

Ramsay Health Care Limited

ACN 001 288 768



Underwriter & Lead Manager
County NatWest



Prospectus



R A M S A Y H E A L T H C A R E L I M I T E D

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This Prospectus is dated 11 August 1997 and was lodged with the Australian Securities Commission on 11 August 1997. The Australian Securities Commission, its officers and employees take no responsibility for the contents of this Prospectus. No Shares will be issued or allotted pursuant to this Prospectus after 1 September 1998, being 12 months from the date of the issue of this Prospectus.

The distribution of this Prospectus in jurisdictions outside the Commonwealth of Australia may be restricted by law and therefore persons in those jurisdictions into whose possession this Prospectus comes should seek advice on and observe any such restrictions. Failure to comply with relevant restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Directory

DIRECTORS

Paul Ramsay
Michael Siddle
Pat Grier
Bruce Soden
Peter Evans
Marjorie Brisloo
Rod McGeoch
Kerry Roxburgh

COMPANY SECRETARY

Larry Ransley

REGISTERED OFFICE

Level 9, 154 Pacific Highway
St Leonards
SYDNEY NSW 2065

INDEPENDENT ACCOUNTANT

Ernst & Young Corporate
Finance Pty Limited
321 Kent Street
SYDNEY NSW 2000

AUDITORS

Ernst & Young
321 Kent Street
SYDNEY NSW 2000

UNDERWRITER & LEAD MANAGER TO THE OFFER

County NatWest Securities
Australia Limited
Level 15, 225 George Street
SYDNEY NSW 2000

FINANCIAL ADVISER
County NatWest Corporate
Finance Australia Limited
Level 14, 225 George Street
SYDNEY NSW 2000

SOLICITORS TO THE OFFER
Corrs Chambers Westgarth
Level 33, Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000

SHARE REGISTRAR
Corporate Registry
Services Pty Limited
Level 2, 321 Kent Street
SYDNEY NSW 2000
SYDNEY NSW 2000

INDEPENDENT PROPERTY VALUER
Colliers Jardine Consultancy
and Valuation Pty Ltd
Level 26, AAP Centre
259 George Street
SYDNEY NSW 2000

BROKERS TO THE OFFER
Deutsche Morgan Grenfell
Securities Australia Limited
Level 18, 225 George Street
SYDNEY NSW 2000

Prudential Bache Securities Australia Limited
Level 31, 101 Collins Street
MELBOURNE VIC 3000

Porter Western Capital Markets Limited
Level 3, 30 The Esplanade
PERTH WA 6000

Day Cutten Limited
Level 1, 50 Grenfell Street
ADELAIDE SA 5001

Highlights

Offer summary

Application Price per Share	\$1.85
Shares offered for subscription	43.5m
Shares on issue on completion of the Offer	108.8m
Market capitalisation at Application Price	\$201.3m
Pro-forma 1998 forecast earnings per Share	13.6 cents
Forecast price/earnings multiple at Application Price	13.6
Forecast annual dividend per Share at Application Price	7.4 cents
Forecast dividend yield	4.0%
Forecast franking	80.0%
Pro-forma net assets per Share at 30 June 1997	\$1.90

Important dates

	1997
Offer opens	1 September
Employee Offer closes*	8 September
Public Offer closes*	12 September
Despatch of Share certificates and statements	19 September
Expected date of Quotation of Shares on the ASX	25 September

* The Company and the Underwriter may vary the Closing Date without prior notice.

Enquiries

Investors with queries on how to complete the Application Form or who require additional copies of this Prospectus should contact Corporate Registry Services Pty Limited on (02) 9290 4111.



First use of voice activated mechanical arm for laproscopic surgery in Australia at Ramsay Health Care Greenslopes Private Hospital.

Chairman's Letter



11 August 1997

Dear Investor

On behalf of the Board of Directors of Ramsay Health Care Limited, it is my pleasure to present this Prospectus to you. The Prospectus provides you with the opportunity to participate in the ownership of one of Australia's largest and most successful private healthcare groups.

Ramsay Health Care had its origins in psychiatric healthcare and, in the private sector in Australia, it continues to hold a leading position in this market. In recent times Ramsay Health Care has expanded into medical and surgical hospitals where it has been able to utilise its proven hospital management expertise. Ramsay Health Care employs over 2,000 people in 11 hospitals and caters to the healthcare needs of more than 70,000 patients per annum.

With the Government now placing increasing emphasis on achieving efficiencies in the healthcare sector and on limiting future Government funding requirements, the opportunities for the private sector are significant. In the last few years, the leading private sector hospital operators, such as Ramsay Health Care, have been able to acquire public hospitals, secure management contracts of public hospitals and co-locate private hospitals on public hospital campuses.

Ramsay Health Care has been successful in tendering for privatisation opportunities in the public sector and in the last four years has acquired and redeveloped the Hollywood and Greenslopes veterans hospitals. In addition, Ramsay Health Care has successfully tendered for the co-location of private hospitals on the campuses of the Royal North Shore Hospital in Sydney and the Flinders Medical Centre in Adelaide. These large projects are currently under construction.

Ramsay Health Care has been able to fund the acquisition and development of these four hospitals, with a total capital commitment of over \$250 million from a combination of its own resources and bank finance. However, in order to continue its expansion and take full advantage of further privatisation opportunities, the Board has decided to seek a listing of Ramsay Health Care on the Australian Stock Exchange. This will provide access to capital both now and in the future to enable Ramsay Health Care to continue its rapid development.

Details of the Offer and management, operating and financial information for Ramsay Health Care are set out in this Prospectus. I urge you to read the Prospectus in full.

On behalf of the Directors of Ramsay Health Care, I commend this Prospectus to you and look forward to welcoming you as a shareholder.

Yours sincerely

A handwritten signature in blue ink, which appears to read "Paul Ramsay". The signature is fluid and cursive, written over a white background.

Paul Ramsay
Chairman



SECTION

1 Overview

1. Overview

1.1 The business

Ramsay Health Care was established in 1964 and has grown to become one of the largest and most successful private hospital operators in Australia. The origins of Ramsay Health Care were in the field of psychiatric healthcare where it achieved a reputation for innovation in many areas of psychiatry and for providing high quality care. The same culture and principles apply in all its healthcare operations, which now encompass a diverse range of medical/surgical hospitals in addition to psychiatric hospitals.

Ramsay Health Care owns and operates 11 hospitals located in New South Wales, Victoria, Queensland, South Australia and Western Australia, with a total of 1,351 beds, and employs over 2,000 people.

Ramsay Health Care is the owner and operator of the 300 bed Hollywood Private Hospital in Perth and the 350 bed Greenslopes Private Hospital in Brisbane. These tertiary level hospitals are two of the largest private hospitals in Australia and currently treat private patients and provide services under a 10 year contract with the Commonwealth Department of Veterans Affairs ("DVA").

The State Governments of New South Wales and South Australia have recently selected Ramsay Health Care for the co-location of private hospitals on the campuses of the Royal North Shore Hospital in Sydney and the Flinders Medical Centre in Adelaide. These facilities, which are currently under construction, will provide a comprehensive range of services to both public and private patients, and will take the total number of beds in Ramsay Health Care hospitals to 1,675.



Top class operating theatres and a commitment to research help Ramsay Health Care's Greenslopes Private Hospital, Brisbane.

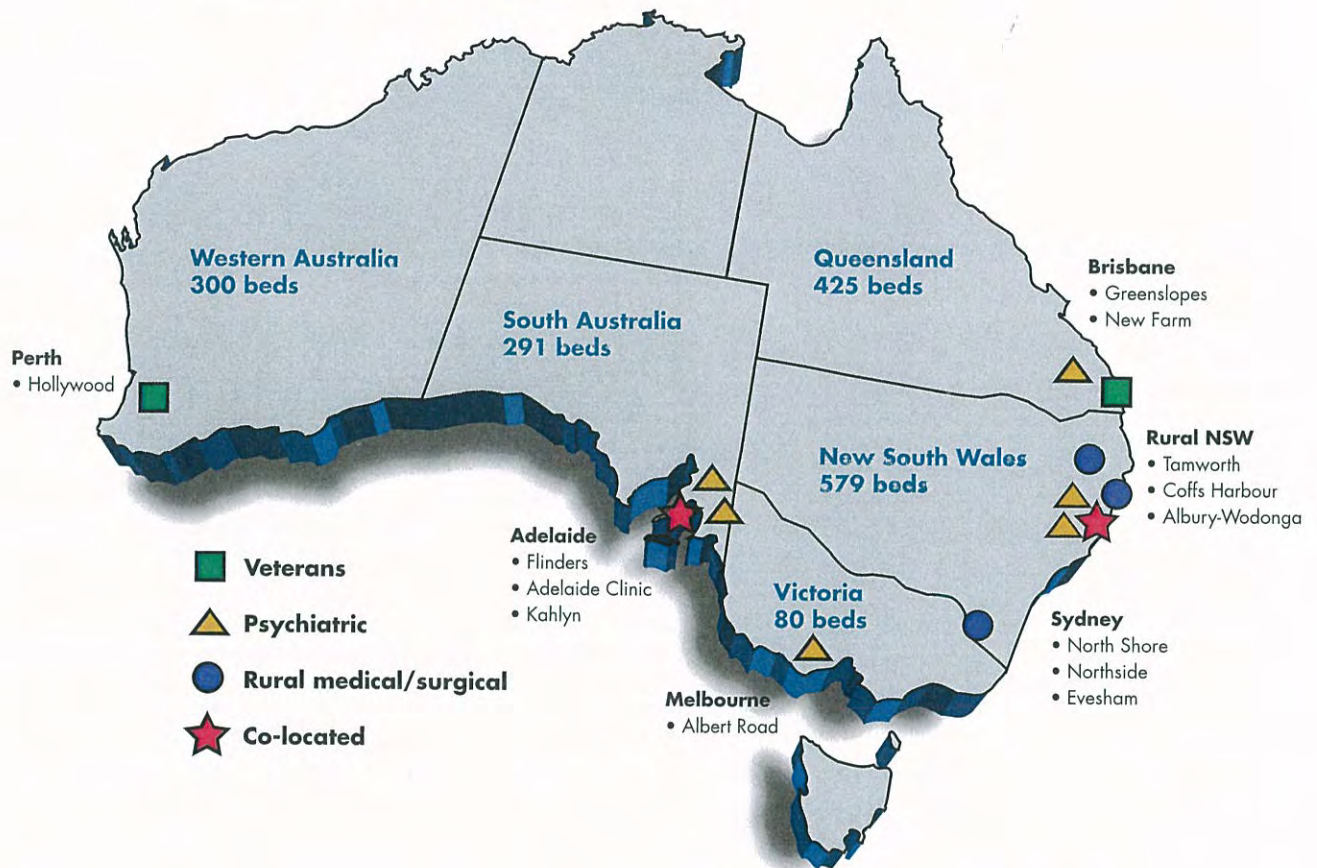
Ramsay Health Care owns and operates 3 medical/surgical hospitals situated in regional New South Wales centres where they are major providers of private hospital care in their respective areas.

Ramsay Health Care owns and operates 8 psychiatric facilities throughout Australia and is the largest provider of private psychiatric care in Australia.

In addition, Ramsay Health Care has a developing Asian healthcare management and consultancy business, with offices in Kuala Lumpur and Jakarta.

1. Overview

Location of Group hospitals



1.2 Business highlights

Key business highlights of Ramsay Health Care include:

- **Proven success in privatisation:** Ramsay Health Care has an excellent record in tendering for Government contracts and applying its proven operating, management and financial skills and expertise to the public sector.
- **Critical mass:** Ramsay Health Care is one of the three largest private hospital operators in Australia. Its size is important in enabling it to secure new contracts and opportunities, for its relationship with the health funds and for it to obtain benefits from economies of scale throughout its operations.
- **Management depth:** Ramsay Health Care has an experienced and strong management team with demonstrated excellence at both the strategic and operational levels. Its decentralised management structure has enabled it to engender an entrepreneurial attitude throughout its operations and to attract and retain high quality hospital managers.

1. Overview

- Proven record in hospital management:** Ramsay Health Care has a record of excellence across all aspects of its healthcare operations.
- Location and quality of hospitals:** Ramsay Health Care has a quality portfolio of hospitals strategically located throughout New South Wales, Victoria, Queensland, South Australia and Western Australia.
- Diversity of revenue:** As a result of its success in privatisation, compared with other private hospital operators, a relatively high proportion of Ramsay Health Care's revenue is underpinned by long term contracts from the Government.
- Relationship with doctors and the medical community:** Doctor relationships are critical to the success of healthcare organisations, and Ramsay Health Care maintains strong relationships with many sectors of the medical profession.
- Market leadership in psychiatric healthcare:** Ramsay Health Care has established a strong market position in the field of psychiatric healthcare, where the Directors believe a greater quality differential exists than in medical and surgical care between public and private sectors.

1.3 Australia's healthcare industry

Healthcare is one of Australia's largest industry sectors, with total public and private sector annual expenditure of approximately \$40 billion, representing approximately 8.7% of Gross Domestic Product. Total healthcare expenditure



Albert Road Clinic in Melbourne – a major specialist referral centre.

has increased more than \$10 billion, or 33%, since 1990. Growth is expected to continue as a result of the demographic trends associated with an ageing population.

In recent years, there have been numerous opportunities for private sector healthcare operators, and in particular the major participants, to secure public sector opportunities. These have included acquisitions of hospitals, co-locations and management contracts.

1.4 Business strategies

Having recognised the opportunities that privatisation presents, Ramsay Health Care is firmly committed to utilising its expertise in securing additional privatisation and co-location projects. Its past success and knowledge of the privatisation process, combined with its Government relationships mean that Ramsay Health Care is well positioned to build on the opportunities presented by the transfer of healthcare from the public to the private sector.

1. Overview



The emergency centre at Greenslopes Private Hospital, Brisbane.

Ramsay Health Care has identified a number of attractive privatisation opportunities which it intends to bid for, providing they meet the strategic objectives and return on investment criteria of the Group.

As critical mass becomes more important, rationalisation is likely to occur within the healthcare sector. Ramsay Health Care is reviewing opportunities in related healthcare areas such as pathology, radiology and primary care, with a view to developing into an integrated healthcare group.

While Australia will continue to be Ramsay Health Care's core market, Asia represents an attractive, rapidly growing market within close proximity. Ramsay Health Care's strategy in Asia has been to pursue opportunities that do not require extensive capital commitments, and in this regard, has been focussed on consulting assignments and securing management contracts.

1.5 Background to the Offer

Ramsay Health Care is offering for subscription 43.5 million fully paid ordinary Shares of \$0.10 par value. The Offer is in two parts:

- **The Public Offer:** which is open to members of the public, at the Application Price of \$1.85 per Share. Applicants under the Public Offer must apply for a minimum of 1,000 Shares.
- **The Employee Offer:** which is open to all permanent employees of Ramsay Health Care as at 1 July 1997, at the Employee Application Price of \$1.65 per Share. Each applicant under the Employee Offer must apply for a minimum of 1,000 Shares, up to a maximum of 2,500 Shares. Applicants under the Employee Offer will be entitled to apply for a maximum of 5% of the Offer.

The Offer will raise approximately \$80 million, which will enable Ramsay Health Care to pursue

1. Overview

future growth and development opportunities. The net proceeds will be used to reduce bank debt by \$42 million and to repay indebtedness to the existing shareholder, Paul Ramsay Holdings Pty Limited of \$33 million.

On completion of the Offer, subscribers to Shares under this Prospectus will represent 40% of the enlarged share capital. For further details regarding the Offer, potential investors should read Section 2.

1.6 Paul Ramsay shareholding

Following the listing, Mr Paul Ramsay, through Paul Ramsay Holdings Pty Limited, will hold 60% of the enlarged share capital of Ramsay Health Care. This represents Mr Ramsay's largest investment, although he has investments in other companies, including Prime Television Limited (a listed Australian media group) and Ramsay Health Care Inc (a listed United States based hospital group).

Mr Ramsay remains committed to the development of Ramsay Health Care and has no current intention of further reducing his shareholding over the next 18 months.

All Mr Ramsay's healthcare related activities in Australia and Asia will be carried out through Ramsay Health Care.

1.7 Risks

In addition to general risk factors, Ramsay Health Care faces a number of specific risk factors including:

- risk associated with a change in the capacity and method of funding by health funds;

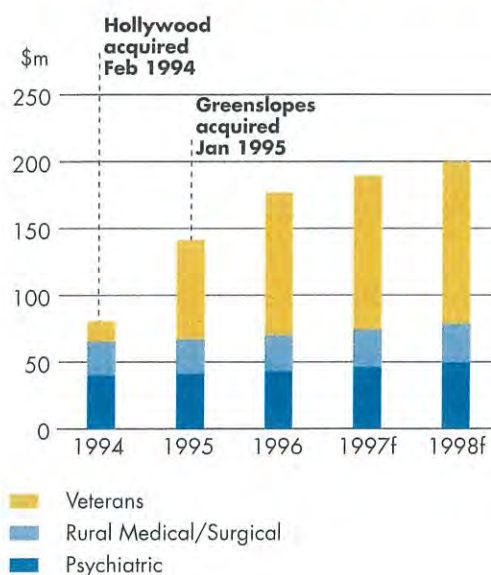
- risk associated with the removal of Ramsay Health Care's hospital licences; and
- project and operational risk associated with the development of new hospitals.

Investors should read this Prospectus in full and in particular Section 5 which details the business environment and risk factors associated with an investment in Ramsay Health Care.

1.8 Financial information

With the acquisition of the Hollywood and Greenslopes hospitals, the composition of Ramsay Health Care's turnover has changed considerably. Currently, over 75% of Ramsay Health Care's revenue is sourced from medical/surgical hospitals while revenue from psychiatric hospitals is now just 25%. The following graph illustrates the change in revenue mix over recent years.

Ramsay Health Care Turnover



1. Overview

A summary of the Group's historical performance for each of the years ended 30 June 1994, 1995 and 1996, along with forecasts for the financial year ended 30 June 1997 and the financial year ending 30 June 1998 is detailed below.

A more detailed explanation of the financial information is contained in Section 4 and Section 7.

The 1998 pro-forma forecast includes a full twelve month forecast under the capital structure proposed in this Prospectus. The estimated difference from providing the forecast on a pro-forma basis rather than an actual basis, which would incorporate the proposed capital structure from 30 September 1997, is to increase the 1998 operating profit after tax by \$1.2 million.

The pro-forma net assets of Ramsay Health Care as at 30 June 1997, adjusted to reflect the capital raising which is the subject of this Prospectus, will be approximately \$207 million. Following

listing the Group will have net debt of approximately \$137 million and gearing of approximately 65%.

1.9 Dividend policy

Dividends are expected to be paid annually, with an interim dividend payable in March and a final dividend payable in September of each year.

In respect of the 1997/98 financial year, the Directors intend to declare an interim dividend of 3 cents payable in March 1998 and a final dividend of 4.4 cents payable in September 1998. The dividends are expected to be 80% franked.

However, it should be noted that the payment of dividends in 1998 and beyond will depend on the successful performance of Ramsay Health Care as a whole. The Directors will take into account the internal funding needs of Ramsay Health Care in determining the optimum dividend policy and specific level of dividends distributed. The Directors do not guarantee that any dividends will be declared by the Company.

Year ended/ ending 30 June (\$'000)	1994 (adjusted audited actual)	1995 (adjusted audited actual)	1996 (adjusted audited actual)	1997 (forecast)	1998 (pro-forma forecast)
Total revenue	84,313	149,516	179,544	192,378	204,487
Earnings before interest, tax, depreciation and amortisation	14,069	22,470	29,147	33,844	37,958
Depreciation and amortisation	2,646	6,188	8,501	9,122	10,056
Earnings before interest and tax	11,423	16,282	20,646	24,722	27,902
Interest expense					7,714
Operating profit before tax					20,188
Income tax expense					5,367
Operating profit after tax					14,821

SECTION

Details of the
Offer

2. Details of the Offer

2.1 The Offer

Ramsay Health Care is an unlisted public company owned by interests associated with Mr Paul Ramsay.

Ramsay Health Care proposes to issue 43,513,546 fully paid 10 cent ordinary shares as part of the Offer to raise approximately \$80 million, and seek listing of its existing Shares and Shares offered pursuant to this Prospectus on the ASX.

2.2 The Public Offer

The Public Offer is available to all members of the public at an Application Price of \$1.85 per Share. Applications pursuant to the Public Offer must be for a minimum of 1,000 Shares and thereafter in multiples of 100 Shares. An Application for Shares under the Public Offer can only be made by completing and lodging an Application Form contained at the back of this Prospectus. The Company and the Underwriter reserve the right to allocate to an Applicant fewer shares than the number for which the Applicant applies.

2.3 The Employee Offer

All permanent employees of Ramsay Health Care as at 1 July 1997 are eligible to participate in the Employee Offer. Applications under the Employee Offer must be for a minimum of 1,000 Shares, and thereafter in multiples of 100 Shares up to a maximum of 2,500 Shares. The Employee Application Price is \$1.65 per Share. Applicants under the Employee Offer will be entitled to apply for a maximum of 5% of the Offer in total. The Company and the Underwriter reserve the right to allocate to an Applicant fewer shares than the number for which the Applicant applies.

Applicants who are allotted Shares pursuant to the Employee Offer will be restricted from disposing of these Shares until the earlier of the end of a period of 3 years from the date of issue, or the time of ceasing employment with Ramsay Health Care.

2.4 Key dates for investors

Offer opens	1 September
Employee Offer closes*	8 September
Public Offer closes*	12 September
Despatch of Share certificates and statements	19 September
Expected date of Quotation of Shares on the ASX	25 September

*The Company and the Underwriter may vary the Closing Date without prior notice

The Company reserves the right, in consultation with the Underwriter, to close the Offer at any time without prior notice and proceed with Official Quotation of the Shares at an earlier date and to extend the Closing Date without notice.

2.5 Purpose of the Offer

Ramsay Health Care is raising approximately \$80 million through the Offer. The net proceeds will be used to:

- reduce the existing level of bank debt of Ramsay Health Care by approximately \$42 million;
- repay indebtedness of approximately \$33 million to the existing shareholder, Paul Ramsay Holdings Pty Limited; and
- enable the Company to pursue future growth and development opportunities.

2. Details of the Offer

After completion of the Offer, subscribers to Shares issued pursuant to this Prospectus will represent 40% of the enlarged share capital. Paul Ramsay Holdings Pty Limited will retain 60% of the enlarged share capital.

2.6 Issue statistics

Number of Shares to be issued under this Prospectus	43,513,546
Issued Shares at the date of allotment of Shares pursuant to this Prospectus	65,270,320
Enlarged issued share capital on completion of the Issue of Shares to which this Prospectus relates	108,783,866

2.7 How to apply

Applications for Shares under the Offer can only be made by completing the Application Form contained at the back of this Prospectus.

Detailed instructions for completing the Application Form are set out alongside the Application Form at the back of this Prospectus under the heading “Your guide to the Application Form”.

