsay to complete and execute any documents necessary to effect the allotment of any CARES. By lodging this Application Form, I/we declare that this Application Form is completed and lodged according to the Prospectus and that all statements made by me/us are complete and accurate. I/we represent and warrant that by lodging this Application Form, I/we am/are in compliance with all laws of any jurisdiction outside the Commonwealth of Australia relevant to this Application. I/we acknowledge that I/we am/are residents of, and located in, Australia. I/we declare that I/we am/are not acting for the account or benefit of any person in the United States or a US Person or any other foreign person and will not offer or sell CARES in the United States or to, or for the account or benefit of, a US Person.

NO SIGNATURE IS REQUIRED.

IMPORTANT NOTICE
The Corporations Act prohibits any person from passing onto another person an Application Form which is attached to the Prospectus for the issue of CARES, unless the Application Form is attached to or accompanying a complete and unaltered copy of the Prospectus. A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus. A paper copy of the Prospectus, any supplementary prospectus and the Application Form will be provided to you, at no charge, upon request by telephoning the CARES Offer information line on 1300 366 027. Applications for CARES will only be accepted if made on an Application Form issued together with the Prospectus.

Lodgement of Application Form
Application Forms must be received at the Sydney office of Computershare Investor Services Pty Limited by no later than **5pm (AEST) on 17 May 2005** (subject to change without prior notice). Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
Ramsay CARES Offer
GPO Box 7115
SYDNEY NSW 2001 OR

Computershare Investor Services Pty Limited
Ramsay CARES Offer
Level 3, 60 Carrington Street
SYDNEY NSW 2000

Broker Firm Applicants must complete and return this form as instructed by your Participating Broker. Broker Firm Applicants should contact the Lead Manager or other Participating Broker from whom they received their Broker Firm Allocation of CARES for information about submitting an Application Form and payment instructions. You should be aware that the sponsoring broker will settle your Application on a delivery versus payment basis through CHESS and this transaction will not have benefit of coverage by the National Guarantee Fund.

Privacy Statement
Please refer to the Important Notice inside the front cover of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on the Application Form, Ramsay may not be able to accept or process your Application.

Correct forms of registrable title(s)
Note that ONLY legal entities are allowed to hold CARES. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

If you have any enquiries concerning your application, please contact the CARES Offer information line on 1300 366 027.

How to complete this form

A Number of CARES Applied for
Enter the number of CARES you wish to apply for. The application must be for a minimum of 50 CARES.

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of CARES applied for by the Face Value (A$100) per CARES. The minimum application amount is $5,000.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of CARES holding. This must be either your own name or the name of a company or other type of holder as per the table below. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Ramsay Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHESS
Ramsay Health Care Limited will apply to the ASX to participate in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHESS, Ramsay will operate an electronic CHESS Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up Ramsay's principal register of securities. Ramsay will not be issuing certificates to applicants in respect of CARES allotted. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold CARES allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by Ramsay and allocated a Securityholder Reference Number (SRN).

G Payment
Make your cheque or money order payable to 'Ramsay CARES Offer' or as advised by your Participating Broker, in Australian currency and cross it Not Negotiable. Your cheque must be drawn on an Australian branch of an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded. Cheques must not be post-dated.

YOU DO NOT NEED TO SIGN THIS APPLICATION FORM.

By returning this Application Form you acknowledge among other things that you have received and read the Prospectus dated 27 April 2005

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Words and expressions used in this Application Form have the same meanings given to them in the Prospectus.

010074 - V3

This offer is expected to close at 5:00pm (AEST), 17 May 2005

RAMSAY HEALTH CARE

Ramsay Health Care Limited
ABN 57 001 288 768

Registry Use Only

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Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D **Enter your postal address** - Include State and Postcode

Unit | Street Number | Street Name or PO Box /Other Information

City / Suburb / Town | State | Postcode

E **Enter your contact details**

Contact Name

Telephone Number - Business Hours / After Hours

( )

F **CHESS Participant**

Holder Identification Number (HIN)

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Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$
Drawer	**Cheque Number**	**BSB Number**	**Account Number**	**Amount of cheque**
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See back of form for completion guidelines

010074 - V4

I/we declare that by lodging this application form, I/we represent and warrant that I/we have read and understood the Prospectus to which this Application Form relates, agree to be bound by the constitution of Ramsay, the Terms of Issue of the CARES and the terms and conditions of the CARES Offer (including the representations, warranties and agreements contained in the Prospectus) and I/we hereby apply for such number of CARES as may be calculated in accordance with the terms of the Prospectus and agree to take such number of CARES equal to or less than the number of CARES indicated in box A.

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Words and expressions used in this Application Form have the same meanings given to them in the Prospectus.

Corporate Directory

Ramsay Health Care Limited – Registered Office
Level 9, 154 Pacific Highway
St. Leonards NSW 2065

Underwriter and Lead Manager
Goldman Sachs JBWere Pty Ltd
Level 48, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Co-Lead Manager
Macquarie Equity Capital Markets Limited
Level 9, GPO Building
1 Martin Place
Sydney NSW 2000

Legal Advisers
Blake Dawson Waldron
225 George Street
Sydney NSW 2000

Share Registry
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000