An Application Form must be completed in accordance with the instructions set out next to the Application Form. Application Forms must be accompanied by a cheque in Australian dollars for the Application Monies owing for the Shares for which you wish to apply.

Cheques must be made payable to “Ramsay Health Care Limited – Float Account” and crossed “Not Negotiable”. Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. No stamp duty or brokerage is payable by Applicants. The amount payable on application will not vary during the period of the Offer and no further amount is payable on allotment.

2.8 When to apply

The Offer will open on 1 September and the Public Offer will close at 5.00pm AEST on 12 September, subject to the right of the Company and the Underwriter to close the Offer at any earlier time and date, or to extend the closing time and date, without prior notice.

The Employee Offer will close at 5.00 pm AEST on 8 September, subject to the right of the Company and the Underwriter to close the Offer at any earlier time and date, or to extend the closing time and date, without prior notice.

Investors are encouraged to submit their Applications as early as possible after the Offer opens as it may close at any time thereafter.

2. Details of the Offer

2.9 Where to apply

Completed Application Forms and accompanying cheques payable to "Ramsay Health Care Limited – Float Account" for the Application Monies should be mailed or delivered to:

- Corporate Registry Services Pty Ltd
Level 2, 321 Kent Street
SYDNEY NSW 2000; or
- the office of the Lead Manager or any of the Brokers to the Offer.

A binding contract to issue the Shares will only be formed at the time the Shares are allotted to Applicants.

Subject to the right of the Company and the Underwriter to close the Offer at any earlier time and date, or to extend the closing time and date without prior notice, Application Forms will be accepted at any time after the issue of this Prospectus and prior to the close of business on the Closing Date.

2.10 Investors' questions

Investors with queries on how to complete the Application Form or who require additional copies of this Prospectus should contact:

Corporate Registry Services Pty Ltd
Level 2, 321 Kent Street
SYDNEY NSW 2000
Telephone: (02) 9290 4111
Facsimile: (02) 9262 2574

2.11 Allotment of Shares and refunds

The Directors will proceed with the allotment of Shares as soon as possible after the Closing Date, following receipt of subscriptions for all of the Shares offered by this Prospectus and ASX permission for Official Quotation of the Shares. The Directors reserve the right, after agreement with the Underwriter, to allot or issue to any Applicant a lesser number of Shares than that applied for or to decline any Applications. Where no allotment or issue is made, the Application Monies will be returned in full. No interest will be paid to the affected Applicants.

Where the number of Shares issued is less than the number applied for by any Applicant, the surplus Application Monies will be returned to that Applicant within 30 days after the Closing Date. No interest will be paid to the affected Applicants.

Pending the allotment of Shares offered by this Prospectus, the Company will deposit all Application Monies received in a separate bank account and keep them there for so long as those monies, or any part of them, are liable to be repaid in accordance with this Prospectus and the Corporations Law.

There is no provision to accept Applications for more Shares than the Shares offered pursuant to this Prospectus.

2. Details of the Offer

2.12 Subscription lists

Subscription lists will be opened at 9.00am AEST on the Opening Date and will remain open until 5.00pm AEST on the Closing Date. The Company and the Underwriter reserve the right to close the Offer at any earlier time and date, or to extend the closing time and date, without prior notice.

2.13 No issue of securities after 12 months

No securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of issue of this Prospectus.

2.14 ASX listing

Application will be made to the ASX within three business days of the date of issue of this Prospectus for Ramsay Health Care to be admitted to the Official List of the ASX and for Official Quotation of the Shares offered pursuant to this Prospectus, and all other Shares on issue.

The fact that the ASX may admit Ramsay Health Care to its Official List is not to be taken as an indication of the merits of the Company or the Shares. The ASX, its officers and employees take no responsibility for the contents of this Prospectus.

If permission for Official Quotation is not to be granted or deemed granted by the ASX within 6 weeks after the date of issue of this Prospectus or within such longer period not exceeding 12 weeks after the date of issue of this Prospectus as may be notified to the Company by the ASX, none of the Shares offered by this Prospectus will be allotted unless an exemption is granted by the ASC permitting such allotment. If no allotment is made, all Application Monies will be refunded to

Applicants within the time prescribed under the Corporations Law.

2.15 CHES

Ramsay Health Care will apply to the ASX to participate in the Securities Clearing House Electronic Subregister System known as CHES. CHES is a system for the paperless registration and transfer of securities. It is operated by the ASX's Securities Clearing House ("SCH") in accordance with the ASX Listing Rules and the SCH Business Rules.

Under CHES, Ramsay Health Care will have an electronic subregister for uncertificated holdings in the Company which is administered by the SCH. This, along with any "written" register, will form the Company's securities register. CHES, administered by the SCH, will be electronically linked to the Company and other participants in CHES, such as brokers, with a consequence that, for all practical purposes, delays between settlement and registration in relation to the trading of the Company's Shares will be eliminated.

Under CHES, the Company will not be issuing certificates to investors who elect to hold their Shares on CHES. Certificates will only be issued to those who elect to hold their Shares in certificated form.

For those holders who elect to hold their Shares on CHES, the SCH (as agent for the Company) will provide a statement to them (similar to a bank account statement) that sets out the number of Shares allotted to each of them under this Prospectus. The statement will also advise holders of their Holder Identification Number

2. Details of the Offer

and explain, for future reference, the sale and purchase procedures under CHES.

Further statements will be provided to holders which reflect any changes in their shareholding in the Company during a particular month.

2.16 Underwriting

The Offer is fully underwritten by County NatWest pursuant to the Underwriting Agreement. Details of the Underwriting Agreement and the circumstances under which the Underwriter is able to terminate its obligations are set out in Section 9.

2.17 Arrangement with Brokers

A brokerage fee of 1.0% of the firm allocations satisfied by stockbrokers to which firm allocations are made will be paid.

A handling fee of 1.0% of the Application Price of the Shares will be paid to members of the ASX and investment advisers for Applications lodged by them bearing their stamp (not including firm allocations on which a brokerage fee is payable) to which allocations are made.

ADMISSION

ADMISSION NO:
MEDICAL RECORD NO:
DATE OF ADMISSION:
UNIT:
ADMISSION TYPE: ROOM:

TELEPHONE (H):
TELEPHONE (W):
LANGUAGE SPOKEN:

MEMBER OF:
TABLE:
MEDICARE:
PREVIOUS ADMISSION:
PROVIDER:

SECTION

Business description

PROVIDER NO:

WCCO NO:

REGISTRAR:

PCC:

3. Business description

3.1 Introduction

Ramsay Health Care was established in 1964 and has grown to become one of the largest and most successful private hospital owners and operators in Australia, with a commitment to the delivery of high quality healthcare.

Ramsay Health Care owns and operates 11 private hospitals and associated clinics located in New South Wales, Queensland, South Australia, Western Australia and Victoria, with a total of 1,351 beds and employs over 2,000 people. There are two major new hospitals under construction, which will bring the total number of beds to 1,675 and the total number of employees to over 2,500.

3.2 History

In 1964, the Chairman and principal effective shareholder of Ramsay Health Care, Mr Paul Ramsay, purchased a guest house on Sydney's North Shore and converted it into a psychiatric hospital. As a result of the demand for the services provided by this hospital, Mr Ramsay built what is now Evesham Clinic in 1967, followed by the Northside Clinic. Following an appraisal of the surgical hospital industry in Australia in 1978/79, the Baringa and Albury medical/surgical centres were built.

New Farm Psychiatric Hospital in Brisbane was purchased in 1983 and rebuilt as a larger, more modern facility in 1986, and Kahlyn Psychiatric Hospital in Adelaide was purchased in 1985.

In 1987, the Tamara Private Hospital was purchased.

Also in 1987, Ramsay Health Care purchased three psychiatric hospitals in Melbourne which have recently been combined into one unit, the Albert Road Clinic. In 1988, Ramsay Health Care completed construction of the Adelaide Clinic, a state-of-the-art psychiatric hospital purchased partially-built in 1987.

Mr Paul Ramsay listed his hospital property interests on the ASX in 1987, and subsequently in 1992 privatised this group following completion of a capital reduction.

Mr Pat Grier was appointed Managing Director in 1994.

Two of the largest private hospitals in Australia were acquired by Ramsay Health Care from the Commonwealth Department of Veterans Affairs ("DVA") which privatised its hospital at Hollywood (Perth) in 1994, followed by its facility at Greenslopes (Brisbane) in 1995.

In 1996, Ramsay Health Care was successful in its tender for the financing, design, construction and operation of a private hospital on the campus of Royal North Shore Hospital in Sydney. Ramsay Health Care was also selected by the Government of South Australia to finance, design, construct and operate a new private hospital and associated medical facilities co-located at the Flinders Medical Centre in Adelaide.

In addition to assessing further opportunities in the Australian market, Ramsay Health Care is also assessing overseas healthcare opportunities, in Asia and other markets.

3. Business description

3.3 Ramsay Health Care's operations

	Veterans		Psychiatric							Rural			Co-located		
	Hollywood	Greenslopes	Northside	Evesham	Albert Road	Adelaide	Kahlyn	New Farm	Greenslopes	Hollywood	Baringa	Albury-Wodonga	Tamara	North Shore	Flinders
Accident and emergency department	⁽¹⁾ •	•												⁽²⁾ •	⁽²⁾ •
Acute medical specialty	•	•									•	•	•	•	•
Critical care unit	•	•										•			
Cardiac catheterisation laboratory	⁽³⁾ •	•										⁽³⁾ •		•	•
Day surgery/treatment	•	•									•	•	•	•	•
High dependency unit	•	•									•		•	•	•
Maternity unit											•		•	•	•
Psychiatry specialty		•	•	•	•	•	•	•	•	•		•			
Radiotherapy unit															•
Rehabilitation specialty	•	•									•		•		
Surgical specialty	•	•									•	•	•	•	•
University affiliation	•	•	•		•	•		•	•	•				•	•
Main operating theatres	4	6									2	4	3		
Beds⁽⁴⁾	300	350	134	42	80	91	40	75	+	+	80	82	77	164	160

Note

⁽¹⁾ planned to open in fiscal 1999

⁽²⁾ situated in adjacent public hospital

⁽³⁾ scheduled to commence operations in 1998/99

⁽⁴⁾ bed numbers are the number of beds which the hospitals are licensed or otherwise permitted to provide, which currently includes a total of 40 bed licences which are not currently utilised by the hospitals (4 available at Albury-Wodonga, 18 at Northside and 18 at Tamara). The licences for these beds are held on behalf of the hospitals by the NSW Department of Health.

+ bed licences included in total for veterans hospital

3. Business description

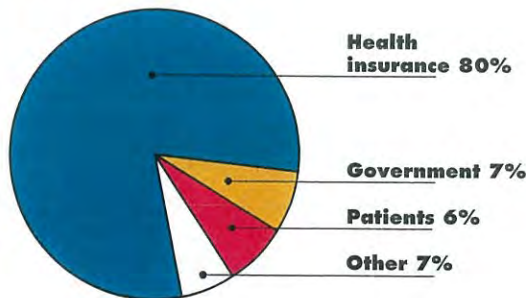


Ramsay Health Care's hospitals have the latest equipment in intensive and cardiac units.

As a result of the diverse nature of its healthcare activities and its strategic move into ownership of veterans hospitals, Ramsay Health Care has achieved a balanced revenue mix.

While a number of private hospital operators rely heavily on revenue from the health funds for privately insured patients, over 50% of Ramsay Health Care's revenue is underpinned by Government contracted patients. This is demonstrated below:

Typical private hospital revenue in Australia



Source: Australian Institute of Health and Welfare

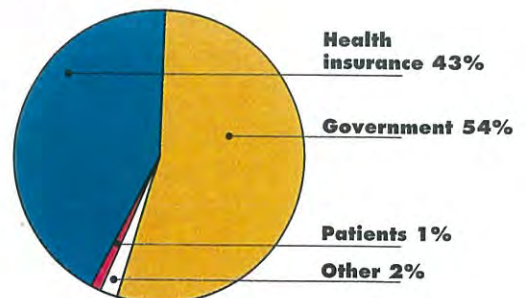
Veterans hospitals

Ramsay Health Care is the owner and operator of the Hollywood Private Hospital in Perth (Hollywood) and the Greenslopes Private Hospital in Brisbane (Greenslopes). Both these hospitals were purchased from the DVA and significantly upgraded.

At any point in time, these hospitals together have approximately 600 patients, of which approximately 80% are funded under contracts with the DVA. Under the terms of these contracts, the Government has an obligation to make minimum volume payments to Ramsay Health Care. The Government has an option to renew these contracts at the completion of the initial 10 year period.

Both the Hollywood and Greenslopes hospitals are major tertiary referral teaching hospitals which accommodate university departments and specialist clinical units. Leaders in a number of medical fields perform advanced surgery in these hospitals. The contracted DVA business is enhanced by the potential to develop the hospitals as high quality private hospitals and to market their leading specialty units Statewide.

Ramsay Health Care's source of revenue



Source: Ramsay Health Care

3. Business description

Over the next decade, it is expected that there will be a natural attrition of people eligible for veterans healthcare. Notwithstanding this, the Directors believe that these hospitals will continue to achieve high occupancy levels as a consequence of increased morbidity associated with ageing of veterans and their spouses, and growth in private demand. In addition, strategies have already been developed to tailor facilities and services for privately insured patients. This has had the dual effect of enhancing the quality of care available to veterans and positioning the hospitals to become significant competitors for privately insured patients. The hospitals are experiencing stronger growth in demand from veteran patients than anticipated by the DVA and Ramsay Health Care. Due to the demand at Greenslopes, the Queensland Government approved 65 additional bed licences in 1995, taking the total number of licenced beds to 350.

The Directors believe that these projects illustrate how Ramsay Health Care has been able to successfully privatise hospitals. Not only has Ramsay Health Care achieved substantial returns from its investment, but these projects have also provided substantial savings to the Government and improved the quality of care provided to veterans.

Hollywood Private Hospital

Hollywood Private Hospital is situated in the Perth suburb of Nedlands adjacent to Sir Charles Gairdner Hospital, a major public teaching hospital.

The hospital has 300 beds and provides a full range of medical, surgical and psychiatric services



Improved facilities and almost no waiting lists at the former veterans hospital under Ramsay Health Care have increased patient satisfaction and admissions.

primarily to war veterans and their widows. Ramsay Health Care acquired the hospital in February 1994, reducing the number of staff from 1,065 to 560 full-time equivalents. This reduction was achieved without any industrial problems, and the hospital's level of activity was maintained.

Staff morale increased markedly through greater staff involvement and the active management provided by Ramsay Health Care. Patient satisfaction has also increased substantially.

Also, within 18 months the hospital had achieved restoration of accreditation with the ACHS.

The hospital has particular expertise in the areas of urology, orthopaedics, general surgery, gastroenterology and psychiatry. It is a recognised teaching hospital with the University of Western Australia which maintains a strong presence on site. The hospital has strong links with the

3. Business description



The 350 bed Greenslopes Private Hospital is one of the largest in Brisbane. Ramsay Health Care achieved accreditation for the Hospital with the ACHS within 18 months of taking over.

urological research centre based on the Sir Charles Gairdner campus and has the only laser used in urological surgery in Western Australia.

In orthopaedics, the hospital provides a unique service to Western Australia in the field of bone allografts. A major redevelopment of the site is in process with a new stand-alone 30 bed psychiatric unit opened in April 1997 and a new 120 bed ward block opening in August 1997. Stage 2 of the development planned for 1997 onwards will provide a cardiac catheterisation laboratory, day surgery/gastroenterology unit, intensive care unit/critical care unit, accident and emergency department and a medical suite complex.

As a university affiliated teaching facility, Hollywood employs 32 registrars and resident medical officers and takes part in a number of research projects, covering urology, orthopaedics

and respiratory medicine, and a major study into the causes of Alzheimer's disease.

Greenslopes Private Hospital

Greenslopes Private Hospital is located on the south side of the Brisbane central business district in the suburb of Greenslopes. The hospital has 350 beds and provides a comprehensive range of medical, surgical and psychiatric services, primarily to a war veteran population, and an increasing volume of private patients. The hospital was acquired by Ramsay Health Care in January 1995.

Prior to its acquisition by Ramsay Health Care, the hospital had a staff of 1,319 full-time equivalents. There were significant waiting lists in a number of specialities including general surgery, orthopaedics and urology. The hospital was not accredited with the ACHS and required substantial capital investment.

3. Business description

On handover of the hospital to Ramsay Health Care, the staff numbers were reduced by 56% to 567 full-time equivalents. In the first twelve months of ownership, the number of patients treated was maintained at the previous rate and in October 1995 the bed licences were increased from 285 beds to 350 beds. Waiting lists were either eradicated or reduced considerably. The hospital achieved accreditation with the ACHS in March 1996 and the level of patient satisfaction within the hospital is high, as evidenced by the hospital occupancy and feedback from the Commonwealth Government treatment monitoring committee. Through its participative and motivational management style, Ramsay Health Care has been able to achieve significant improvements in efficiency without industrial relations problems.

A redevelopment programme for the hospital is currently taking place which has to date delivered a new stand-alone 30 bed psychiatric unit and 40 bed rehabilitation unit. Cardiac catheterisation commenced at the hospital in June 1997, with full cardiac surgery due to commence in January 1998. A medical suite complex is planned for 1998.

The hospital is a university affiliated teaching facility of the University of Queensland which has a major presence on site. The hospital employs 30 interns and registrars and is involved in a substantial body of research.



An emphasis on medical research in Ramsay Health Care's hospitals builds strong relationships with university medical schools and doctors.

Psychiatric hospitals

Ramsay Health Care is the largest provider of private hospital psychiatric care in Australia. These services are provided through 6 stand-alone psychiatric hospitals and 2 psychiatric units in the grounds of the Hollywood and Greenslopes hospitals. The psychiatric operations are as follows:

State	Name	No. of beds*
New South Wales	Northside Clinic	134
	Evesham Clinic	42
Victoria	Albert Road Clinic	80
South Australia	Adelaide Clinic	91
	Kahlyn Private Hospital	40
Queensland	New Farm Clinic	75
	Greenslopes Psychiatric Unit	30
Western Australia	Hollywood Psychiatric Unit	30

* beds which the facilities are licensed to provide, including 18 bed licences available at Northside but not currently utilised.

3. Business description

Ramsay Health Care has used its position as the leading provider of private psychiatric care to influence the development of psychiatric services in Australia. Ramsay Health Care's hospitals provide a wide range of psychiatric services including:

- mood disorder treatment;
- general acute psychiatry and intensive care treatment;
- eating disorder treatment;
- drug and alcohol disorder treatment;
- treatment of post-traumatic stress disorders for war veterans;
- elderly treatment;
- adolescent disorder treatment; and
- pain management.



As the largest provider of private psychiatric care in Australia, Ramsay Health Care plays a leading role in industry development.

It successfully introduced therapeutic programmes to psychiatric hospitals and through continual innovation, has kept its services at the forefront of clinical care. By taking this position, Ramsay Health Care has attracted leaders in the field of psychiatry to its facilities.

In addition, by providing a support structure of medical registrars and research resources, Ramsay Health Care has been pivotal in the generation of a substantial body of important psychiatric research.

Ramsay Health Care has been successful in developing close working relationships with psychiatrists using its facilities and continually seeks to secure doctor loyalty. Ramsay Health Care's credibility has been enhanced by the development of formal and extensive university links with a number of chairs being funded by the Company.

Ramsay Health Care has also been successful in developing and maintaining an excellent working relationship with the Royal Australian and New Zealand College of Psychiatrists and liaises closely with this body on all matters of importance to the industry.

With the increasing desire of health funds to gain a greater understanding of the complex area of psychiatry, Ramsay Health Care has worked hard to develop productive relationships with all major health funds, and plays a central role in discussions on industry directions with the health funds.

3. Business description

The Directors believe that due to Ramsay Health Care's pre-eminent position and the quality of services it provides, it is well positioned to prosper in an environment which demands increasingly higher standards. Ramsay Health Care has worked in collaboration with health funds in the development of outcome measurement tools to provide evidence of health gains attributable to hospitalisation. This will be the first real outcome measurement used in the Australian private psychiatric industry. Ramsay Health Care's position will be further enhanced by its participation in the National Mental Health Strategy's Draft Standards for Psychiatric Services programme, the only private sector participant in this study.

Northside Clinic

Northside Clinic is a 134 bed teaching facility located at Greenwich on the north shore of Sydney, 7km from Sydney's central business district. Built in 1972, it is recognised as one of the leading private psychiatric hospitals in Australia. The hospital has developed a number of specialised treatment units which have professorial attachments to the University of Sydney. A significant amount of research is undertaken at the hospital which also employs 7 registrars under training. The hospital specialises in the treatment of mood disorders, general acute psychiatry, eating disorders, drug and alcohol problems and post-traumatic stress disorders for war veterans. In 1996, a 5 bed intensive care unit was developed at the hospital.



The Northside Clinic at Greenwich in Sydney is recognised as one of the leading private psychiatric hospitals in Australia.

Evesham Clinic

Evesham Clinic is a 42 bed psychiatric hospital located in Cremorne on Sydney's north shore and was opened in 1967. The clinic specialises in the treatment of general acute anxiety and depression in the elderly, as well as general acute treatment for war veterans. The catchment area for this hospital stretches along the lower north shore of Sydney and along the northern beaches.



Evesham Clinic at Cremorne in Sydney.

3. Business description



The parent infant clinic program at the Albert Road Clinic is one of the many innovative programs designed to help people cope with modern life.

Albert Road Clinic

Albert Road Clinic was opened in July 1995 and in part was a conglomeration of three existing psychiatric hospitals owned by Ramsay Health Care. These hospitals were closed upon the opening of Albert Road Clinic. Albert Road Clinic is an 80 licensed bed facility which is recognised throughout Melbourne as a major specialist referral centre. The clinic specialises in the treatment of eating disorders, adolescent disorders and elderly assessment and through its mood disorders programme, has formal links with the University of Melbourne.

Adelaide Clinic

The Adelaide Clinic is a 91 bed facility and is a leading provider of psychiatric services in South Australia. The hospital, which is a teaching facility of the University of Adelaide, provides a full range of general, acute and specialised psychiatric services, including a pain management clinic, elderly assessment and treatment unit and a 4 bed intensive care unit. Located in the

Adelaide suburb of Gilberton, approximately 3km from the Adelaide central business district, it was acquired by Ramsay Health Care in 1987.

Kahlyn Private Hospital

Kahlyn Private Hospital is located in the Adelaide suburb of Magill and has 40 beds. The hospital was acquired by Ramsay Health Care in 1985, and specialises in the treatment of eating disorders, drug and alcohol disorders, adolescents and general acute care.

New Farm Clinic

New Farm Clinic is situated in the Brisbane suburb of New Farm, approximately 3 km from the central business district. The clinic opened in 1986 as a replacement for an older facility and now has 75 beds. The hospital is recognised as being a leading centre for private psychiatric care in Queensland. It attracts patients from Brisbane and surrounding rural areas. New Farm specialises in the treatment of anxiety disorders, eating disorders, psycho-geriatrics and general acute psychiatry. In 1994, a specialist medical centre was developed in the grounds of the clinic which houses a number of psychiatric consultants. The clinic is affiliated with the University of Queensland.

Rural medical/surgical hospitals

Ramsay Health Care owns three medical/surgical hospitals which are located in major regional centres in New South Wales. As they are the only private hospitals in each of their locations, they have developed strong market positions.

Over recent years, these hospitals have significantly expanded their activities in advanced surgery and now include a number of specialised units.

3. Business description

Through the raising of clinical skills and the introduction of specialised units, these hospitals have been able to attract excellent medical staff to strengthen their market position. Attracting these doctors is further facilitated by Ramsay Health Care working closely with the local communities.

Albury-Wodonga Private Hospital

Albury-Wodonga Private Hospital was opened in 1978 as a 60 bed facility. Since that time the hospital has been renovated and upgraded into a modern 82 bed hospital. The hospital provides services to a catchment area with a population in excess of 200,000 extending from Albury through the Southern Riverina district.

The hospital specialises in the areas of urology, orthopaedics, general surgery and acute medicine. In addition to the expansion in the number of beds at the hospital, a substantial medical centre was developed including specialist medical rooms for a number of specialities and the Albury Anaesthetist Group. Additionally, a critical care unit was developed at the hospital, which allows complex coronary care patients to be cared for in the facility.

The hospital is in the process of developing a major radiology centre within the grounds of the hospital. This centre will be operated by a third party and will include, along with general x-ray and ultrasound, a cat scanner, MRI scanner and angiography suite. This is scheduled to be completed and commence operations in early 1998 along with the commencement of cardiac catheterisation services.



Tamara Private Hospital at Tamworth is one of three hospitals which gives Ramsay Health Care a significant presence in rural New South Wales.

Baringa Private Hospital

Located in Coffs Harbour, Baringa opened in 1978 as a 50 bed surgical hospital. Over the years, the hospital has grown in size to its current 80 bed capacity and now includes an obstetrics wing, a substantial rehabilitation unit including a hydrotherapy pool, and specialist suites.

The hospital services a catchment area with a population of between 200,000 and 250,000 extending along the north coast from Port Macquarie to Grafton and inland to Armidale.

Tamara Private Hospital

Tamara Private Hospital, located in Tamworth in northern New South Wales, was purchased in 1987 by Ramsay Health Care. Since then, the hospital has been substantially remodelled and now has 77 beds, a modern operating theatre complex, obstetric unit, radiology unit and day surgery facility.

3. Business description

The hospital is the focus for private healthcare in the Tamworth region and specialises in orthopaedics, general surgery, ophthalmology and gynaecology.

New hospital developments

Ramsay Health Care has two new hospital developments currently under construction. For both of these developments, Ramsay Health Care was selected by the relevant State Government authorities following a competitive tender for the co-location of a private hospital on the existing public hospital campuses.

Upon completion, these two hospitals will comprise approximately 20% of Ramsay Health Care's total beds. These new operations are expected to produce some \$40 million of revenue in 1998/99, and over \$60 million in 1999/2000 (their first full year of operation).

Due to the nature of their operations, which includes a higher surgery component with higher acuity, and a large day surgery component, these hospitals have the potential to achieve higher margins than those currently achieved by the Group.

North Shore Private Hospital

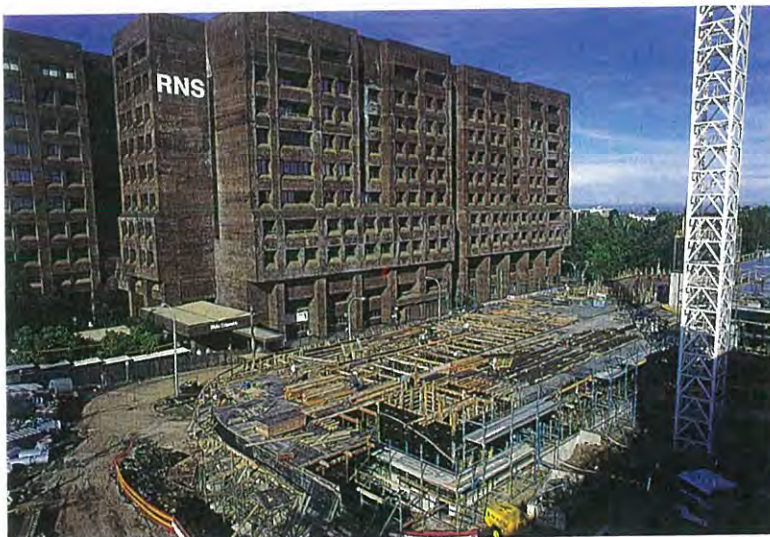
Following a successful tender, Ramsay Health Care was selected by the Government of New South Wales and the Northern Sydney Area Health Service to finance, design, construct, operate, own and manage a new private hospital co-located at the Royal North Shore Hospital in Sydney.

This facility, on what is considered one of Australia's premier hospital locations, will focus on the provision of a comprehensive range of services to private patients while playing an active role in the development of the campus.

Ramsay Health Care has obtained a 50 year lease on land within the Royal North Shore Hospital campus and construction has commenced with completion due in mid 1998. The \$75 million budgeted total net cost of the hospital and associated facilities will be fully funded by corporate debt and internal cash flow.

Ramsay Health Care has entered into a maximum price contract with Fletcher Construction Australia Limited for the design and construction of North Shore Private Hospital.

Under the terms of this construction contract, Fletcher Construction Australia Limited is responsible for carrying out the construction work and managing the design of the project.



Construction of the 164 bed North Shore Private Hospital. This is due to open in July 1998. It is one of the two co-location private hospitals under construction by Ramsay Health Care.

3. Business description

The maximum price payable by Ramsay Health Care for the design and construction of North Shore Private Hospital is \$45 million. This amount can be varied if additional works are approved by Ramsay Health Care.

Construction is currently approximately 20% complete with tenders let for approximately 40% of the outstanding works. The Directors believe that this project will be completed on time and within budget.

Ramsay Health Care is responsible for the installation and cost of the equipment fitout for North Shore Private Hospital. The total budgeted cost of this fitout is \$10.5 million. The Directors believe that the fitout will be completed on time and within budget.

The balance of the costs include a lease prepayment, bed licence purchases, soft fitout, funding costs and professional fees.

When completed, this high-tech facility will comprise 164 beds, 8 operating theatres, 2 procedure rooms, intensive and coronary care units, 6 delivery suites, day surgery, cardiac catheter suites and approximately 3,500 square metres of medical consulting suites. The medical consulting suites are to be sold to medical practitioners on a strata leasehold basis, which will provide Ramsay Health Care with a strong base for referrals. Considerable interest has been shown for these suites. As well as general medical/surgical services, the hospital will provide for cardiac surgery, cardiology, orthopaedics, obstetrics, gynaecology, neurosurgery, vascular surgery, urology, plastic surgery and oncology.



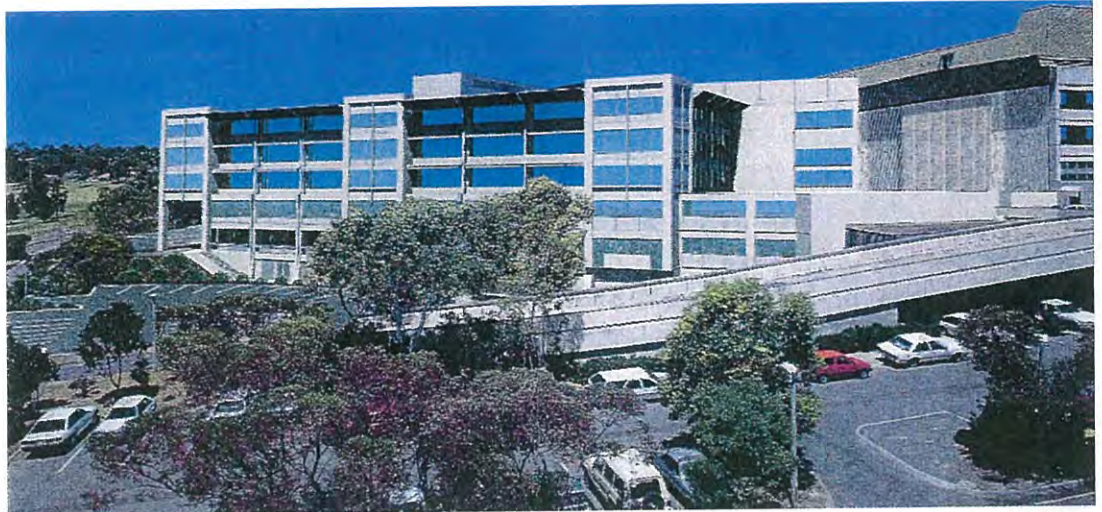
Artists impression of the new co-located North Shore Private Hospital which will create medical, research and operational synergies with the adjoining public hospital.

Like most Ramsay Health Care hospitals, North Shore Private Hospital will also participate in teaching and research activities, in which it will enjoy a close association with Royal North Shore Hospital.

Located in a densely populated area with a high participation rate in private medical insurance, the North Shore Private Hospital is expected to make a strong contribution from its first year of operation commencing in the second half of 1998.

To assist in the establishment of the North Shore Private Hospital, Ramsay Health Care has contracted to acquire a 70 bed private hospital, the Centre for Bone and Joint Disease, from which referring specialists together with 40 licences will be transferred to North Shore Private Hospital.

3. Business description



The Flinders Medical Centre in South Australia where Ramsay Health Care is building a 160 bed co-location hospital that will be connected to the public hospital shown above.

Flinders Private Hospital

Ramsay Health Care was the successful tenderer selected by the South Australian Government and Flinders Medical Centre to construct and operate a new 160 bed private hospital and associated medical facilities co-located on the Flinders Medical Centre site in Adelaide.

The location of this hospital adjacent to both the Flinders Medical Centre and Flinders University, is considered a prime site in South Australia. The Flinders Private Hospital site has been secured by a 50 year lease.

The new hospital will be physically linked with the existing public hospital, with which it will share services and infrastructure. Flinders Private Hospital has negotiated contracts to provide services to publicly funded patients in the areas of day surgery, cardiac catheterisation and sub-acute services.

The hospital will have 100 acute beds, 50 ambulatory patient accommodation beds, 8

operating theatres, a 10 bed intensive care unit and coronary care unit, 4 delivery suites, a day surgery unit, eye centre and 40 medical consulting suites. The top floor of the medical consulting suites is being designed as a cardiology centre in conjunction with the Flinders Medical Centre.

Due to its proximity to the Flinders University, Flinders Private Hospital will develop into a major centre for medical and associated research. Ramsay Health Care's participation in teaching and research is a key element of the project.

The total budgeted net cost of the project is \$61 million which has been funded by long term project finance. The South Australian Health Commission is contributing \$2.8 million by way of lease prepayments to the development of a cardiology centre within the hospital complex.

Ramsay Health Care has entered into a maximum price contract with Baulderstone Hornibrook Pty Limited for the design and construction of Flinders Private Hospital.

3. Business description

Under the terms of this construction contract, Boulderstone Hornibrook Pty Limited is responsible for carrying out the construction work and managing the design of the project. The maximum price payable by Ramsay Health Care for the design and construction of Flinders Private Hospital is estimated to be \$38 million. The amount can be varied if additional works or costs are approved by Ramsay Health Care.

Construction is currently approximately 15% complete, with tenders let for approximately 38% of the outstanding works. The Directors believe that this project will be completed on time and within budget.

Ramsay Health Care is responsible for the installation and cost of the equipment fitout for Flinders Private Hospital. The total budgeted cost of this fitout is \$9.5 million. The Directors believe that the fitout will be completed on time and within budget.

The balance of the costs to be incurred will be bed licence purchases, soft fitout, funding costs and professional fees.

Healthcare management expertise

The success of the privatisation of Hollywood and Greenslopes hospitals has allowed Ramsay Health Care to demonstrate its overall healthcare management expertise in the public sector.

Ramsay Health Care is well positioned to sell its medical, surgical and psychiatric expertise and related management skills to governments and to exploit the growing hospital management market in Asia. In this regard, Ramsay Health Care has

undertaken a number of feasibility studies in Asia and is currently awaiting appointment to commence the design of 3 large medical/surgical hospitals for the Malaysian Government.

Ramsay Health Care was commissioned by the Western Australian Government to undertake a feasibility study of its psychiatric services to determine if the private sector could manage the facilities more cost effectively.

In addition, Ramsay Health Care has become involved in the management of specialist medical centres situated near its hospitals. With the encouragement of the various professional colleges which are keen to enhance peer relationships and skills, doctors are tending to group together. Through the management of these specialist centres, Ramsay Health Care is able to build a closer working relationship with the doctors and to develop a strong referral network for its hospitals.

3.4 Ramsay Health Care's management philosophy

While Ramsay Health Care has a strong corporate office that provides the overall strategic direction and underlying disciplines for the Group, it is the individual hospitals and their staff that market and build close relations with the doctors and the community.

Recognising this, Ramsay Health Care has developed a strong corporate culture which is encouraged throughout the organisation and is based on individual staff involvement in the success and direction of each business unit. The development of the Ramsay Health Care corporate culture is facilitated by a program of management rotation throughout the Group.

3. Business description



Ramsay Health Care has a long standing commitment to education research in the medical community. Many hospitals are affiliated with local university medical courses.

Each hospital is managed and developed on an individual basis specifically to meet its competitive conditions and to embody the local medical community. For example, each hospital introduces its own speciality units and treatment regimes to meet the needs of the community and the hospital-admitting doctors.

Training and teamwork are the cornerstones of developing and maintaining the unique corporate culture of Ramsay Health Care.



Relationship with medical practitioners

Obtaining referrals from general practitioners is a critical success factor. Referrals are primarily dependent on the quality of specialists that consult at the hospitals. Ramsay Health Care has been pro-active in attracting the top specialists and seeks to provide modern facilities and equipment, along with high quality staff and management. Most Ramsay Health Care hospitals also have specialist consulting rooms available and Ramsay Health Care is continually reviewing these facilities and increasing the number where appropriate. In 1994, Ramsay Health Care opened the Health Care Centre for the Northside Clinic in Sydney, which has enabled Ramsay Health Care to build a closer working relationship with doctors and develop a strong referral network.

Training and development

The healthcare sector is continually evolving and techniques and procedures change constantly. This change requires continual education and the development of new skills. Ramsay Health Care has had a longstanding commitment to participation in education and research in the medical community.

Over many years, Ramsay Health Care has developed strong relationships with the leading university medical schools. A number of the hospitals fund academic positions and have university affiliated units. Research is carried out extensively within Ramsay Health Care and a number of outcome studies are in progress.

3. Business description

Accreditation

In the demanding healthcare field, quality is fundamental to success. Other than the recently established Albert Road Clinic (which is currently undergoing the accreditation process), Ramsay Health Care has achieved full accreditation by the ACHS for all of the Group hospitals. The Directors are confident that accreditation will be received for this new facility in due course. The ACHS is an independent organisation that was established to measure, promote and encourage, by voluntary means, the best possible quality of healthcare and its efficient provision in Australian healthcare facilities. Ramsay Health Care takes a leading role in supporting the accreditation process.

Community support

Ramsay Health Care maintains an active role in the community. All Ramsay Health Care hospitals have developed strong community links through a range of contacts including schools, universities, sporting bodies, service clubs and senior citizens organisations.

Ramsay Health Care has taken an active role in supporting and initiating activities involving veterans and related agencies. Whenever possible, Ramsay Health Care's veterans hospitals work closely with the veterans associations in order to enhance the well being of the veteran population. Ramsay Health Care also runs regular health education seminars and lectures covering a wide range of interests specific to each hospital's demographic area for both the community and the medical fraternity.

Corporate office

Due to its critical mass, Ramsay Health Care is able to benefit from a centralised corporate office. The



Greenslopes Private Hospital – the Pavillion of Remembrance.

corporate office team provides the overall strategic direction for the Company, as well as a range of additional functions including quality control, purchasing and capital expenditure, negotiation with health funds, human resources, Government liaison, treasury and financial management.

In addition, all new projects and those in the development and construction phases are overseen by the planning and development team, with external consultants used to augment management on a project by project basis.

Ramsay Health Care has undertaken a number of major project developments in recent times, and over the last three years the current management team has been responsible for construction projects at Hollywood and Greenslopes. All these projects were completed on time and within budget.

Ramsay Health Care has engaged the consultancy services of Mr Lindsay Short of Project Directors Pty Limited to oversee design and construction of the North Shore and Flinders

3. Business description

Private Hospitals, along with the redevelopment of the Hollywood and Greenslopes Private Hospitals and the Albert Road Clinic. Mr Short has over 35 years design, construction and project management experience. He has completed projects totalling over \$500 million in the past twelve years.

3.5 Growth prospects

Macroeconomic

The Commonwealth Government, facing large increases in healthcare expenditure, has confirmed its commitment to increasing health insurance membership in order to lessen the burden on the Medicare system. The follow-on effect of this increase will be to further increase the demand for quality private hospital services.

The Directors believe that Government initiatives to support private health insurance, such as the Government rebate scheme for those holding health insurance, and also the 1% levy for those not holding health insurance and earning more than \$70,000 per annum, will result in an increase in the number of people taking out private health insurance.

At both the Federal and State government levels, budget pressures are leading to privatisation and co-location opportunities. In addition, demand for healthcare services generally is increasing due to the demographic trend associated with an ageing population.

New hospital developments

The most significant contributions to growth in revenue and earnings over the next three years will come from the commissioning of the North Shore Private Hospital (due mid 1998) and the

Flinders Private Hospital (due early 1999). These new operations are expected to produce some \$40 million in revenue in 1998/99 and over \$60 million in 1999/2000 (their first full year of operation). These hospitals are expected to reach full-scale operating performance in 1999/2000.

Both hospitals are forecast to produce significant operating profits from opening, and due to the nature of their operations, which includes a higher surgical component, have the potential to achieve higher margins than those currently achieved by the Group.

Internal growth

Ramsay Health Care's expansion plans for its existing operations should provide the potential to increase revenues and achieve higher margins across the Group.

The changing environment in the healthcare industry and the introduction of new technologies will require Ramsay Health Care to constantly reassess the activities of each hospital. The Directors believe that Ramsay Health Care's extensive experience in the development of its hospitals over the past 33 years, and its decentralised structure will enable it to adapt to this changing environment.

Examples of Ramsay Health Care's internal expansion plans include:

- the opening of the new stand-alone psychiatric unit at Hollywood Private Hospital (which was opened in April 1997), with a strategy to become the pre-eminent psychiatric facility in Western Australia;

3. Business description

- the opening of the new 120 bed surgical ward in August 1997 at Hollywood Private Hospital, followed by a new cardiology unit, intensive care unit and accident and emergency unit, providing a state-of-the-art facility for veteran and private patients;
- the new stand-alone psychiatric unit and rehabilitation unit at Greenslopes Private Hospital;
- the cardiac catheterisation laboratory at Greenslopes Private Hospital which opened in June 1997 for both veteran and private patients;
- the opening of a new diagnostic centre at Albury-Wodonga Private Hospital during early 1998.

Development opportunities

A number of contracts for the provision of private sector services to public patients have already been offered in New South Wales, Victoria, Queensland, South Australia, Tasmania and Western Australia, and Ramsay Health Care has had considerable success in this field.

This trend to privatise the management of public hospitals is expected to continue at an increased rate, and the Directors are aware of a large number of privatisation or co-location opportunities in Australia at present.

Competition for privatisation opportunities amongst the health sector participants is expected to be intense. Ramsay Health Care will continue to monitor development opportunities closely, and will pursue those by which it can satisfy its return on investment criteria and strategic objectives.



The new 120 bed ward block under construction at Hollywood Private Hospital. The ward is expected to open in August 1997.

As one of Australia's largest private hospital operators and due to its relevant privatisation experience, Ramsay Health Care is well positioned to successfully bid for privatisation contracts.

Ramsay Health Care has been shortlisted for 2 current development opportunities, namely Robina (Queensland), and Daw Park (South Australia), and is under consideration for shortlisting for Queen Elizabeth Hospital (South Australia). In addition, Ramsay Health Care has formed a syndicate to pursue co-location opportunities in Brisbane which have been announced by the Queensland Government. The Group will continue to review other development opportunities and would anticipate securing one or two further development opportunities over the next 2 years.

The Directors forecasts do not contain any revenue or costs associated with these areas of potential growth.

3. Business description



Commitment to medical and nursing staff education keeps Ramsay Health Care at the forefront of medical and psychiatric care.

Acquisitions

Rationalisation within the fragmented private hospital sector is also occurring, providing acquisition opportunities. Ramsay Health Care is currently reviewing a number of acquisition opportunities, and with its experience in identifying quality hospitals, expects to continue its expansion programme in the healthcare sector.

With the requirement for sophisticated hospital management, increasing reliance on information technology and the need to provide state-of-the-art medical equipment in order to be leaders in the private sector, Ramsay Health Care believes size and economies of scale will play an important part in ensuring the profitability of private healthcare organisations. Ramsay Health Care is reviewing opportunities in related healthcare areas such as pathology, radiology and primary care, with a view to developing into an integrated healthcare group.

The Directors forecasts do not contain any revenue or costs associated with these areas of potential growth.

Asia

Asia represents an attractive, rapidly growing market for Ramsay Health Care within close geographical proximity to its existing operations.

Ramsay Health Care has established a presence in South East Asia with offices in Jakarta and Kuala Lumpur. In Jakarta, negotiations are taking place to secure contracts for the management of private hospitals, to undertake public and private hospital joint ventures, and to provide other health services. In Malaysia, Ramsay Health Care is currently awaiting confirmation of its appointment to design three large medical/ surgical hospitals following successful completion by the Company of preliminary consulting briefs.

Ramsay Health Care's strategy has been to pursue opportunities that do not currently require extensive capital commitments but enable it to establish a presence in Asia and greater understanding of the different healthcare systems. These projects are not expected to contribute substantially to the Company's performance in the immediate future. However, the Directors believe that they offer an exciting opportunity for the future.

Other markets

To date Ramsay Health Care has focused on Australia and Asia, however, the Directors will pursue healthcare opportunities in other markets (other than the United States) where the Group's investment criteria and strategic objectives are met.



SECTION

Financial
information

4. Financial information

4.1 Historical and projected performance

A summary of Ramsay Health Care's adjusted historical financial performance for each of the financial years ended 30 June 1994, 1995 and 1996 and Directors' forecasts for the financial year ended 30 June 1997 and the financial year ending 30 June 1998 is set out below.

Although due care and attention has been taken by the Directors in preparing the 1997 and 1998 forecasts, the Directors can give no guarantee or assurance that the forecasts will be achieved, since there are many factors beyond their control or influence. The key assumptions on which the forecasts are based are set out below.

Potential investors should also refer to details of sensitivities set out in this Section of the Prospectus, the Independent Accountant's Reports in Section 7 and details of the business environment and risk factors associated with an investment in Ramsay Health Care disclosed in Section 5.

The Directors have prepared the 1998 forecast on a pro-forma basis which includes a full 12 months forecast under the capital structure proposed in this Prospectus. The estimated difference from providing the forecast on a pro-forma basis rather than an actual basis, which would incorporate the proposed capital structure from 30 September 1997, is to increase the 1998 operating profit after income tax by \$1.2 million.

4.2 Key assumptions

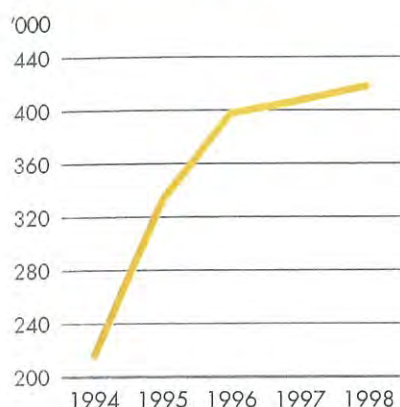
The forecast earnings before interest and tax for the financial year ended 30 June 1997 has been based on:

- actual operating results for the eleven months ended 31 May 1997; and
- forecast results for the month ended 30 June 1997 based on Directors' estimates.

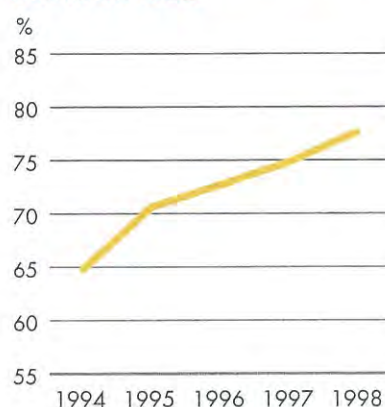
Year ended/ ending 30 June (\$000)	1994 (adjusted audited actual)	1995 (adjusted audited actual)	1996 (adjusted audited actual)	1997 (forecast)	1998 (pro-forma forecast)
Total revenue	84,313	149,516	179,544	192,378	204,487
Earnings before interest, tax, depreciation and amortisation	14,069	22,470	29,147	33,844	37,958
Depreciation and amortisation	2,646	6,188	8,501	9,122	10,056
Earnings before interest and tax	11,423	16,282	20,646	24,722	27,902
Interest expense					7,714
Operating profit before tax					20,188
Income tax expense					5,367
Operating profit after tax					14,821

4. Financial information

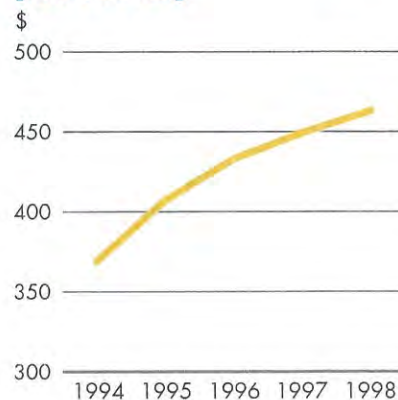
Total patient days



Inpatient occupancy per licensed bed



Net patient revenue per patient day



The pro-forma forecast profit after tax for the year ending 30 June 1998 has been based on Directors' estimates.

The significant assumptions made by the Directors in compiling the financial forecasts for the year ended 30 June 1997 and the year ending 30 June 1998 are set out below.

4.2.1 General assumptions

- The Offer is fully subscribed and proceeds have been received by 1 July 1997. \$42 million of existing bank loans are repaid and the indebtedness to the existing shareholder has been repaid. There are no further share issues during the forecast period.
- A continuation of the present operating and regulatory environment for private hospitals in Australia.
- Other than the continued development of North Shore Private Hospital and Flinders Private Hospital, there are no other material acquisitions or disposals during the forecast period.

- The Australian economy is assumed to enjoy a sustained period of moderate low inflationary growth.
- There is no change in applicable Accounting Standards that will have a material effect on the results of the Group.
- There is no material change in income tax legislation.

4.2.2 Patient revenue

The Company generally operates under one year contracts with the majority of health insurers, with agreed rates which are negotiated at different times throughout the year.

In respect of the DVA, bed rates are again negotiated on an annual basis, but these contracts have in-built escalations linked to movements in healthcare costs.

Health fund fee levels for the 1998 financial year are forecast to increase based on recent agreements reached and current negotiations with health funds.

4. Financial information

Over 95% of estimated revenue for 1998 is currently based on bed day rates agreed via contracts with the health funds and the DVA.

Based on forecast changes in casemix and health fund fee levels, net patient revenue per patient day is expected to increase from \$449 in the 1997 financial year to \$463 in the 1998 financial year. For the year ending 30 June 1998, inpatient occupancy levels of 77.6% are assumed to have grown from the projected 74.8% for the year ending 30 June 1997, and the actual inpatient occupancy level of 72.7% in 1996.

4.2.3 Other revenue

Other revenue is primarily rental income, health care management and consultancy fees and other ancillary services.

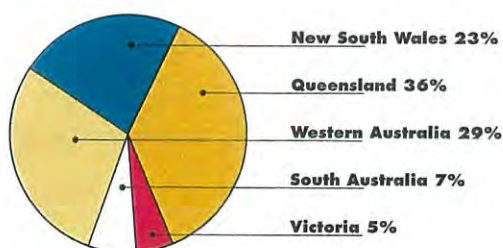
4.2.4 Personnel expenses

The major operating cost of Ramsay Health Care is personnel and associated employee costs, which consume approximately 56% of total revenue. Wage rates for the majority of employees are determined by award arrangements and enterprise agreements.

Average personnel expense is forecast to increase from 55.7% of total revenue in 1997 to 56.3% of total revenue in 1998.

Revenue by state

1997 forecast



4.2.5 Net interest expense

Following the listing, total debt facilities will be \$219.8 million, of which \$136.7 million will be drawn at the time of listing. Net interest expense for the 1998 financial year has been calculated based on the forecast cash flows, borrowings and proposed financing arrangements, as affected by the various interest rate hedge contracts that the Company expects to have in place, and after deducting interest income. In line with normal accounting policies, Ramsay Health Care capitalises interest on new developments until such time as they have been commissioned. In the year ending 30 June 1998, capitalised interest is approximately \$7.5 million. Refer to Section 9.4 of the Prospectus for further details of new bank funding arrangements subsequent to the float.

4.2.6 Income tax expense

Income tax expense has been forecast based on the net profit of Ramsay Health Care at the statutory company tax rate of 36% adjusted for permanent differences and existing tax losses. Permanent differences result primarily from the manner in which the Company will, following the Offer, arrange its finances, details of which are set out in Section 9. The Directors believe that based on the existing operations and those under development, the current effective tax rate will continue at or near this level for the foreseeable future.

4.2.7 Dividends

It is assumed that an interim dividend of 3 cents per Share is paid in March 1998 in respect of the 1998 financial year and a final dividend of 4.4 cents per Share is assumed to be declared and paid in September 1998.

4. Financial information

4.2.8 Pro-forma adjustments

The 1998 forecast operating profit after income tax has been based on the preceeding key assumptions relating to the following:

- reduction of bank borrowings amounting to \$42 million at 1 July 1997,
- repayment of all indebtedness to the current shareholder at 1 July 1997, and
- receipt of the net proceeds of the Offer on 1 July 1997.

Although the Directors have given due care and attention to the forecasts before their adoption, forecasts by their nature are subject to uncertainties and unexpected events, many of which may be beyond the control of the Directors. There can be no guarantee or assurance that the forecasts will be achieved.

Specific risk factors which may influence the business and impact on the forecasts are discussed in Section 5.2 of the Prospectus. In addition, the sub-section headed "Sensitivity analysis" below indicates the sensitivity of the 1998 forecast operating profit after income tax to changes in a number of key assumptions.

The forecasts have been subject to an independent review by Ernst & Young Corporate Finance Pty Limited which has concluded that the forecasts give effect in all material respects to the Directors' assumptions and are presented on a basis consistent with the accounting policies presently used by Ramsay Health Care.

Ernst & Young Corporate Finance Pty Limited has indicated that nothing came to its attention in its review which causes it to believe that the Directors' assumptions do not provide a reasonable basis for the forecasts. Ernst & Young Corporate Finance Pty Limited does not, however, take any responsibility for the achievement of the forecasts.

The forecasts have been prepared based upon the accounting policies set out in the Independent Accountant's Reports in Section 7. It is assumed that there will be no change in Australian Accounting Standards or the Australian Income Tax Assessment Act which would have a material effect on the projections.

4.3 Sensitivity analysis

The pro-forma forecast for the 1998 financial year has been based on certain economic and business assumptions about future events, the more significant of which are outlined in this Section. Ramsay Health Care's operating profit is sensitive in varying degrees to movements in a number of key business drivers.

Typically, Ramsay Health Care's management would respond to any adverse movement in these variables by taking action to minimise their impact on profit and dividends.

The following sensitivity analyses have been conducted:

- occupancy;
- average net patient revenue;
- personnel expense; and
- interest expense.

4. Financial information

Sensitivity analysis

Sensitivities	Forecast 1998	Occupancy (5% change) Variance		Patient Revenue PPD (1% change) Variance		Personnel expenses PPD (2% change) Variance		Interest rate (1% rate change) Variance	
		\$000	\$000	%	\$000	%	\$000	%	\$000
EBIT	27,902	2,855	10.2	1,933	6.9	2,234	8.0	n/a	n/a
NPAT	14,821	1,827	13.4	1,237	9.1	1,430	10.5	n/a	n/a

PPD = per patient day

The table above provides a comparison with the Directors' forecasts.

4.3.1 Occupancy

If fixed costs and interest expense remain constant and those variable costs associated directly with occupancy remain the same per patient day, then it is estimated that a 5% change in the forecast level of occupancy would result in a change of approximately \$1.8 million in operating profit after tax for the full year.

4.3.2 Patient revenue

A 1% change in the average net patient revenue per patient day received from health funds, the DVA and other funding agencies is estimated to result in a change in operating profit after tax of approximately \$1.2 million in a full year. The Company typically operates under one year contracts with the majority of health insurers and funding agencies with agreed rates which are negotiated at different times throughout the year. Accordingly, the Directors believe that the sensitivity to such changes in the 1998 financial year is minimised.

4.3.3 Personnel expenses

If all other variables remain constant, a 2% change in the forecast level of personnel expense per patient day is estimated to result in a change in operating profit after tax of approximately \$1.4 million in a full year.

4.3.4 Net interest expense

An interest rate change of 1% per annum to the forecast interest rates will not result in a change in operating profit after tax. This is due to the fact that the Company takes a largely risk-averse position to interest rate movements and most of the Company's debt is hedged. At the proposed date of listing, approximately 80% of the Company's debt facilities extend for periods of 8.5 to 12 years at fixed rates of interest averaging approximately 9%. Further, the balance of the Company's debt in 1998 will be used to fund hospital construction projects and accordingly, interest on such projects is capitalised.

4. Financial information

4.4 Balance sheet

The pro-forma consolidated balance sheet for Ramsay Health Care as at 31 March 1997 has been prepared as if the capital raising which is the subject of this prospectus had occurred as at that date. Details of the balance sheet are included in the Independent Accountant's Report in Section 7 and are summarised below.

(\$000)	31 March 1997 (pro-forma audited)
Cash	18,579
Trade receivables	18,548
Inventories	1,961
Property, plant and equipment	312,085
Other assets	888
Total assets	352,061
Trade creditors and borrowings	140,505
Provisions	8,997
Total liabilities	149,502
Net assets	202,559

In preparing this balance sheet, the Group's hospital assets have been valued based on an independent valuation carried out effective 1 July 1997 by an independent valuer. A copy of the report is contained in Section 8 of the Prospectus. Based on the assumptions noted above, the Company's pro-forma net assets as at 30 June 1997 is \$207 million, and pro-forma net asset backing per Share in the capital of the Company will be \$1.90.

4.5 Cash flow

Ramsay Health Care's actual cash flow from operations before interest and tax for the three financial years ended 30 June 1996 and the forecast and pro-forma forecast cash flows for the 1997 and 1998 financial years, respectively are shown overleaf. Refer to the Independent Accountant's Report in Section 7 of the Prospectus for further details of historical cash flows.

The forecast cash flows should be read in conjunction with the assumptions, sensitivity analysis and business risks discussed above.

The pro-forma forecast cash flow for the 1998 financial year assumes, amongst other things:

- net purchases of property and plant at \$82.3 million, the major items being payment of \$47.4 million towards the construction of North Shore Private Hospital and payment of \$26.9 million towards the construction of Flinders Private Hospital.
- a significant portion of the funds raised from the Offer being used to repay borrowings.
- repayment of shareholder indebtedness to Paul Ramsay Holdings Pty Limited as discussed in Section 2 of this Prospectus.

4.6 Dividends

In respect of the 1997/98 financial year, the Directors intend to declare an interim dividend of 3 cents payable in March 1998 and a final dividend of 4.4 cents payable in September 1998. The dividends are expected to be 80% franked.

However, it should be noted that the payment of dividends in 1998 and beyond will depend on the successful performance of Ramsay Health Care

4. Financial information

Cash Flow Statement

Year ended/ ending 30 June (\$000's)	1994	1995	1996	Forecast 1997	Pro-forma forecast 1998
Operating activities					
Earnings before interest and tax	11,423	16,282	20,646	24,722	27,902
Net movement in working capital and provisions	(3,051)	8,065	783	(3,810)	320
Depreciation and amortisation	2,646	6,188	8,501	9,122	10,056
Net operating cash flow before net interest and tax paid	11,018	30,535	29,930	30,034	38,278
Investing activities					
Purchase of property, plant and equipment	(45,188)	(78,193)	(17,964)	(37,986)	(82,350)
Proceeds on sale of property, plant and equipment	2,996	6,555	2,024	1,250	–
Cash flow (used in) investing activities	(42,192)	(71,638)	(15,940)	(36,736)	(82,350)
Financing activities					
Net interest paid					(15,546)
Income tax paid					(1,470)
Net movement in borrowings					22,117
Dividends paid					(3,264)
Net proceeds paid to Paul Ramsay Holdings Pty Limited					(32,875)
Proceeds from Offer ⁽¹⁾					80,100
Issue costs					(5,200)
Cash flow provided by financing activities					43,862
Net movement in cash					(210)

⁽¹⁾ Assumes full take up of 5% of Offer by employees.

as a whole. The Directors will take into account the internal funding needs of Ramsay Health Care in determining the optimum dividend policy and specific level of dividends distributed. The Directors do not guarantee that any dividends will be declared by the Company.

4.7 Gearing

Following listing, Ramsay Health Care will have net debt of approximately \$137 million and unused credit facilities of \$83 million. The Company's gearing level (net financial debt to shareholders' equity) will be approximately 65%.

The Company's gearing will rise to a peak of approximately 85% by December 1998 as a consequence of funding the two new hospital developments.

The Directors expect to fund future development projects and acquisition opportunities through internally generated cash flow, debt facilities, and (where appropriate) equity capital.

At the proposed date of listing, approximately 80% of the Company's debt facilities extend for periods of 8.5 to 12 years at fixed rates of interest averaging approximately 9% per annum.

SECTION

Business
environment and
risk factors

5. Business environment and risk factors

5.1 Business environment

Overview

Healthcare is one of Australia's largest industry sectors, with total public and private sector expenditure of approximately \$40 billion for the year ended 30 June 1996, representing approximately 8.7% of Australia's Gross Domestic Product. Total health care expenditure has increased by more than \$10 billion or 33% since 1990.

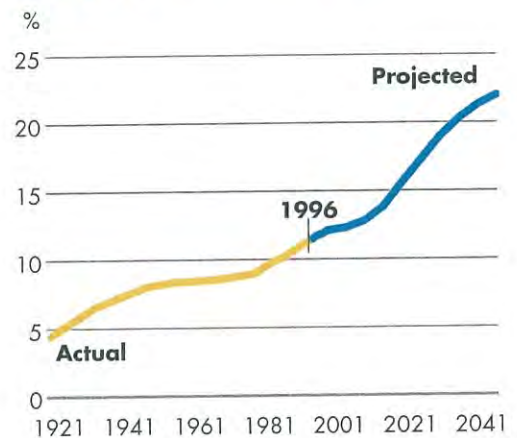
Healthcare is essentially a non-cyclical industry with growth driven by the demographics associated with an ageing population. According to estimates made by the Australian Institute of Health and Welfare:

- half of all acute hospital beds in Australia are occupied by people aged over 60;
- people aged over 65 account for just over 10% of the population but receive a third of the money spent on healthcare; and
- health expenditure per person is four times greater for those aged 65 and over than for those aged under 65.

Census data shows that the Australian population aged 65 and over increased 30% from 1985 to 1994 compared with a general Australian population increase of 13%. Government forecasts suggest that the numbers of those aged 65 and over will treble between 1991 and 2041, by which time the proportion of the population aged 65 and over will exceed 20%, compared with 12% today.

This trend is illustrated graphically below:

Proportion of Australian population aged 65 years and over



Source: Australian Bureau of Statistics

In addition, sectoral growth is aided by advances in technology and treatments, and a perception that each new Government should deliver an improved standard of healthcare.

The private hospital sector

Expenditure on the private hospital sector is currently approximately \$2.8 billion per annum (or approximately 7% of total healthcare costs) and provides approximately 30% of all hospital admissions.

Until recently, the private hospital sector in Australia has operated almost entirely for private patients. While the number of insured patients has fallen, hospitals that are well located with appropriate services have experienced demand for services as people holding health insurance move from using public hospitals to private hospitals.

5. Business environment and risk factors

Facing large increases in health expenditure, the Federal Government has stated that it has a firm commitment to support the continued development of the private healthcare sector through the privatisation of government hospitals in appropriate circumstances, and the provision of financial support for the adoption of private health insurance.

The Directors believe that there will be an increasing trend toward the private sector being responsible for building, owning and operating public hospitals as the public health system is affected by the increasing demands that are placed on it. The decline in the number of privately insured and a corresponding growth in utilisation of the public sector has increased pressure on public funding.

Both "for profit" and "not for profit" hospitals operate within the private hospital sector. Approximately 50% of the available beds in the sector are controlled by "for profit" hospitals. The "not for profit" hospitals are religious, charitable and community hospitals that generally receive exemptions of federal, state and local taxes.

It is estimated that there are 328 "for profit" and "not for profit" private hospitals in Australia plus another 125 private day facilities comprising approximately 23,000 hospital beds.

Health insurance and government policy

Since 1984, Australia has provided national public healthcare through the Medicare scheme. Medicare provides accommodation and treatment in public hospitals by hospital appointed doctors free of charge to the majority of Australians. Medicare is funded in part by a contribution levy on individuals' taxable incomes.

Since Medicare's inception, Australia's private health funds have experienced a steady decline in participation from 50% in June 1984 to 33.6% in June in 1996. The departure from basic level private health insurance, which allowed patients to be treated in public hospitals with their choice of doctor, has been the major factor behind the decline. This type of insurance does not, however, cover the full cost of admission to private hospitals. Consequently, the effect on the private hospital sector has not been as significant as the decline in the numbers of the insured population.

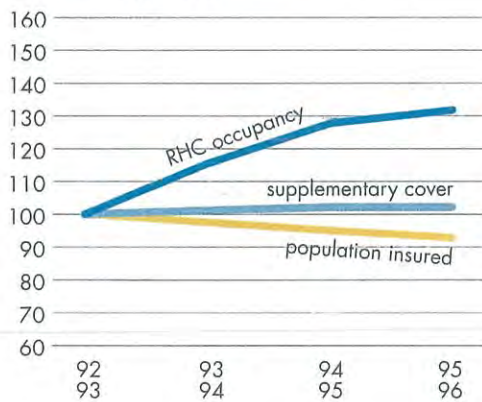
The bulk of the private hospital business is with insured patients and other third party payers. However, the private hospital sector's reliance on the privately insured population has been partly reduced by changing technology and the reduced length of stay in hospital, which has made admission to hospital more affordable. As a consequence, there has been an increase in "self-insured" patients – those who are prepared to pay for treatment privately rather than join public hospital waiting lists.

5. Business environment and risk factors

While the privately insured population has declined, the proportion of those insured who have supplementary cover has remained stable, and Ramsay Health Care has continued to increase its average occupancy level, as illustrated graphically below:

Ramsay Health Care occupancy rate and population insurance profile

Index 1992/93 = 100



The Australian health insurance industry is expected to undergo a number of fundamental changes over the next few years. The Productivity Commission is recommending deregulation of the health insurance industry and modification of the community rating system to eliminate the subsidisation that currently exists.

The Directors believe that if these changes take place it would be likely that there would be an increase in the number of people being privately insured, which would flow on to the number of people attending private hospitals.

Trends in psychiatric healthcare

As in medical and surgical specialities, the ability of the private sector to provide services for highly acute psychiatric patients has increased over the last five years. This coupled with the reduction in public hospital psychiatric beds, has generated a greater utilisation of private psychiatric hospitals by patients who previously would have been treated in the public sector.

With the movement to therapeutic programmes, payment models have been developed with the health funds that recognise the emphasis on providing shorter inpatient stays for acute conditions, and the associated development of day and community based treatment programs.

Opportunities

While changes to the healthcare environment will present Ramsay Health Care with a number of challenges, it also provides a number of opportunities including:

- privatisation of public hospital facilities and services;
- co-location of private hospitals on public hospital campuses to provide additional health services;
- development of non-hospital related integrated care facilities (i.e. pathology, radiology and primary care); and
- development of day surgery centres.

5. Business environment and risk factors

5.2 Risk factors

In addition to the general risk associated with any investment in the stock market, there are many factors relevant to Ramsay Health Care's business which may impact its future performance and prospects. Some of these factors are beyond the control of the Directors or are unforeseeable as at the date of this Prospectus.

These factors include:

General risk factors

- the Australian economic climate;
- interest rates, which may affect the amounts payable on Ramsay Health Care's borrowings and amounts received on deposits;
- a material change in the regulatory environment; and
- the taking out or maintenance of private health insurance, particularly the number of people taking out or maintaining supplementary private health insurance.

Specific risk factors

- a change in the method and capacity of funding by the health funds;
- an increase in the Company's effective tax rate as a result of a change in income tax legislation;

- an increase in the cost of labour and hospital supplies;
- a reduction in the level of support from medical practitioners for Ramsay Health Care hospitals;
- risks associated with the hospital development projects, including cost overruns, and the delays in revenues flowing from the proposed developments;
- the operating performance of the new hospitals falling materially outside that on which assumptions are based;
- the integration of any new businesses acquired by Ramsay Health Care;
- the loss of key management and consulting personnel and Ramsay Health Care's ability to attract and retain qualified personnel;
- development of new hospitals, services or technology in competition with Ramsay Health Care's operations;
- the level of market acceptance for existing services;
- competitors' pricing strategies;

5. *Business environment and risk factors*

- risks associated with lower inpatient psychiatric revenues as treatment programmes become more community based;
- technological change relating to Ramsay Health Care's information systems;
- loss of accreditation for Ramsay Health Care's hospitals causing the loss of contracts with health insurance funds; and
- the removal of Ramsay Health Care's hospital licences.



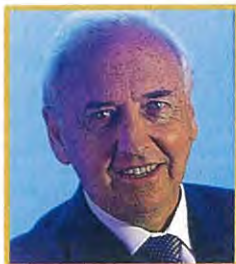
SECTION

Directors and
senior management



6. Directors and senior management

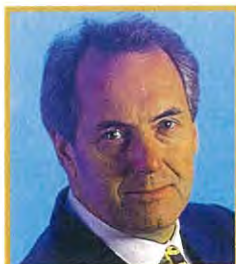
6.1 Board of Directors



Paul Ramsay
Chairman

Mr Ramsay's involvement in healthcare began in 1964 when he developed and managed

one of the first private psychiatric hospitals in Sydney. As Chairman of Ramsay Health Care, Mr Ramsay has overseen the building of 9 private hospitals and has developed Ramsay Health Care to its present strong position in Australian health care. He is also the Chairman of Prime Television Limited, which is Australia's fourth largest television network, and Ramsay Health Care Inc, a listed United States healthcare company.



Michael Siddle
Deputy Chairman

Mr Siddle has been with Ramsay Health Care for 30 years, and was Managing Director during the period from

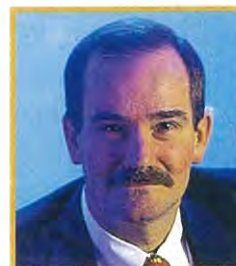
1975 to 1988. He has been closely involved with the Group's expansion through both construction and acquisition. He is Deputy Chairman of Prime Television Limited.



Pat Grier
Managing Director

Prior to entering the healthcare sector, Mr Grier was Sales Manager for Reckitt and Colman, and

General Manager of Revlon. In 1984 he joined Hospital Corporation Australia, which at the time was the largest private surgical hospital group in Australia. In 1988, Mr Grier joined Ramsay Health Care and has been Managing Director since 1994.



Bruce Soden
Finance Director

Mr Soden joined Ramsay Health Care in 1987, after having spent 12 years with Arthur Andersen & Co

in its Sydney, Milan and Johannesburg offices in the Financial Consulting Division. He spent over 4 years based in New Orleans as Senior Vice President and Chief Financial Officer of Ramsay Health Care Inc, a listed United States healthcare company.



Peter Evans
Non-Executive Director

Mr 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 healthcare field for over 25 years. Mr Evans also acts as a director for a number of other companies including Prime Television Limited and Ramsay Health Care Inc and is the Chairman of HOPE Healthcare Limited.

6. Directors and senior management



Marjorie Brislee
Non-Executive
Director

Ms Brislee, a former Managing Director of Ramsay Health Care, joined the Company in

1976 and has hospital management experience in Australia, United States, Hong Kong and the United Kingdom. She currently has specific responsibility for quality improvement throughout the Group.



Rod McGeoch
Non-Executive
Director

Mr McGeoch is National Chairman of Partners of Corrs Chambers Westgarth,

a leading Australian law firm. He was Chief Executive of Sydney's successful bid for the 2000 Olympic Games and is a director of the Sydney Organising Committee for the Olympic Games. In addition, he is a director of Australia Pacific Airports Corporation and Australian Growth Properties, and is a member of the International Advisory Board of Morgan Stanley. He was awarded membership of the Order of Australia in 1990.



Kerry Roxburgh
Non-Executive
Director

Mr Roxburgh worked for the investment banking arm of Hongkong Bank for

10 years, where he held various positions including executive director, 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 Partners in the Sydney practice of Mann Judd. He is currently a director of Climax Mining, J Boag & Son, Nova Pacific Capital and a number of unlisted companies.

Board Committees

In accordance with good corporate governance practice, the Board has formally approved the constitution of the following committees:

Audit Committee

Members of the committee are Messrs Evans, Roxburgh and Soden. This committee assists the Board in fulfilling its fiduciary responsibilities in relation to corporate accounting and reporting practices.

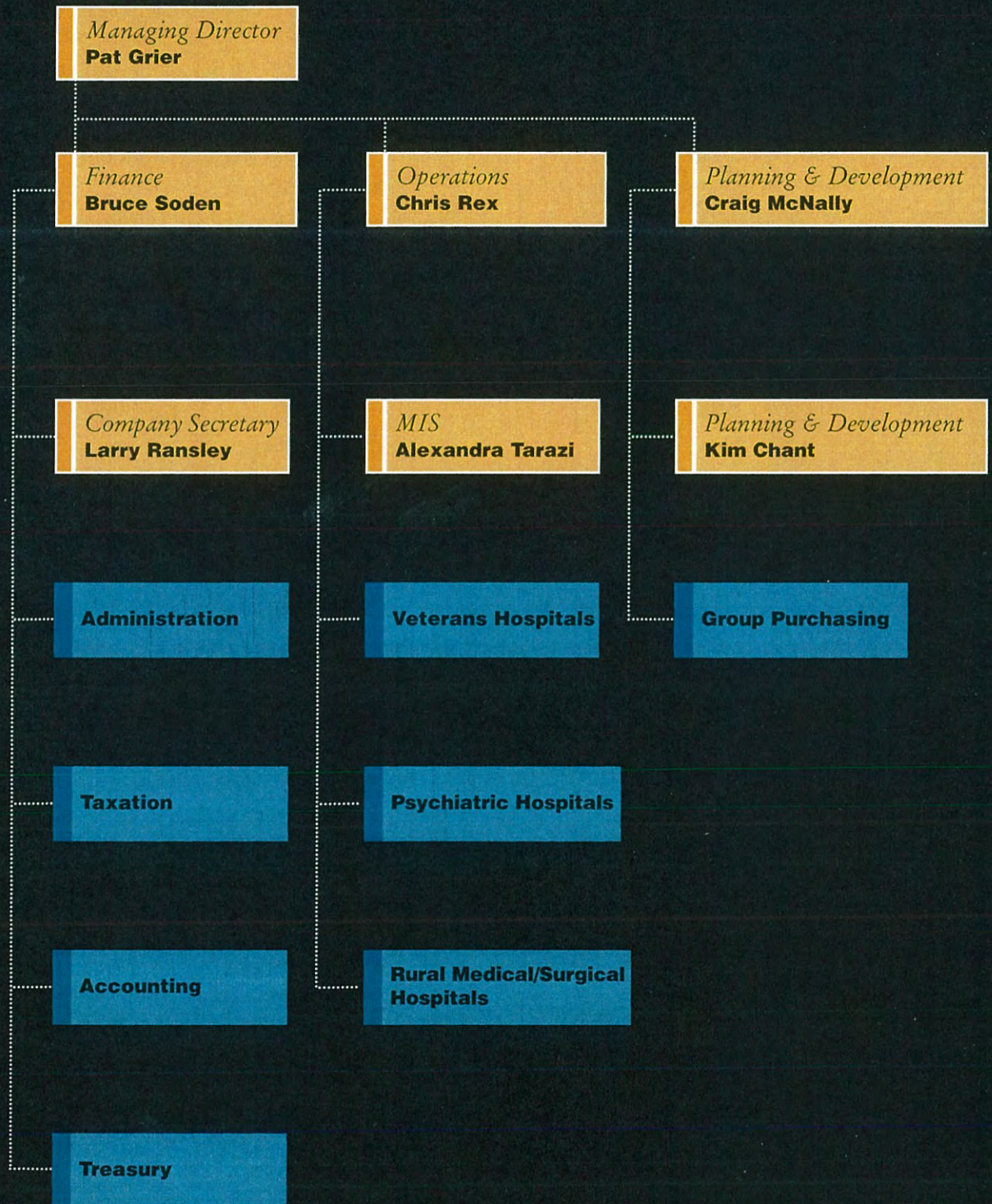
Remuneration Committee

Members of the committee are Messrs McGeoch, Siddle and Evans. This committee reviews and recommends to the Board remuneration policies, succession planning, retirement and termination payments.

Quality Improvement Committee

Members of this committee are Mr Grier and Ms Brislee. This committee is responsible for the ongoing quality improvement within the Group.

6.2 Senior management



6. Directors and senior management



Chris Rex
Chief Operating Officer

Mr Rex worked as a manager in the public health service in the United Kingdom before

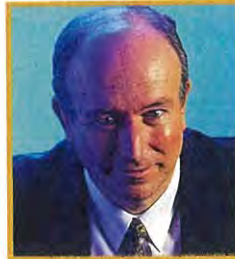
moving to the private sector. He was Hospital Contracts Manager for BUPA, the United Kingdom's largest health insurance company, where he was responsible for negotiating contracts with the private hospitals. In 1988 Mr Rex moved to Australia, as General Manager of Macquarie Hospital Services. He joined Ramsay Health Care in 1995 as chief operating officer, and has responsibility for the management of the Group's hospitals.



Craig McNally
Planning and Development Manager

Mr McNally has an extensive background in the management and

development of health services at senior executive levels. He joined Ramsay Health Care in 1988 and has responsibilities covering corporate business development. As part of his role he has worked in Australia, the United States, United Kingdom, Europe and Asia.



Larry Ransley
Company Secretary

Mr Ransley is a member of the Institute of Chartered Accountants in Australia and has had 25 years experience in all

aspects of professional accounting. He previously worked for KMG Hungerfords and was a partner in a tax accounting based practice. Since joining Ramsay Health Care in 1992, Mr Ransley has had responsibility for the development and supervision of the Company's hospital accounting systems.



Alexandra Tarazi
MIS Manager

Ms Tarazi joined Ramsay Health Care in 1993. Previously, she worked on hospital IT projects in the Middle

East and Europe for over 5 years. Her main area of expertise is design and implementation of hospital information systems and services and modern local and wide area networks. In 1994 and 1995, she directed two successful projects to change IT systems from public hospitals to private hospitals.

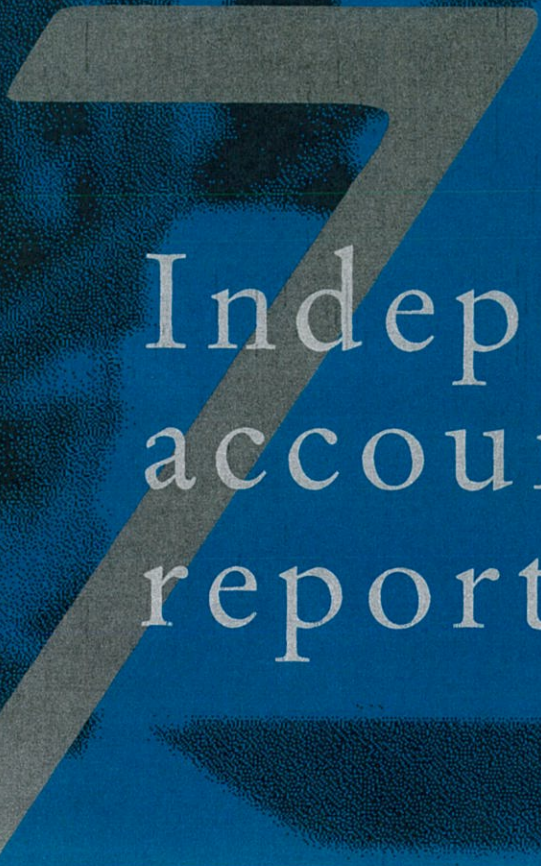


Kim Chant
Planning and Development

Ms Chant joined Ramsay Health Care in 1989 following three years in the public

health sector. Prior to moving into the Planning and Development group 3 years ago, Ms Chant had direct hospital management experience within Ramsay Health Care.

SECTION



Independent
accountant's
reports

12 July 1997

The Directors
Ramsay Health Care Limited
Level 9
154 Pacific Highway
ST LEONARDS NSW 2065

Dear Sirs

Independent review of Directors' profit forecasts

Introduction

This report has been prepared at the request of Directors of Ramsay Health Care Limited ("Ramsay Health Care") for inclusion in an Australian prospectus to be dated 11 August 1997 relating to the issue of 43.5 million ordinary shares (the "Prospectus"). Expressions defined in the Prospectus have the same meaning in this report.

Scope

We have reviewed the Directors' profit forecasts for the year ended 30 June 1997 and the year ending 30 June 1998 as set out in Section 4 on page 38 of the Prospectus, which have been prepared on the basis of their assumptions set out on pages 38 to 41. Our review consisted of inquiries as to the process used in preparing the forecasts, consideration and discussion with the Directors and management of the data supporting the assumptions, testing of the expression of the assumptions in the forecasts and that the forecasts are correctly compiled and presented in accordance with bases and methods prescribed by applicable Accounting Standards.

The Directors' profit forecasts reflect their judgment based on present circumstances as to both the most likely set of operating and economic conditions and the course of action Ramsay Health Care is most likely to take. The Directors' profit forecasts are based on a large number of assumptions and are subject to significant uncertainties and contingencies many of which are outside the control of the Directors of Ramsay Health Care. Accordingly, actual results during the forecast periods may vary materially from the forecasts as it is often the case that some events and circumstances do not occur as expected, or are not anticipated. We do not express an opinion as to whether the actual results of Ramsay Health Care for the year ended 30 June 1997 and the year ending 30 June 1998 will approximate those forecast because assumptions regarding future events by their nature are not capable of independent substantiation.

We do not imply and it should not be construed that we have performed an audit of the Directors' profit forecasts, nor do we express an audit opinion.



As the Directors' profit forecasts are sensitive to certain key assumptions referred to in Section 4, investors should also give due regard to the sensitivity analysis of the Directors' profit forecasts prepared by the Directors and included in Section 4.3 of the Prospectus.

Opinion

Based on our review:

- nothing has come to our attention which causes us to believe that the Directors' assumptions, which are subject to the business risks set out in Section 5.2, do not provide a reasonable basis for the Directors' profit forecasts;
- the Directors' profit forecasts give effect in all material respects to their assumptions and are correctly compiled; and
- we believe the Directors' profit forecasts are presented on a basis consistent with the accounting policies disclosed in the Independent Accountant's Report and with those to be adopted by Ramsay Health Care and are in accordance with the bases and methods prescribed by applicable Accounting Standards. It is in the nature of forecasts that it is not feasible to present all the disclosures which would be required by applicable Accounting Standards.

Yours faithfully

Ernst & Young Corporate Finance Pty Limited



David Holmes

Director

12 July 1997

The Directors
Ramsay Health Care Limited
Level 9
154 Pacific Highway
ST LEONARDS NSW 2065

Dear Sirs

Independent accountant's report on historical financial information

Introduction

This report on the historical financial information of Ramsay Health Care Limited ("Ramsay Health Care") and the entities which it controls (the "Group") has been prepared at the request of the Directors of Ramsay Health Care for inclusion in an Australian prospectus to be dated 11 August 1997 relating to the offer of 43.5 million fully paid ordinary shares.

Background

The Group's historical financial information includes results of all the currently operating Australian private hospitals owned by entities controlled by Mr Paul Ramsay during the period 1 July 1993 to 31 March 1997.

Although not all of the entities which comprise the Group were owned and consolidated by Ramsay Health Care during the period from 1994 to 1996 and therefore the Group did not constitute an economic entity for reporting purposes, the historical financial information of the Group has been prepared on a combined basis for the periods covered from the audited financial statements of each entity now included in the Group.

The historical financial information of entities in the Group set out on pages 61 to 78 comprise:

- combined adjusted statements of earnings before interest and tax ("EBIT") and combined adjusted statements of cashflow (excluding financing activities) for the years ended 30 June 1994, 1995 and 1996 and 9 months ended 31 March 1997;
- combined adjusted balance sheet at 31 March 1997;
- combined pro-forma balance sheet at 31 March 1997 which includes the assumed effect of the Offer; and
- notes thereto.



For the reasons set out in the Introduction on page 61, we believe that presentation of the Ramsay Health Care financial information in this form to be the most informative to potential investors.

Scope

The Directors of Ramsay Health Care have prepared the combined adjusted financial information.

We have audited the financial statements of each of the entities owning the hospital businesses, being the statements of profit and loss and cash flows for the periods referred to below and balance sheets at the end of those periods, from which this financial information has been compiled for the financial years ended 30 June 1994, 1995, 1996 and the nine months ended 31 March 1997 and we have expressed unqualified audit opinions on these financial statements. We have audited the compilation of that information into the combined adjusted financial information.

Our audits have been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial information referred to above is free from material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial information and the examination of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial information is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements, so as to present a view which is consistent with our understanding of the combined results and cash flows and financial position of Ramsay Health Care.

The audit opinion expressed in this report has been formed on the above basis.

Opinion

In our opinion, the historical financial information presents fairly:

- the combined adjusted EBIT and cash flows of the entities comprising the Group for the periods identified;
- the combined adjusted balance sheet of the entities comprising the Group at 31 March 1997; and
- the combined pro-forma balance sheet of the entities comprising the Group as at that date,

on the bases (and assumptions) described in the Introduction and Notes to the combined historical financial information, in accordance with applicable Accounting Standards and mandatory professional reporting requirements in so far as they apply to the information presented.

Subsequent Events

To the best of our knowledge, there have been no material transactions or events subsequent to 31 March 1997, other than those included in this report, which require comment on or adjustment to the contents of this report, or which would cause the information included in this report to be misleading.

Yours faithfully


ERNST & YOUNG

7. Independent accountant's reports

COMBINED HISTORICAL FINANCIAL INFORMATION

Introduction

Set out below are the combined adjusted statements of earnings before interest and income tax ("EBIT") and the combined adjusted statements of cash flows of the Group for the year ended 30 June of each year from 1994 to 1996 and the nine months ended 31 March 1997 as well as the combined adjusted, and pro-forma combined ("pro-forma") balance sheets of the entities included in the Group as at 31 March 1997. This financial information has been compiled from the audited financial statements of the respective hospital operations for each of these periods. The entities forming the Group are set out in Note 4. Entities which do not form part of the Group's ongoing activities have been excluded from the combined historical financial information even though disposals have taken place after 31 March 1997. This has been done with a view to succinctly providing potential investors with information about the entity in which they are being asked to invest.

Whilst the entities which own the hospital operations that comprise the Group were not an economic entity for the years 1994, 1995 and 1996 and the nine months ended 31 March 1997, the combined adjusted statements of EBIT and cash flows and the balance sheets have been prepared as if the entities had comprised the Group, as a reporting entity, from the date they came under the effective control of the Group.

The pro-forma balance sheet incorporates the effect of the capital raising and refinancing set out in the Prospectus on the assumptions set out in Note 3.

The historical results have been presented in the combined adjusted statements of earnings before interest and income tax and combined adjusted statements of cash flows before interest, income tax and financing activities. As the entities that now comprise the Group previously operated under a different corporate structure with significantly different gearing levels and income tax circumstances, reporting operating results and cash flows below earnings before interest and income tax are not considered to be meaningful or appropriate to the information needs of potential investors.

Note 2 sets out details of adjustments to EBIT which were made to provide comparability of the results of the hospital operations for the periods under review. The individual audited financial statements for these periods included items of income and expenses from operations which did not form part of the Group and accordingly these items have been excluded from the results shown below. In addition, an adjustment has been made in each period to take the level of payments to Directors to the level expected to be made by the Group in future and listing fees expected to be paid in the future as though they had been incurred in those periods. Details are set out in Note 21. Furthermore, an adjustment has been made to give effect to Australian Accounting Standards operative at 31 March 1997 where those standards were not in place in earlier years.

7. Independent accountant's reports

COMBINED ADJUSTED STATEMENTS OF EARNINGS BEFORE INTEREST AND INCOME TAX

	Note	12 months ended 30 June 1994 \$000s	12 months ended 30 June 1995 \$000s	12 months ended 30 June 1996 \$000s	9 months ended 31 March 1997 \$000s
Operating Revenue	5	84,313	149,516	179,544	143,418
Combined Earnings before Depreciation, Interest and Income Tax	2	14,069	22,470	29,147	26,347
Depreciation and Amortisation	6	2,646	6,188	8,501	7,162
Combined Earnings before Interest and Income Tax		11,423	16,282	20,646	19,185

The combined adjusted statements of earnings before interest and income tax should be read in conjunction with the accompanying notes.

7. Independent accountant's reports

COMBINED ADJUSTED AND PRO-FORMA BALANCE SHEETS

	Note	31 March 1997 Combined Adjusted \$000	31 March 1997 Pro-Forma \$000
Current Assets			
Cash		18,535	18,579
Receivables	7	18,548	18,548
Inventories	8	1,961	1,961
Total Current Assets		39,044	39,088
Non Current Assets			
Investments	9	221	221
Property, Plant and Equipment	10	312,085	312,085
Other	11	687	667
Total Non Current Assets		312,993	312,973
Total Assets		352,037	352,061
Current Liabilities			
Creditors and Borrowings	12	82,161	40,160
Provisions	14	6,435	6,435
Total Current Liabilities		88,596	46,595
Non Current Liabilities			
Creditors and Borrowings	13	133,220	100,345
Provisions	15	2,562	2,562
Total Non Current Liabilities		135,782	102,907
Total Liabilities		224,378	149,502
Net Assets		127,659	202,559
Shareholders' Equity			
Share Capital	16	6,527	10,878
Reserves	17	100,731	171,280
Retained Profits		20,401	20,401
Total Shareholders' Equity		127,659	202,559

These balance sheets should be read in conjunction with the accompanying notes.

7. Independent accountant's reports

COMBINED ADJUSTED STATEMENT OF CASH FLOWS

	12 months ended 30 June 1994 \$000s	12 months ended 30 June 1995 \$000s	12 months ended 30 June 1996 \$000s	9 months ended 31 March 1997 \$000s
Cash Flows related to Operating Activities				
Receipts for Patient Services	69,521	146,913	174,692	147,424
Payments to Employees & Suppliers	(58,503)	(116,378)	(144,762)	(132,558)
Net Operating Cash Flows before Interest, Income Tax and Financing Activities	11,018	30,535	29,930	14,866
Cash Flows related to Investing Activities				
Net Purchases of Property, Plant and Equipment (Capital Expenditure)	(42,192)	(71,638)	(15,940)	(26,676)
Net Cash Flows before Interest, Income Tax and Financing Activities	(31,174)	(41,103)	13,990	(11,810)
Reconciliation				
Earnings before Interest, Income Tax and Financing Activities	11,423	16,282	20,646	19,185
Net movement in Working Capital and Provisions	(3,051)	8,386	2,403	(11,502)
Depreciation and Amortisation	2,646	6,188	8,501	7,162
Profit/(loss) on sale of Property, Plant and Equipment	-	(321)	(1,620)	21
Net Operating Cash Flows before Interest, Income Tax and Financing Activities	11,018	30,535	29,930	14,866

The combined adjusted statement of cash flows should be read in conjunction with the accompanying notes.

7. Independent accountant's reports

NOTES TO AND FORMING PART OF THE RAMSAY HEALTH CARE LIMITED COMBINED HISTORICAL FINANCIAL INFORMATION

Note 1 Significant Accounting Policies

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

(a) Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention, except for certain assets which are at valuation. Cost in relation to assets represents the cash amount paid or the fair value of the asset given in exchange. Non current assets are not revalued to an amount above their recoverable amount and the carrying amount of non current assets is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. Expected net cash flows used in determining recoverable amounts have not been discounted back to their present value.

(b) Principles of Consolidation and Compilation

The historical results of the businesses have been compiled as if the Group had been an economic entity for the entire reporting period applying consolidation principles.

The accounts of all of the entities within the Group are prepared for the same reporting period using consistent accounting policies. All inter-entity balances and transactions, and unrealised profits arising from intra-Group transactions, have been eliminated in full.

(c) Foreign Currencies

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

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

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

(d) Investments

Investments are valued at cost. Dividends and interest are brought to account when received.

(e) Employee Entitlements

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to balance date. These benefits include wages and salaries, annual leave and long service leave.

7. Independent accountant's reports

Employee entitlements expected to be settled within one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of estimated future cash outflows to be made for those entitlements.

Contributions are made by the Group to defined contribution superannuation funds and are charged as expenses when incurred.

(f) Leases

Finance leases, which effectively transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments, disclosed as leased property, plant and equipment, and amortised over the period the Group is expected to benefit from the use of the leased assets.

Operating lease payments where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items are included in the determination of EBIT in equal installments over the lease term.

(g) Income Tax

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time the items are recognised in the accounts and when the items are taken into account in determining taxable income, the net related tax benefit or liability calculated at current rates is disclosed as a future income tax benefit or a provision for deferred income tax. Any net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised. The income tax effect of net income tax losses not recognised at 31 March 1997 is approximately \$6.5 million.

Realisation of the potential future income tax benefit is dependent on:

- (i) the relevant entities earning future assessable income of a nature and amount sufficient to enable the benefit to be realised;
- (ii) the relevant entities continuing to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affecting the relevant entities in realising the benefit.

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

(h) Inventories

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

(i) Property, Plant and Equipment*Cost and Valuation*

Property, plant and equipment including land and buildings of licensed private hospitals are recognised at Directors' valuation and additions since the date of valuation are recorded at cost. Any surplus on revaluation is credited directly to the asset revaluation reserve and excluded from EBIT. Any net downward revaluation of the class of assets in excess of the asset revaluation reserve is recognised in EBIT. Potential capital gains tax on assets acquired after the introduction of capital gains tax has not been taken into account in determining the revalued amounts.

The cost of property, plant and equipment constructed within the Group includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overhead. Interest payable and related borrowing costs are capitalised on projects having a total value in excess of \$100,000, subject to the overall effect of such capitalisation not being to overstate the recoverable amount of such asset. All property, plant and equipment including capitalised leasehold assets, but excluding freehold land and hospital licences, are depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Costs of renewal and replacement of surgical instruments are charged directly against revenue.

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

Major depreciation periods are:

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

(j) Cash

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

7. Independent accountant's reports

	12 months ended 30 June 1994 \$000s	12 months ended 30 June 1995 \$000s	12 months ended 30 June 1996 \$000s	9 months ended 31 March 1997 \$000s
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Note 2 Adjustments to Profit

Operating profit before interest and income tax of the combined entities has been adjusted by the following:

(a) (Income received) or expenses incurred which do not relate to the ongoing operations of the Group:				
(i) Adjustments for non-core hospital activities and non-recurring management and administration activities	(4,549)	(12,660)	(1,667)	(6,451)
(ii) Refinancing costs				17,560
(b) Expenses which will be incurred in future years but which were not incurred in the past				
(i) Adjustment for Directors' remuneration	(493)	(493)	(493)	(370)
(ii) Adjustment for ongoing listing fees	(250)	(250)	(250)	(187)
(c) New Accounting Standards applied consistently to all periods	(165)			

Note 3 Assumptions used in Preparing the Pro-Forma Balance Sheet

The pro-forma balance sheet has been compiled from the combined adjusted balance sheet at 31 March 1997 and incorporates the following transactions as if those transactions had taken place as at 31 March 1997:

- (i) The restructure of the share capital of Ramsay Health Care Limited.
- (ii) The issue of 43,513,546 fully paid ordinary shares totalling \$80.1 million.
- (iii) Repayment of debt facilities amounting to \$42 million.
- (iv) Repayment of balance of the vendor inter-company account of \$32.9 million.
- (v) Payment of float costs of \$5.2 million.

7. Independent accountant's reports

Note 4 Entities comprising the Ramsay Health Care Group

Ramsay Health Care Limited (formerly Ramsay Health Care Holdings Pty Ltd)

Ramsay Hospital Holdings Pty Ltd (i)

Ramsay Hospital Holdings (Queensland) Pty Ltd (ii)

Ramsay Bedford Park Pty Ltd (iii)

New Co Pty Ltd (iv)

Retrogen Sdn Bhd

Ramsay Health Care Investments Pty Ltd (iv)

Health Care Development Trust (iv)

Ramsay Health Care Australia Pty Limited (v) (formerly Ramsay Health Care Pty Ltd)

Adelaide Clinic Holdings Pty Ltd (v)

Ramsay Health Care (South Australia) Pty Ltd (v)

Ramsay Health Care (Victoria) Pty Ltd (v)

Fullers Road Hospital Pty Ltd (v)

New Farm Hospital Pty Ltd (v)

Phiroan Pty Ltd (v)

North Shore Private Hospital Pty Ltd (vi)

Ramsay Health Care (Asia Pacific) Pty Ltd

PT. Ramsay Health Care Asia Pacific

Ramsay Health and Management Services Sdn. Bhd.

- (i) The hospital owned by this entity has been included since February 1994 when the Group purchased Hollywood Private Hospital.
- (ii) The hospital owned by this entity has been included since January 1995 when the Group purchased Greenslopes Private Hospital.
- (iii) The hospital being constructed by this entity is expected to commence operations in early 1999.
- (iv) These entities will be set up prior to the listing of the Group on the Australian Stock Exchange and have been included in the pro-forma balance sheet at 31 March 1997.
- (v) The hospitals owned by these entities have been included for the entire period from 1 July 1993 to 31 March 1997.
- (vi) The hospital being constructed by this entity is expected to commence operations in mid 1998.

All entities are effectively 100% owned.

7. Independent accountant's reports

	12 months ended 30 June 1994 \$000s	12 months ended 30 June 1995 \$000s	12 months ended 30 June 1996 \$000s	9 months ended 31 March 1997 \$000s
Note 5 Operating Revenue				
Operating revenue comprises:				
Sales revenue	81,143	137,530	172,337	137,781
Proceeds on sale of non current assets	1,568	5,508	297	21
Other	1,602	6,478	6,910	5,616
Total operating revenue	84,313	149,516	179,544	143,418

Note 6 Combined Adjusted Earnings before Interest, Income Tax

The amounts disclosed have been arrived at after charging (crediting) the following:

Depreciation of property, plant and equipment	2,495	5,859	7,958	6,547
Bad debts written off	261	420	194	-
Provision for doubtful debts	131	(260)	(66)	172
Provision for employee entitlements	2,760	5,823	7,282	5,723
Operating lease rentals	421	361	451	232
Amortisation of:				
Borrowing costs	-	168	439	456
Project development costs	-	-	-	69
Leasehold improvements	60	139	28	28
Capitalised leases	91	22	76	62
Loss/(profit) on sale of property, plant and equipment	-	321	1,620	(21)
Superannuation contributions	1,573	3,019	4,701	3,820

7. Independent accountant's reports

	31 March 1997 Combined Adjusted \$000	31 March 1997 Pro-Forma \$000
Note 7 Receivables		
Trade debtors	14,651	14,651
Less: Provision for doubtful debts	(495)	(495)
	14,156	14,156
Other debtors and prepayments	4,740	4,740
Less: Provision for doubtful debts	(348)	(348)
	4,392	4,392
Total Receivables	18,548	18,548
Note 8 Inventories		
Amount of medical and food supplies to be consumed in providing future patient services – at the lower of cost and net realisable value		
Total Inventories	1,961	1,961
Note 9 Investments		
Investments in other corporations at cost	221	221

7. Independent accountant's reports

	31 March 1997 Combined Adjusted \$000	31 March 1997 Pro-Forma \$000
Note 10 Property, Plant and Equipment		
Land and Buildings		
Licensed Private Hospitals comprising:		
– Land, building and licences at Directors' valuation at 31 March 1997	254,589	254,589
Building construction in progress at cost	25,220	25,220
Leasehold improvements at cost	336	336
Less: Accumulated amortisation	(56)	(56)
	280	280
Total Land, Buildings and Licences	280,089	280,089
Plant and Equipment at cost	51,663	51,663
Less: Accumulated depreciation	(20,112)	(20,112)
	31,551	31,551
Plant and Equipment under lease	581	581
Less: Accumulated depreciation	(136)	(136)
	445	445
Total Plant and Equipment	31,996	31,996
Total Property, Plant and Equipment	312,085	312,085

Revaluations

The Directors' valuation at 31 March 1997 is based on a valuation of all owned property, plant and equipment (except building construction in progress) prepared by Colliers Jardine at 1 July 1997. The valuation was made on a market value – existing use basis. Refer to Section 8 for the Independent Property Valuer's Report.

	31 March 1997 Combined Adjusted \$000	31 March 1997 Pro-Forma \$000
Note 11 Other Non Current Assets		
Borrowing Costs	667	667
Other	20	-
Total Other Non Current Assets	687	667
Note 12 Creditors and Borrowings (Current)		
Unsecured		
- Trade Creditors	10,094	10,094
- Sundry Creditors and accrued expenses	16,448	16,448
Secured		
- Bank Loans	54,411	12,410
- Lease Liability	85	85
- Other Loans	1,123	1,123
Total Creditors and Borrowings (Current)	82,161	40,160
Note 13 Creditors and Borrowings (Non Current)		
Accrued Expenses	154	154
Other Loans - Related Party	32,875	-
Secured Borrowings		
Bank Loans	99,817	99,817
Lease Liability	374	374
Total Creditors and Borrowings (Non Current)	133,220	100,345

The unused bank facilities at the proposed date of listing are:

- (i) Flinders loan, \$33.5 million secured by a fixed and floating charge over the assets of Ramsay Bedford Park Pty Ltd.
- (ii) Corporate loan, \$49.6 million unsecured.

Refer to Section 9, Material contracts section for further details.

7. Independent accountant's reports

	31 March 1997 Combined Adjusted \$000	31 March 1997 Pro-Forma \$000
Note 14 Provisions (Current)		
Employee Entitlements	6,435	6,435
Total Provisions (Current)	6,435	6,435
Note 15 Provisions (Non Current)		
Employee Entitlements	2,562	2,562
Total Provisions (Non Current)	2,562	2,562
Note 16 Share Capital		
<i>Authorised</i>		
2,500,000,000 Ordinary Shares of \$0.10 each (i)	250,000	250,000
<i>Issued and Fully Paid</i>		
65,270,320 Ordinary Shares of \$0.10 each fully paid (ii)	6,527	-
108,783,866 Ordinary Shares of \$0.10 each fully paid (iii)	-	10,878

Notes:

- (i) With effect on and from 27 June 1997 Ramsay Health Care Limited's authorised share capital was \$250,000,000 divided into 2,500,000,000 ordinary shares of \$0.10 each. The combined adjusted and pro-forma balance sheets have been prepared as if this transaction had taken place at 31 March 1997.
- (ii) With effect on and from 27 June 1997, Ramsay Health Care Limited reconstructed its issued share capital from \$10,550 divided in 10,550 fully paid ordinary shares of \$1 each to \$6,527,032 divided into 65,270,320 shares of \$0.10 each. The combined adjusted and pro-forma balance sheets have been prepared as if this transaction had taken place at 31 March 1997.
- (iii) As part of the float transaction, Ramsay Health Care Limited will issue 43,513,546 new fully paid ordinary shares of \$0.10 each, thereby increasing the issued share capital to \$10,878,387. The pro-forma balance sheet has been prepared as if this transaction had taken place at 31 March 1997.

	31 March 1997 Combined Adjusted \$000	31 March 1997 Pro-Forma \$000
Note 17 Reserves		
Asset Revaluation	100,731	100,731
Share Premium	-	70,549
	100,731	171,280
Movements in Reserves		
Share Premium		
Issued during period		75,749
Expenses of the float		(5,200)
Balance at end of period		70,549

Note:

As part of the float transaction Ramsay Health Care Limited will issue 41,513,546 fully paid ordinary shares of \$0.10 at a premium of \$1.75 and 2,000,000 fully paid ordinary shares of \$0.10 at a premium of \$1.55. This will have the effect of increasing the share premium reserve to \$75,748,706. The pro-forma balance sheet has been prepared as if this transaction had taken place at 31 March 1997.

Note 18 Capital Commitments

Contracted but not provided for and payable not later than one year:	60,482	60,482
Contracted but not provided for and payable later than one year but not later than two years	19,845	19,845
	80,327	80,327

In addition, the Group has agreed to purchase the assets of the Centre for Bone and Joint Diseases hospital at a time aligned with the opening of North Shore Private Hospital for an amount of \$1.4 million plus certain sums linked to the profitability of the Centre less monies advanced prior to purchase.

7. Independent accountant's reports

Note 19 Contingent Liabilities

Refinancing deed

Ramsay Health Care Australia Pty Limited and its wholly owned controlled entities are parties to cross guarantees given in relation to registered fixed and floating mortgage debentures over the undertaking, goodwill and assets issued in favour of the secured lenders. Consequent to the flotation of Ramsay Health Care, companies in the Group are to be released from these arrangements.

Ramsay Hospital Holdings (Queensland) Pty Limited, Ramsay Hospital Holdings Pty Limited and Ramsay Bedford Park Pty Ltd have given fixed and floating charges over all their assets to secure all their borrowings.

For further information, refer to the Material Contracts section.

Note 20 Lease Commitments

	31 March 1997 Combined Adjusted \$000	31 March 1997 Pro-Forma \$000
Operating leases		
Lease commitments payable:		
- within 1 year	470	470
- between 1 and 2 years	349	349
- between 2 and 5 years	889	889
- after 5 years	-	-
Minimum operating lease payments not otherwise provided for in the accounts	1,708	1,708

7. Independent accountant's reports

Note 21 Related Party Information

(a) Directors of Ramsay Health Care are:

PJ Ramsay
MS Siddle
ML Brislee
PJ Evans
IPS Grier
BR Soden
RH McGeoch
KCD Roxburgh

Transactions with the Directors of Ramsay Health Care Limited and the Group:

- Loan to Director at concessional interest rate

Ramsay Health Care Australia Pty Limited has provided a housing loan of \$43,381 to Mr IPS Grier:

- (i) \$33,963 is repayable based on a set formula until extinguished. This loan is interest free and is secured by a registered second mortgage over the property. The loan was approved at an Annual General Meeting.
- (ii) \$9,418 is repayable on resignation, bearing interest at a rate of 10.5% per annum.

Paul Ramsay Holdings Pty Limited has agreed to lease to the Company the premises currently occupied by the Lynton annex of the Northside Clinic in Sydney, for the period up to completion of the planned amalgamation of the annex with the Northside Clinic (expected before the end of 1997). Outgoings are payable by the Company under the lease, but no rent is payable.

The Company utilises the services of a number of personnel contracted to Paul Ramsay Holdings Pty Limited as consultants. The services are provided when requested by the Company on a cost-reimbursement basis. The Company has granted Paul Ramsay Holdings Pty Limited a licence to occupy office space and use office facilities in return for a commercial arm's length licence fee.

Mr RH McGeoch is a partner of the law firm Corrs Chambers Westgarth, which has performed legal services for the Company in return for fees at its usual hourly rates.

The Group owes Paul Ramsay Holdings Pty Limited \$32.875 million. Of this amount \$22.875 million is interest free and \$10 million bears interest at a commercial rate. The full amount will be repaid from the proceeds of the Offer.

(Faint, illegible text)

(b) Directors' Remuneration

	12 months ended 30 June 1994 \$000s	12 months ended 30 June 1995 \$000s	12 months ended 30 June 1996 \$000s	9 months ended 31 March 1997 \$000s (annualised)
Income paid in respect of each financial year to all directors of each entity in the Group. (These amounts include the adjustment which is the amount that is expected to be paid on an ongoing basis to the non-executive directors.)	670	924	897	910

The number of Directors of Ramsay Health Care Limited whose income falls within the following bands:

\$0 – \$9,999	1	–	–	–
\$60,000 – \$69,999	5	5	5	5
\$70,000 – \$79,999	1	1	1	1
\$120,000 – \$129,999	–	1	–	–
\$200,000 – \$209,999	–	–	1	–
\$230,000 – \$239,999	–	–	–	1
\$240,000 – \$249,999	1	–	–	1
\$260,000 – \$269,999	–	–	1	–
\$370,000 – \$379,999	–	1	–	–

Note 22 Segment Information

The Group operates in the private hospital industry predominantly in Australia, owning, operating and managing both psychiatric and medical/surgical hospitals.

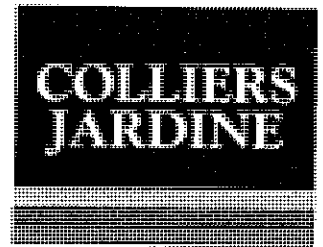


SECTION

Independent
property valuer's
report



Quality
Endorsed
Company
15.0 2002/14 1020
Sydney Australia



怡高物業顧問

Level 26 AAP Centre
259 George Street Sydney
New South Wales Australia 2000
Telephone 61 2 9257 0222
Facsimile 61 2 9251 3297
DX 10235 Sydney Stock Exchange

20 June 1997
The Directors
Ramsay Health Care Limited
Level 9
154 Pacific Highway
ST LEONARDS NSW 2065

Dear Sirs

re: Ramsay Health Care Limited

We refer to your request to prepare a valuation summary of the Ramsay Health Care Limited ("Ramsay Health Care" or the Company) hospital and commercial building assets.

We confirm that Colliers Jardine Consultancy and Valuation Pty Limited ("Colliers") has been instructed by your company to undertake a valuation as at 1 July 1997, of the various hospitals which are owned and operated by RHC and its subsidiary companies as set out below:

- The Adelaide Clinic, Gilberton, South Australia
- Albert Road Clinic, South Melbourne, Victoria
- Albury-Wodonga Private Hospital, West Albury, NSW
- Baringa Private Hospital, Coffs Harbour, NSW
- Evesham Clinic, Cremorne, NSW
- Greenslopes Private Hospital, Greenslopes, Queensland
- Hollywood Private Hospital, Perth, Western Australia
- Kahlyn Private Hospital, Magill, South Australia
- New Farm Clinic, New Farm, Queensland
- Northside Clinic, Greenwich, NSW
- Tamara Private Hospital, Tamworth, NSW.

The market value of each of the above hospitals has been determined on a going concern basis including real estate, bed licences, plant and equipment, fittings and furnishings and business value. Each hospital has been valued on a "stand alone" basis, excluding head office expenses. As appropriate, medical suites and property held for future expansion has also been included in the hospital valuations.

Also, the market value of the following office building has been determined:

- 154 Pacific Highway, St Leonards, NSW.

Colliers Jardine Consultancy and Valuation Pty Limited ACN 076 848 112

A member of the Colliers Jardine Group of Companies

Land Economists, Property & Hotel Consultants, Valuers, Property Managers, Real Estate Agents, Auctioneers
over 190 offices in 39 countries worldwide in **Asia-Pacific** Australia China Hong Kong India Indonesia Japan Malaysia New Zealand Philippines Singapore Taiwan Thailand Vietnam
Europe Austria Belgium Czech Republic France Germany Greece Hungary Italy Netherlands Poland Portugal Republic of Ireland Russia Spain Turkey United Kingdom
The Americas Argentina Brazil Canada Chile Mexico United States of America Venezuela and Africa

11/10/97
11/10/97

Basis of Valuation

The valuations have been prepared in accordance with the International Asset Valuation Standards Committee and the Australian Institute of Valuers and Land Economists definition of market value:

“Market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Source of Information

In preparing this report we have relied upon the following principal sources of information being correct, accurate and complete:

- Discussions with senior staff in relation to the physical condition and trading of each hospital.
- Audited and summary profit and loss statements for the financial years 1993/94 to 1995/96, unaudited actual and budget 1996/97 and forecasts of future trading.
- Projected operating results for 1996/97 and narrative to 1997/98 budget.
- Various agreements in relation to the Greenslopes Private Hospital and the Hollywood Private Hospital between the hospital's owners, operators, financiers and the Department of Veteran Affairs.

Brief Description of Each Property

A summary of the physical description of the properties is as under.

Operating Hospitals

The Adelaide Clinic

Location:	33-36 Park Terrace, Gilberton, South Australia, approximately 3 kilometres north east of the Adelaide GPO.
No. of Bed Licences:	91
Effective Beds:	91
Orientation:	Psychiatric.
Accreditation :	Accredited by the Australian Council on Health Care Standards.
Site Area:	8,153 square metres.
Improvements:	Purpose built hospital constructed over two levels and opened in 1987. Patient accommodation of 91 beds are located in 41 private rooms and 23 wards.

8. Independent property valuer's report

Albert Road Clinic

Location:	31-33 Albert Road, South Melbourne, Victoria, approximately 3 kilometres south of the Melbourne CBD.
No. of Bed Licences:	80
Effective Beds:	80
Orientation:	Psychiatric.
Accreditation :	Not accredited by the Australian Council on Health Care Standards.
Site Area:	4,806 square metres.
Improvements:	A former office building constructed over basement ground and three upper floors, which has been converted to use as a psychiatric hospital and consulting rooms resulting in a facility of the highest quality. Patients are accommodated in beds located in 48 private rooms and 16 shared rooms.

Albury-Wodonga Private Hospital

Location:	1125 Pemberton Street, Albury, NSW, approximately 3 kilometres west of the Albury town centre and approximately 6 kilometres north of Wodonga. The combined population of Albury and Wodonga is in the order of 75,000.
No. of Bed Licences:	78
Effective Beds:	78; further 4 held by NSW Department of Health on behalf of the hospital.
Orientation:	Surgical, medical, psychiatric, coronary care, sleep disorder unit.
Accreditation :	Accredited by the Australian Council on Health Care Standards.
Site Area:	2.342 hectares
Improvements:	Purpose built hospital constructed over one level opened in 1979 with a further wing added in 1986. More recently, the hospital was further upgraded and a day procedure centre added. The hospital has four operating theatres. Included in the valuation are two adjoining strata title medical suites.

Baringa Private Hospital

Location:	Mackays Road, Coffs Harbour, NSW, on the north western outskirts of Coffs Harbour, approximately 1.6 kilometres from the town centre. The hospital services a population of approximately 30,000.
No. Bed Licences:	80
Effective Beds:	80
Orientation:	Surgical, including cardiology, medical, obstetric, rehabilitation.
Accreditation :	Accredited by the Australian Council on Health Care Standards.
Site Area:	2.03 hectares.
Improvements:	Purpose built, brick veneer construction, opened in 1978 with additions in 1986, 1987, 1991 and 1993. Patient accommodation of 80 beds located in 50 private rooms and 10 wards. Hospital has two operating theatres.

Evesham Clinic

Location:	1-3 Harrison Street, Cremorne, approximately 5 kilometres by road north of the Sydney CBD.
No. Bed Licences:	42
Effective Beds:	36
Orientation:	Psychiatric.
Accreditation :	Accredited by the Australian Council on Health Care Standards.
Site Area:	1,391 square metres.
Improvements:	The hospital, originally a residence, which has had extensive purpose built additions is constructed over a basement, ground and first floor. Adjoining the hospital are consulting rooms located in a residence which has been refurbished for its current use.

Greenslopes Private Hospital

Location:	Corner of Denman, Newdegate and Nicholson Streets, approximately 6 kilometres south east of the Brisbane CBD.
No. Bed Licences:	350
Effective Beds:	350
Orientation:	Medical, surgical, psychiatric and rehabilitation.
Accreditation :	Accredited by the Australian Council on Health Care Standards.
Site Area:	10.65 hectares.
Improvements:	The hospital was opened in 1942 and operated as a military hospital. In 1947, it was taken over by the Commonwealth Repatriation Commission. The hospital is presently in the second stage of a \$10 million major upgrade. The complex comprises some 30 buildings being of various ages and sizes which include a three level administration building with an accident/emergency wing, a three level surgical services building with six operating theatres and a five storey wing accommodating the main wards. Recent additions to the hospital include a 30 bed psychiatric unit and a 40 bed allied health/rehabilitation building.

Hollywood Private Hospital

Location:	Monash Avenue, Nedlands Western Australia, approximately 5 kilometres south west of the Perth CBD.
No. Bed Licences:	300
Effective Beds:	300
Orientation:	Surgical, medical, psychiatric, rehabilitation.
Accreditation :	Accredited by the Australian Council on Health Care Standards.
Site Area:	10.12 hectares.
Improvements:	The hospital was opened in 1942 primarily as one and two storey buildings

8. Independent property valuer's report

spread over the whole site in some 40 buildings. Since the acquisition by Ramsay Health Care, considerable upgrading of the facilities has been undertaken with the opening of a 30 bed psychiatric unit and a 122 bed surgical unit nearing completion. On completion, the total upgrading will also include accident and emergency and intensive care units will cost an estimated \$22million.

Kahlyn Private Hospital

Location:	Briant Road, Magill, South Australia, approximately 7.5 kilometres east of the Adelaide CBD.
No. Bed Licences:	40
Effective Beds:	38
Orientation:	Psychiatric.
Accreditation :	Accredited by the Australian Council on Health Care Standards.
Site Area:	4,765 square metres.
Improvements:	Purpose built hospital constructed over one level opened in 1964 with additions added in 1970 and 1979. Accommodation comprises 12 private rooms and 13 share rooms and adjoining houses used for group work and staff training.

New Farm Clinic

Location:	12 - 20 Sargeant Street, New Farm, Queensland, approximately 3 kilometres by road south of the Brisbane CBD.
No. Bed Licences:	75
Effective Beds:	72
Orientation:	Psychiatric.
Accreditation :	Accredited by the Australian Council on Health Care Standards.
Site Area:	7,906 square metres.
Improvements:	Purpose built over two levels and basement, opened in 1986 with adjacent medical suites opened in 1994. Accommodation for 72 patients located in 40 private rooms and 8 wards.

Northside Clinic

Location:	2 Greenwich Road, Greenwich, NSW, approximately 7 kilometres north west of the Sydney CBD.
No. of Bed Licences:	94, further 18 held by NSW Dept. of Health plus an additional 22 bed licences currently located at another site, shortly to be transferred and held in reserve by the NSW Dept. of Health on behalf of the hospital.
Effective Beds:	87

Independent Property

Tamara Private Hospital

Orientation: Psychiatric.
 Accreditation : Accredited by the Australian Council on Health Care Standards.
 Site Area: 2,200 square metres.
 Improvements: Purpose built hospital over basement, ground and four upper floors accommodating 87 patients. Included in the valuation is a residential property with Anglo Street frontage.

Tamara Private Hospital

Location: 2-6 Dean Street, Tamworth, NSW, approximately 1.5 kilometres, north west of the town centre. Tamworth is 450 kilometres by road from Sydney. The hospital services a population of approximately 55,000.
 No. of Bed Licences: 59; further 18 held by NSW Department of Health on behalf of the hospital.
 Effective Beds: 59
 Orientation: Surgical, medical and obstetric.
 Accreditation : Accredited by the Australian Council on Health Care Standards.
 Site Area: 1.0875 hectares.
 Improvements: Purpose built over one level, opened in 1968 with the addition of accommodation and facilities since that time. Patients are accommodated in 35 private rooms and 10 wards. The hospital has three operating theatres, a high dependency unit and 2 delivery suites.

Non Hospital Property

154 Pacific Highway, St Leonards, NSW

Location: 154 Pacific Highway, St Leonards, NSW, approximately 7 kilometres north of the Sydney CBD.
 Site Area: 3,146 square metres.
 Net Lettable Area: 6,228 square metres.
 Improvements: Constructed approximately 25 years ago over basement car park, ground and nine upper floors of reinforced concrete frame construction with pre-cast and concrete panel work with distinctive blue tinted window glazing and faces.

8. Independent property valuation report

Valuation Methodology

ASC Practice Note

In undertaking our valuations of the various properties, we have considered the following alternative methods which are deemed appropriate by the ASC Practice Note 43 entitled "Valuation Reports and Profit Forecasts".

a) Discounted Cash Flow Method

This method equates future net cashflows to a present value on the basis of a discount rate. It is the custom for this approach to adopt a minimum of a five year cash flow, with the more accepted period being ten years. Forward projections to June 30, 2000 have been provided but are considered to be of a period insufficient for the adoption of this approach.

b) Capitalisation of Future Maintainable Earnings

This method requires the determination of an earnings multiples (or capitalisation rate) appropriate to the industry and estimation of future maintainable earnings and the realisable value of any surplus assets. Our primary valuation approach for the hospitals is a variation of this methodology adopting a current earnings before depreciation, interest and tax (EBDIT) rather than maintainable earnings, with capital expenditure requirements being reflected in the earnings multiple.

c) Alternative Acquirer

This method considers the amount that an alternative acquirer may be willing to offer for the property given its particular circumstances. We are not aware of any alternative acquirer.

d) Orderly Realisation of Net Assets as a Going Concern

This method is not considered to be appropriate.

e) Share Market Transactions

The returns in shares listed on the Australian Stock Exchange Limited provides one indication of the after tax returns investors require on investment in the private hospital sector. These yields are influenced by respective companies' capital structure and management expertise, but are useful in forming an opinion in the absence of an active hospital market.

f) Direct Comparisons Approach

The direct comparisons method, although not included in the Practice Note, is an approach well established by precedent.

The unit of comparison is the rate per physically available, licensed bed. A number of factors are taken into consideration in comparing sales with subject properties, including age, design, condition and quality of the building structure, accommodation mix, range of facilities provided, plant and equipment, occupancy, profitability, casemix, prospective future EBDIT and competition. This approach has been adopted as a check method.

8. Independent property valuer's report

In deriving the valuations we have firstly given consideration to the physical characteristics of each of the hospital sites including location, topography, roads and access, dimensions and areas, together with legal and statutory aspects, including Certificate of Title searches, town planning regulations, hospital bed licences, and contamination status. We have not undertaken detailed surveys of building structures or services.

In terms of financial details we have given consideration to the level of patient fees, actual revenue, expenses and EBDIT over the period for which trading details have been provided. The revenue, expenses and profit have been analysed to a dollar amount per occupied bed day and compared with industry standards.

We have given particular attention to the arrangements with the Department of Veteran Affairs in relation to the Greenslopes and Hollywood Private Hospitals.

The effect of changing technology, particularly in relation to the increase in day surgery, in both the public and private sectors and the consequent shift in revenue from beds to theatres, has been considered as has the demand for large high technology hospitals, in particular on co-location sites.

The market evidence of hospital transactions has been considered, along with the yields of shares in the publicly listed hospital companies.

Going Concern Value

The methodology adopted to determine the market value on a going concern basis is by the capitalisation of EBDIT ("earnings before depreciation, amortisation, interest and tax") for each hospital. To arrive at EBDIT earnings, we have made an assessment of and relied upon occupancy and financial information (historic, current and future projections) provided by RHC relating to the operating performance of each hospital. We have applied an earnings multiplier or capitalisation rate to those earnings determined from sales of private hospitals. Capitalisation rates applied to the subject properties range from 14.25% to 18%, which on a direct comparison basis, provide values range from \$68,545 to \$253,758 per effective operational bed.

In accordance with normal valuation practice, capitalisation rates have been determined from available comparable market evidence which, as noted, is limited. Due adjustments for age, design, quality and patient accommodation mix, the effects of estimated future variations in the cash flows due to such factors as potential for growth/maturity of the business, referral patterns, casemix, location/market/competition factors, and ability to contract to government for treatment of public patients.

8 Independent property valuer's report

Non-Hospital Property

The commercial office building located at 154 Pacific Highway, St Leonards, NSW has been valued by the discounted cash flow method and this value checked by the capitalisation of net returns approach.

Critical Assumptions and Considerations

Due to the nature of the valuations being conducted, we have had to make a number of important assumptions in arriving at our conclusions. We have assumed:

- Correctness and accuracy of the instructions provided by your company and its agents in relation to each of the hospitals.
- Full and frank disclosure of all relevant information material to the valuation of each of the hospitals having been made by your company and its agents.
- The NSW Government has approved the funding for earth works in the 1997/98 financial year, with forward budgets providing additional funding, for a new base hospital at Coffs Harbour. This proposal includes a co-located private hospital to be developed in conjunction with the public hospital. RHC is strongly of the belief that the Coffs Harbour area can not support two private hospitals and that any additional private hospital would not be economically viable against the already existing RHC facility. We have therefore been instructed in undertaking the valuation of the Baringa Private Hospital to assume that the development of a co-located private hospital at Coffs Harbour does not proceed.
- No material change in government legislation, regulation, administration or policy (Federal, State) in relation to hospitals, health or other matters, including changes in the Medicare Levy which might affect the value of hospitals.
- Full compliance in respect of each hospital with all statutory regulations and requirements, including environmental, planning, building, fire safety and health regulations and no notice order or requirement being outstanding or threatened.
- Maintenance of the same existing competitive hospital environment applicable to each of the hospitals respectively. Although the hospitals are currently operated by the same owner, each is a separate business entity. The assessment of operating performance excludes head office administration expenses and other intra group expenses and assumes that these expenses do not exceed the costs of that kind which would be incurred if the relevant hospital was independently operated.
- Each hospital has the ability to negotiate fees with the various health funds as if a member of RHC.
- That the recommendation of the Productivity Commission that health funds continue to provide cover for psychiatric care which meets appropriate hospital admission is implemented.

Valuation of property owner's report

In relation to each valuation the following matters have been given consideration:

- The market for hospitals is highly specialised.
- The going concern values are highly sensitive to the profitability of the enterprise and rates of return acceptable to investors from time to time in the relevant markets. Small changes in investors' return expectations and/or reduced profitability may significantly alter the assessed values. The value of a private hospital is very dependent upon the referral of patients by doctors. We have assumed that the very strong relationship RHC has with its doctors will continue.

Valuation Summaries

The following is a summary of the valuation report for each of the hospitals. Each valuation has been conducted as at 1 July 1997. To meet State Government statutory requirements relating to undertaking valuations, reports as per subscript, have been prepared in conjunction with Ms Jennifer Robertson⁽¹⁾ AVLE(Val), Mr Robert Cuninghame⁽²⁾ AVLE(Val), Mr William Doherty⁽³⁾ AVLE(Val) Mr Michael Stratton⁽⁴⁾ AVLE(Val), Mr Scott Willoughby⁽⁵⁾ AVLE(Val) and Mr Miles Rowe⁽⁶⁾ AVLE(Val).

In considering this valuation summary, regard should be had to the instructions, methodology, assumptions and considerations referred to earlier in this letter.

	Market Value
• The Adelaide Clinic, Gilberton, South Australia (1)	\$ 19,800,000
• Albert Road Clinic, South Melbourne, Victoria (2)	\$ 14,000,000
• Albury Wodonga Private Hospital, West Albury, New South Wales (3)	\$ 18,000,000
• Baringa Private Hospital, Coffs Harbour, New South Wales	\$11,600,000
• Evesham Clinic, Cremorne, New South Wales (4)	\$9,000,000
• Greenslopes Private Hospital, Greenslopes, Queensland (5)	\$ 82,800,000
• Hollywood Private Hospital, Perth, Western Australia (6)	\$ 61,900,000
• Kahlyn Private Hospital, Magill, South Australia (1)	\$ 2,700,000
• New Farm Clinic, New Farm, Queensland (5)	\$18,270,000
• Northside Clinic, Greenwich, New South Wales (4)	\$18,050,000
• Tamara Private Hospital, Tamworth, New South Wales	\$13,525,000

The market value of the following property was also determined:

• 154 Pacific Highway, St Leonards, New South Wales	\$14,200,000
Total Market Value	\$283,845,000

8. Independent property valuer's report

Corporations Law

Colliers is not involved in the preparation of the Prospectus or any part thereof other than by way of this letter valuation summary.

Colliers has authorised the inclusion of this letter in the Prospectus.

Neither Colliers nor any of its directors makes any warranty or representation as to the accuracy of information in any part of the Prospectus other than as expressly made or given by Colliers in this letter.

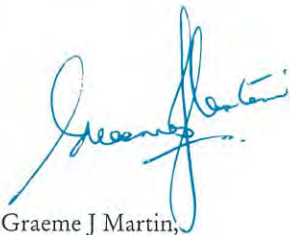
Colliers has prepared this report on the basis of information available as at 31 March 1997 as outlined in this letter. We have considered and relied upon this information which we believe to be reliable, complete and not misleading. We have no reason to believe that material facts have been withheld from us but do not warrant that our enquiries have revealed all of the matters which an audit or extensive examination might disclose. The statement and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

Valuers' Interest

The valuers do not have any pecuniary interest that would conflict with the proper valuation of the properties and each property has been valued independently of the company and/or offices.

Graeme Martin who has co-signed each of the valuations has had in excess of twenty years experience in the valuation of hospitals and health care facilities.

Yours faithfully



Graeme J Martin,

RDA Grad Dip Bus MSc (Urban Land Appraisal) LRVLE

Managing Director

Registered Valuer NSW No. 3776



SECTION

Material contracts

9. Material contracts

The Directors consider that certain contracts are significant to the Company or are of such importance that an investor might wish to have particulars of them when assessing the Offer.

Set out below is a brief summary of the more important provisions of each of these contracts.

9.1 Underwriting Agreement

The Underwriter has agreed with the Company in an Underwriting Agreement dated 11 August 1997 to underwrite the subscription of 43,513,546 Shares under the Offer.

The Company must pay to the Underwriter an underwriting commission of 2.5% of the proceeds of the Offer. In addition, the Underwriter will be reimbursed for its reasonable out-of-pocket expenses relating to the Offer.

If the Underwriting Agreement is terminated by the Underwriter, the Underwriter will be reimbursed for its reasonable out-of-pocket expenses, but will not be entitled to receive the underwriting commission and fee referred to above.

The Underwriting Agreement provides that the Underwriter may terminate its obligations in the following circumstances:

- the Prospectus is not lodged for registration with the ASC on or prior to 11 August 1997;
- the Company lodges the Prospectus for registration in a form not agreed by the Underwriter;
- the ASC does not register the Prospectus on or before 26 August 1997;
- any law, bill or other measure is introduced or announced by the Government of

Australia, the Government of any Australian State or Territory, or any responsible Minister of any such Government, or any policies are adopted or announced by the Reserve Bank of Australia or any other relevant fiscal authority adopts a policy, which has or might in the reasonable opinion of the Underwriter have a material adverse effect on the prospects of the Offer being fully subscribed prior to the Closing Date;

- hostilities are commenced after the date of the Underwriting Agreement (whether war is declared or not) or a major escalation of any existing hostilities occurs involving the armed forces of the Commonwealth of Australia, New Zealand, the United States of America or Japan (other than involvement in a peace-keeping force under United Nations auspices);
- any Director or officer of the Company named in the Prospectus dies or is charged with or convicted of any indictable criminal offence;
- the Company commits or permits any breach or default of any provisions of the Underwriting Agreement which (if capable of being remedied) is not remedied within 5 business days (or the Closing Date, whichever is earlier) of the Underwriter serving written notice on the Company requiring the breach or default to be remedied;
- there is a false or misleading statement or inaccuracy in the Prospectus or an omission from the Prospectus or the Prospectus is likely to constitute conduct that is misleading or deceptive;

9. Material contracts

- an insolvency event occurs with respect to any company in the Group;
- ASX permission is not granted for the Company to be admitted to the official list of ASX and for official quotation of the Shares the subject of the Offer within the period referred to in section 1031(1)(b) of the Corporations Law or, if granted, the permission is subsequently withdrawn, qualified on a basis not reasonably acceptable to the Underwriter or withheld;
- at the close of trading on any 2 separate business days (whether consecutive or not) after the date of the Underwriting Agreement and on or before the Closing Date the ASX All Ordinaries Index falls to a level that is 90% or less of the level attained at the close of trading on the business day immediately preceding the date of the Underwriting Agreement;
- at the close of trading on any 2 separate business days (whether consecutive or not) after the date of the Underwriting Agreement and on or before the Closing Date, the ASX All Industrials Index falls to a level that is 90% or less of the level attained at the close of trading on the business day immediately preceding the date of the Underwriting Agreement;
- the Company or any officer of the Company contravenes any provision of the Corporations Law or the Listing Rules or any requirement of ASX or the ASC or the Offer or the Prospectus breaches the Corporations Law or any other applicable law or regulation;
- in the opinion of the Underwriter, there is an adverse change or a development involving a prospective adverse change occurs in the financial or trading position, assets, liabilities, results, operations or prospects of any company in the Group;
- any company in the Group contravenes any of the provisions of its constitution;
- any company in the Group alters its board of directors or its capital structure or its constitution without the prior consent of the Underwriter;
- in the opinion of the Underwriter there is an adverse change in relation to the principal business activities of any company in the Group or in any of the principal projects or businesses of any company in the Group which are referred to in the Prospectus including, without limiting the generality of the foregoing, if any adverse order is made by an environmental agency in relation to any company in the Group or any site occupied by any company in the Group;
- the certificate which the Company is required to give to the Underwriter is not given or becomes materially incorrect in whole or in part;
- without the prior written consent of the Underwriter, a material contract (other than the Underwriting Agreement) referred to in the Prospectus is terminated (whether by breach or otherwise), rescinded, altered or amended or if any such contract is rendered void or voidable or liable to be terminated;
- a charge over all or any of the assets of any company in the Group is created or comes into existence without the prior written approval of the Underwriter or otherwise than in accordance with the Prospectus;

9. Material contracts

- any information supplied by any company in the Group or any person on its behalf to the Underwriter or its employees or agents in respect of the Offer is or becomes materially false or misleading;
- any of the results of investigations of any company in the Group conducted in pursuance of the due diligence exercise for the Offer is or becomes materially false or misleading;
- an application is made by the ASC for any order under section 1004 of the Corporations Law in relation to the Prospectus or the ASC gives notice of intention to hold a hearing in relation to the Prospectus under section 1033(3) of the Corporations Law or makes an order under section 1033(4) of the Corporations Law in relation to the Prospectus;
- there occurs in relation to the Prospectus an event which is, in the opinion of the Underwriter, a “significant” change or a “significant” new matter within the meaning of section 1024 of the Corporations Law or a person gives a notice under section 1023A of the Corporations Law, unless in the absolute discretion of the Underwriter the change or new matter can be dealt with in accordance with section 1023B or 1024 of the Corporations Law without having a material adverse effect on the Offer;
- if the Underwriter does not terminate the Underwriting Agreement in the circumstances set out in the preceding paragraph, the Company fails for any reason to lodge and obtain registration of a supplementary or replacement prospectus in such form and within such time as the Underwriter reasonably requires;
- the Prospectus does not contain, having regard to the matters set out in section 1022(3) of the Corporations Law, all such information as investors and their professional advisers would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets, liabilities, financial position, profits, losses and prospects of the Group and the rights attaching to the Underwritten Shares;
- any person whose consent to being named in the Prospectus is required by Section 1032 of the Corporations Law who has previously consented to the inclusion of his or her name in the Prospectus withdraws that consent;
- a public statement is made by the Company in relation to the Offer without the prior written approval of the Underwriter; or
- a direction is made in relation to the affairs of a company in the Group or any related body corporate under Part 3 of the Australian Securities Commission Act 1989.

Upon termination of the Underwriting Agreement, the obligations of the Underwriter end but any rights of the Underwriter accrued up to the date of termination remain.

The Company has agreed to indemnify the Underwriter, its related bodies corporate and their employees, officers and advisers (each an “Indemnified Party”) against any claims, suits or losses arising from or in connection with the Offer, the Prospectus, or any breach of any representation, warranty or obligation under the

9. Material contracts

Underwriting Agreement by the Company including but not limited to reasonably incurred legal costs and expenses on a full indemnity basis, but excluding fines or penalties for a contravention of the Corporations Law caused by an Indemnified Party's act or omission, claims or proceedings arising directly from a grossly negligent act or omission or a breach of the Underwriting Agreement by an Indemnified Party, or from publicity made or distributed by the Underwriter without the Company's prior approval.

9.2 DVA contracts

Ramsay Health Care has entered into Hospital Services Agreements with the Commonwealth of Australia and the DVA (the "Vendors"), by which certain hospital services must be provided by Ramsay Health Care at the Hollywood and Greenslopes Private Hospitals until 13 February 2006 and 6 January 2006 respectively, in return for certain minimum quarterly payments by the Vendors to the Company.

The services must meet specified quality standards, failing which the Company may be required to pay the Vendors liquidated damages in a daily amount calculated under a specified formula. The Company must also implement a program of work for the redevelopment of each hospital (see Section 9.3 below).

If the Company sells any of the land on which the hospitals are situated, it will in most cases be required to pay the Vendors a share of the net sale profits (50% in the case of Hollywood and 25% in the case of Greenslopes).

Under each Agreement, the Company can be replaced as the operator of the hospital if certain

events of default occur, including a failure to provide the services to the quality standards within 60 business days of a written notice of default, or an event of insolvency which in the Vendors' reasonable opinion is likely to affect the Company's ability to perform its obligations under the Agreement. If a replacement operator is appointed by the Vendors, the Company may be required to sell the hospital to the replacement operator.

The Vendors can terminate either Agreement if the Company's appointment as operator of the relevant hospital is terminated and a replacement operator is not identified and appointed after certain tendering and evaluation procedures are completed, or if those procedures are not completed within 12 months of an evaluation committee being appointed. Termination of the Agreement can also occur in each case if certain other events of default occur and are not remedied within 20 business days of a notice in writing from the Vendors. Those events include a transfer of the Company's ownership interest in the hospital without prior consent, a failure to carry out the agreed program of redevelopment work at a reasonable rate, or an event of insolvency which in the Vendors' reasonable opinion is likely to affect the Company's ability to perform its obligations under the Agreement.

9.3 Construction contracts

Hollywood Private Hospital development works

Ramsay Health Care has entered into certain design and construction contracts to fulfil its redevelopment work obligations in relation to the Hollywood and Greenslopes Private Hospitals.

9. Material contracts

By a contract made in May 1996, Kilcullen & Clark was engaged by the Company to design and construct a psychiatric unit on the Hollywood campus for the sum of \$2,489,749. The works were brought to practical completion early in March 1997. The contractor must rectify any defects or omissions in the work that are discovered in the defects liability period, which expires on 3 March 1998.

By a contract made in May 1996, Transfield Constructions Pty Limited was engaged by the Company to design and construct four hospital wards comprising 120 beds on the Hollywood campus for the sum of \$11,035,597. The works are expected to reach practical completion in July 1997. The contractor must rectify any defects or omissions in the work that are discovered in the defects liability period, which will expire 12 months after practical completion.

Greenslopes Private Hospital development works

By a contract made in May 1996, the Company engaged TF Woollam & Son Pty Ltd to construct a new 30 bed psychiatric ward at Greenslopes Private Hospital for the sum of \$1,515,011. By variation to this contract, the builder also agreed to construct a rehabilitation centre on the Greenslopes campus for the additional sum of \$1,718,500. The works reached practical completion in March 1997. The contractor must rectify any defects or omissions in the work that are discovered in the defects liability period, which expires on 11 March 1998.

Flinders Private Hospital construction

By a Design and Construction Deed dated 5 February 1997, the Company has engaged Boulderstone Hornibrook Pty Limited to design, construct and commission the Flinders Private Hospital, a private hospital located on the campus of the Flinders Medical Centre in Adelaide ("FMC"), together with an Ambulatory Patient Accommodation Centre ("APAC") within the existing FMC building. This is a project which the Company has undertaken to complete pursuant to a Project Agreement with FMC dated 7 June 1996.

The builder must complete the construction works by 5 August 1998, and the entire works program (including commissioning) must be completed by 7 December 1998 (subject to any extensions of time which may be granted to the builder in accordance with the Deed). A defects liability period of 12 months will commence on the date of operational commissioning, during which the builder must rectify defects in the works at its own cost.

The Builder bears all risks associated with site conditions. It cannot claim time extensions unless the extensions are allowed by FMC under the Project Agreement, and generally must indemnify the Company against any liquidated damages which the Company is obliged to pay FMC for late completion. Any variations must be approved prior to the variation work commencing and payment for variations is made by FMC to the Company to enable the Company to pay the builder.

4. Material contracts

The specified contract price is \$38 million, payable to the builder in accordance with an agreed schedule. However, under the terms of a Building Management Agreement dated 5 February 1997 between the builder and the Company, the contract price can be adjusted according to the actual cost of the works, subject to approval by Ramsay Health Care. That is, the builder is entitled to be paid the actual cost of the works.

The Building Management Agreement contains a plan of the estimated cost of each "trade package" to be let by the builder to sub-contractors. Before letting any trade package, the builder must endeavour to obtain at least 3 tenders and obtain the Company's consent before entering into any contract.

As security for the performance of the builder's obligations, the Company holds a performance bond for 5% of the contract sum (reducing to 2.5% on operational commissioning) and a guarantee from the builder's parent company.

By a Builders Side Agreement dated 5 February 1997 with the Company and agents for the Company's financiers ("Agent"), the builder has agreed not to terminate or suspend its performance under the Design and Construction Deed so long as progress payments are made to the builder under the Deed. The Agreement also provides that the Agent's consent is required for a variation to the works, an extension to the scheduled commissioning date, or acceptance by the Company of a non-conformance or defect, a certificate of final completion or a suspension by the builder. The Company has undertaken to maintain appropriate management skills and personnel to perform its obligations in respect of the project.

By an Operational Commissioning Agreement dated 5 February 1997, the Builder has sub-contracted to the Company the operational commissioning of the works. By Agreement dated 6 February 1997, FMC has agreed to provide various building services to the Company in relation to the new private hospital building, including domestic cold water, sewer, fire safety and maintenance services.

The Project Agreement between the Company and FMC sets out the Company's obligations as to design and construction, operation of the private hospital and the APAC and treatment of public patients, together with the FMC's obligations to make payments to the company including minimum service payments for the treatment of public patients.

The Project Agreement also requires the Company to make certain "profit sharing" payments to FMC during the first 11 years of the operation of the private hospital and the APAC. There are three elements to these payments. First, the Company must make a fixed payment as specified in a schedule to the Agreement, commencing at \$350,000 in Year 1 and rising to \$493,710 in Year 11. Secondly, the Company must make an additional payment, commencing at \$140,000 in Year 1 and increasing by 3.5% per annum during the 11 year period of the payments. Thirdly, the Company must pay FMC a percentage of the EBIT of the private hospital and the APAC, commencing at 1% in Year 5, then increasing by 1% per annum until it reaches 5%, which continues until Year 11. There is provision for a "claw back" of part of these payments (a specified sum which increases year by year), if the Agreement is terminated as a result of a default by FMC or by consent.

9. Material contracts

The Agreement may be terminated by FMC if the Company does not provide the services it is required to provide. There are no unusual termination provisions. There is provision for FMC to appoint a replacement operator if the Company defaults in its obligations under the Agreement.

The private hospital is being constructed on land leased to the Company for 50 years by the South Australian Minister for Health. The lease contains standard lease covenants and the rent is nominal. The Company has agreed to grant a sub-lease of part of the private hospital to FMC for the purposes of an eye care centre. The term of the sub-lease is 11 years from operational commissioning of the new building. FMC has agreed to lend the Company \$1.8 million to assist with construction costs. Repayments under the Loan Agreement are matched and offset against the rent payable by FMC under the sub-lease. The Ambulatory Patient Accommodation Centre within the existing FMC building is the subject of a separate lease from FMC to the Company for nominal rent with a term identical to the eye care centre sub-lease.

North Shore Private Hospital

By a Design and Construction Deed dated 11 November 1996, the Company has engaged Fletcher Construction Australia Limited to construct and manage the design of a private hospital, day procedure centre and ambulatory care facilities on the campus of the Royal North Shore Hospital, a public hospital in Sydney.

The builder must bring the project to the stage of practical completion in July 1998, failing which it must pay liquidated damages to the Company for late completion in the sum of \$20,000 per day.

The Company must pay the builder the actual cost of the construction works to a maximum of \$45 million. This limit of costs may be exceeded if the increase is due to a change in the requirements of any authority, or variations to the works, or early occupation of the works by the Company, or a suspension of the works ordered by the Company.

As security for the performance of the builder's obligations, the Company holds a guarantee by Fletcher Challenge Limited and bank guarantees totalling \$1.9 million.

The Company has a registered 50 year lease of the land on which the private hospital is being built. The lessor is the Northern Sydney Area Health Service ("NSAHS"). The lease requires the Company to construct a private health facility of at least 130 beds with associated services within approximately 50 months from 15 November 1996, the commencement of the lease. A failure to do so will entitle NSAHS to terminate the lease. The lease contains extensive provisions with regard to construction of the facility, insurance, commissioning and co-operation between the North Shore Private Hospital and the North Shore Public Hospital. The rent has been prepaid by agreement between the parties and no further rent is payable by the Company unless the Company extends the size of the private health facility on the land.

9. Material contracts

The Agreement to Lease between the Company and the NSAHS sets out the terms on which the lease would be granted (it has now been granted) and provides for conversion of the Company's leasehold estate into a leasehold strata title scheme, once the building is completed. The building is to contain medical suites and the leasehold strata lots for these will be offered for sale to medical practitioners and/or investors. The Company has agreed to enter into a Property Management Agreement with NSAHS, under which the Company will manage the strata scheme as the agent of NSAHS. If a medical suite lease is terminated for default, the Agreement will permit the Company, in the name of NSAHS, to issue to itself a further lease in replacement of the terminated lease. The replacement lease can be sold by the Company.

A Car Parking Agreement with NSAHS requires the Company to construct an additional two levels on an existing multi-level car park on land owned by NSAHS adjacent to the site for the private hospital. This construction work has been completed. NSAHS will operate all car parking on the Royal North Shore campus including surface parking within the area leased to the Company for the private hospital. The Company will be entitled to a portion of the car parking income for the entire campus, calculated according to a schedule to the Agreement.

The Company's obligations to NSAHS under the Lease, the Car Parking Agreement and in relation to the leasehold strata subdivision are secured by a Mortgage of Lease and a fixed and floating charge in favour of NSAHS.

9.4 Banking and finance facility agreements

The Ramsay Health Care Group has several loan facilities, one being a general purpose corporate facility and the others being special purpose financing for the acquisition and development of the North Shore, Hollywood, Greenslopes and Flinders private hospitals. The Group has accepted an offer to refinance the general corporate and North Shore facilities.

Existing general corporate loan and North Shore construction facilities

In addition to other finance facilities mentioned below, Ramsay Health Care at 31 July 1997 had borrowings totalling \$59 million from a group of four banks, under facilities known as Facilities A and B. Facility A comprises four separate loan facilities totalling \$51.6 million, provided in 1995 for refinance and working capital purposes. The scheduled repayment date for Facility A is 28 June 1998. At 31 July 1997, approximately \$50 million had been drawn down by the Company under Facility A. Facility B, provided to Ramsay Health Care in 1996, is a \$48 million loan facility provided to fund the payment of project costs to construct the North Shore Private Hospital. The scheduled repayment date for Facility B is 15 November 2001. At 31 July 1997, \$9 million had been drawn down by the Company under Facility B.

The transaction documents for Facilities A and B contain representations and warranties, undertakings, events of default and margins and fees customarily found in financing arrangements of this kind and size. Each facility

9. Material contracts

is principally secured by a group deed of charge, group guarantee and indemnity and real property mortgages given by the companies in the Group which own land.

Refinancing

Ramsay Health Care has accepted a letter of offer dated 18 June 1997 from NatWest Markets Australia Limited ("NWAL"), by which NWAL has offered to arrange and underwrite the refinancing of Facilities A and B, subject to the successful completion of the Issue. The refinancing facility is for an amount of \$100 million, of which \$75 million is underwritten by NWAL. The facility will be available by cash advance or letter of credit or a combination of these. The facility will be due for repayment no later than September 2002.

The facility will be provided on a negative pledge (unsecured) basis in the event that more than 50% of the facility amount is syndicated to other financiers by NWAL before drawdown, otherwise there will be fixed and floating charges over all the assets and undertakings of Ramsay Health Care Australia Pty Limited (the borrowing entity) as security for the facility. Ramsay Health Care Limited will guarantee the borrower's obligations.

Ramsay Health Care has arranged to borrow \$40 million under the facility simultaneously with the allotment of Shares under the Issue. These funds will be used in conjunction with the Issue proceeds to repay Facilities A and B and provide cash on deposit for the funding of the remaining construction costs for the North Shore Private Hospital.

The \$40 million in loan funds initially drawn under the facility will be provided by NatWest Offshore Limited to Ramsay Health Care Australia Pty Limited via a newly formed entity, the Health Care Development Trust ("the Trust"). The Trust will be a controlled entity of the Group used by the Group to finance ongoing projects and new developments on a long term basis. The trustee will be a wholly owned subsidiary of Ramsay Health Care.

The availability of the refinancing facility will be subject to the successful completion of the Issue and the use of funds from the Issue in accordance with the purposes mentioned in Section 2.5 of this Prospectus, in addition to other conditions precedent which are either minor, usual or already satisfied. These include the signing of formal transaction documents, which are to include provisions for fees and charges, representations and warranties, general undertakings and events of default customarily found in facilities of this type. The transaction documents are being prepared at the time of the Issue.

The interest rate is specified as a fixed margin over a specified bank bill base rate on the date of a drawdown or rollover.

It will be a term of the facility that Ramsay Health Care Australia Pty Limited must maintain an interest bearing debt to equity ratio not exceeding 0.75:1 (where "equity" is shareholders funds less intangible assets) and a gross interest cover ratio of at least 2:1 (calculated as EBITDA less interest income and dividend revenue divided by interest costs). The Group's equity (as defined above) must not fall below \$110 million.

9. Material contracts

Hollywood and Greenslopes securitised loan facilities

Ramsay Health Care financed its 1994 purchases of the Hollywood and Greenslopes Private Hospitals, and development works at those hospitals, under loan facilities which have since been "securitised". The Hollywood facility limit is \$47,861,417 and the Greenslopes facility limit is \$50,358,699. Both facilities are fully drawn.

The current financiers are Prime Asset Vehicle (No.2) Limited and PAV Hospital Funding Limited. Fixed quarterly instalments of interest and principal are payable by Ramsay Health Care to the financiers over periods ending on 31 December 2005 (in the case of the Hollywood facility) and 30 September 2005 (in the case of the Greenslopes facility). These instalments have been calculated and scheduled to match the payments to be made by the DVA for services to veterans at the two hospitals.

The transaction documents for each facility contain representations and warranties, undertakings, events of default and margins and fees customarily found in financing arrangements of this kind and size.

The principal securities for each facility comprise a mortgage over the hospital land, a charge over the hospital assets and a mortgage of the shares in the borrowers (Ramsay Hospital Holdings Pty Limited and Ramsay Hospital Holdings (Queensland) Pty Limited).

Flinders Private Hospital

The Australian Mutual Provident Society, through a Syndicated Loan Facility Agreement dated February 1997, is to advance \$48,200,000 to Ramsay Health Care to construct the Flinders Private Hospital and associated works.

The Facility Agreement is a project finance facility containing the usual clauses relating to drawings being placed in a project account and only being withdrawn upon receipt of certification that the expenses have been incurred.

The facility is to be repaid on 1 October 2009. The loan is to be serviced from minimum service payments received by Ramsay Health Care from Flinders Medical Centre (public hospital) for the treatment of public patients. The transaction documents for financing contain representations and warranties, undertakings, events of default and margins and fees commonly found in similar financing arrangements. There are no unusual financial undertakings.

The securities provided to the financiers are a fixed floating charge of the assets of the borrower (Ramsay Bedford Park Pty Limited), a mortgage by Ramsay Health Care Limited of its shares in the borrower, a deposit account charge and indemnity and a mortgage of the leases granted by the South Australian Government for the purpose of the project.

9. Material contracts

9.5 Documents available for inspection

Copies of the following documents are available for inspection between 9.00am and 5.00pm AEST on each weekday (excluding public holidays) at Ramsay Health Care's registered office for 12 months from the date of lodgment of this Prospectus with the ASC:

- the Memorandum and Articles of Association of the Company;
- the material contracts referred to above (subject as described below to the deletion of information the disclosure of which in the opinion of the Directors is likely to result in unreasonable prejudice to the Company);
- the terms of the Ramsay Health Care Executive Share Option Scheme and Dividend Reinvestment Plan; and
- the consents to be named in the Prospectus referred to in section 10.12.

The Company has, in reliance on the exemption granted by the ASC under Class Order 94/183, censored the copies of certain material contracts referred to in this Prospectus which are available for inspection at the Company's registered office. In the opinion of the Directors, the information censored from the material contracts would, if disclosed, be likely to result in unreasonable prejudice to the Company.

In accordance with the Class Order, set out below is a short description of the general nature of the information omitted from the copies of the material contracts, and a statement of the unreasonable prejudice that would result from the inclusion of that information. In the opinion of the Directors, the information removed from

the copies of the material contracts is not information that investors or their professional advisers would reasonably require, or reasonably expect to find in the Prospectus for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Company or the rights attaching to the Shares, and is not required to be disclosed by any provision of the Corporations Law (other than section 1029).

The information omitted from the copies of the material contracts referred to in this Prospectus available for inspection is certain information relating to payments received by the Company from the DVA, fees and margins payable by the Company to its financiers, certain of the terms and conditions of the Company's financing arrangements, and the terms of the leases between the Company and both Flinders Medical Centre and the Northern Sydney Area Health Service and the hospital services payments to be made by Flinders Medical Centre.



SECTION

10

Additional
Information

10. Additional information

10.1 Incorporation and Authorised Capital

Ramsay Health Care Limited was incorporated in New South Wales on 26 May 1975. It is registered under the Corporations Law as a public company limited by shares. The authorised capital of Ramsay Health Care Limited is \$250,000,000 divided into 2,500,000,000 ordinary shares with a par value of 10 cents each.

10.2 Balance date

The accounts for the Company will be made up to 30 June annually. Half yearly accounts will also be prepared.

10.3 Company tax status

Ramsay Health Care Limited will be taxed as a public company.

10.4 Share trading and return risks

Before deciding to invest in Shares, each potential investor should consider whether shares are a suitable investment. The value of shares can go down or up due to circumstances affecting the stock market generally or a company in particular. Similarly, the level of dividends paid in respect of shares can go down as well as up, and there is no guarantee that a dividend will be paid. Shares should generally not be considered a short term investment. If you are in doubt about investing in shares you should consult your stockbroker, solicitor or other professional adviser immediately. Applicants should refer to section 5 of this Prospectus for an outline of risk factors associated with an investment in Ramsay Health Care.

10.5 Rights attaching to Shares

The following is a broad summary of the rights, privileges and restrictions which attach to the Shares offered under this Prospectus:

General meetings and voting

Every shareholder is entitled to attend and vote at general meetings of the Company. At such meetings each shareholder has one vote on a show of hands and, on a poll, one vote for every fully paid share held and a proportional fraction of a vote for every partly paid share. Voting may be done either in person, by proxy, by authorised representative of a company or by attorney.

Notices

Each shareholder is entitled to receive all notices and other documents, including financial statements, as are required to be distributed to shareholders under the Articles of Association of the Company and the Corporations Law.

Dividends

The Directors may from time to time declare dividends which are justified by the profits of the Company. Subject to any special rights or restrictions attaching to shares (at present there are none), dividends payable to shareholders must be distributed in proportion to the number of shares held by them. The Directors may deduct from a dividend the amount of any unpaid call on the relevant share. The Directors may declare a dividend in favour of those shareholders on the register at a date determined by the Directors.

10. Additional information

Creation or issue of further shares

The shareholders may in general meeting by resolution increase the authorised share capital from time to time. Subject to the Articles of Association, the Listing Rules, the Corporations Law and to any pre-existing rights of shareholders, the Directors may allot, grant options over or otherwise dispose of shares to any person on such terms and conditions and with such rights as the Directors think fit.

Transfer of shares

A shareholder may freely transfer all or any of the shareholder's shares subject to the Articles of Association of the Company and the Listing Rules. The Directors may prevent the registration of share transfers only in limited circumstances, including where the registration may break an Australian law.

Variation of rights

The Company at present only has ordinary shares on issue. If shares of another class were issued, the rights and privileges attaching to any class of shares may be varied with the sanction of a special resolution passed at a separate general meeting of the holders of that class of shares, provided that the special quorum required by the Articles of Association is met.

Reduction of share capital

Subject to the Corporations Law and the Listing Rules, the Company may by special resolution reduce its capital, capital redemption reserve fund, share premium account, or any fund representing moneys paid on the issue of options.

Winding up

If the Company is wound up, the shareholders will participate in any surplus assets of the Company in proportion to the capital paid up or which ought to have been paid up on the shares held by them at the commencement of the winding up. The shareholders right to participate in the surplus assets upon winding up is subject to the rights of holders of shares issued with any special or preferential rights (at present there are none).

Capitalisation of profits

The Directors may resolve to capitalise and distribute any amount forming part of any reserve account or profit and loss account or any other funds otherwise available for distribution to shareholders in the proportions to which shareholders would be entitled to dividends if the funds were paid by dividend. Capitalised profit may be applied in paying up any amounts unpaid on shares held by shareholders or in paying up unissued shares.

Indemnification of officers

The Company is to indemnify Company officers to the extent permitted under the Corporations Law and unless the conduct involves a lack of good faith, and may agree to pay premiums on certain policies of insurance covering company officers, again subject to the Corporations Law.

Non-marketable parcels

The Directors may in certain circumstances and unless instructed otherwise by a shareholder holding less than a marketable parcel of shares, sell that unmarketable parcel of shares.

10. Additional information

Applicants who wish to inspect the Memorandum and Articles of Association of Ramsay Health Care may do so at the registered office of Ramsay Health Care during normal business hours.

10.6 Overseas shareholders

This Prospectus does not constitute an offer of Shares in any jurisdiction, where, or to any person to whom, it would not be lawful to issue this Prospectus. It is the responsibility of any overseas applicants to ensure compliance with all laws of any country relevant to their Applications.

10.7 Expenses of the issue

The total expenses of the Issue paid or payable by the Company, including underwriting and management fees, legal fees, accounting fees, experts fees, printing and postage costs, ASX listing fees, and other expenses, are estimated at \$5.2 million.

10.8 Interests of Directors

Other than as set in this Prospectus, no Director of the Company and no firm in which a Director of the Company is a partner has at the time of lodgment of this Prospectus with the ASC or has had within the last two years before lodgment of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, the Company and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any Director of the Company (or to any firm in which he or she is a partner) either as an inducement or qualification to become a Director, or otherwise for services rendered by him or her or by the firm in which he or she is a partner, in connection with the promotion of the Company.

Interests in Shares

There are no shareholding qualification requirements for Directors under the Company's Articles of Association. Apart from that listed below, none of the Directors has an interest in the securities of the Company:

Mr Paul Ramsay has a relevant interest in 65,270,320 Shares held by Paul Ramsay Holdings Pty Limited and is a director of that company.

Directors and senior executives are to be offered a total of 2.54 million options over unissued ordinary shares in the Company under the Executive Share Option Scheme described in Section 10.10 of this Prospectus. The 0.92 million options issued to Directors will be offered as follows:

IPS Grier 400,000 options;
BR Soden 135,000 options;
MS Siddle 55,000 options;
ML Brislee 55,000 options;
PJ Evans 55,000 options;
KCD Roxburgh 110,000 options; and
RH McGeoch 110,000 options.

Remuneration

Non-executive Directors may be paid director's fees in a fixed sum up to a maximum annual aggregate sum determined from time to time by the Company at a general meeting (currently \$500,000). The sum is to be divided between them as they agree or, failing agreement, equally. Executive Directors are full-time employees of the Company. No Director's fees are paid to executive Directors in addition to their annual remuneration.

10. Additional information

Related party transactions

Other than described elsewhere in this Prospectus or as set out below, no Director and no firm in which a Director is a partner or entity in which a Director has an economic interest is at the date of this Prospectus a party to a related party transaction.

Paul Ramsay Holdings Pty Limited, a related party of the Company in which Mr Paul Ramsay has an economic interest, has a licence from the Company to occupy office space and use office facilities at the Company's freehold building at 154 Pacific Highway, St Leonards, NSW. The terms of the licence require Paul Ramsay Holdings Pty Limited to pay a commercial arm's length licence fee to the Company. The office space occupied under this licence represents less than 5% of the total office space in the building.

Paul Ramsay Holdings Pty Limited is owed \$32.875 million by the Company. This debt will be repaid from the proceeds of the Issue.

Subject to completion of the Issue, Paul Ramsay Holdings Pty Limited has contracted to buy from the Company certain non-income producing land and buildings not referred to elsewhere in this Prospectus (and not included in the pro-forma balance sheet of the Company at 30 June 1997). The market value consideration of \$2.125 million has been received by the Company.

Paul Ramsay Holdings Pty Limited has agreed to lease to the Company the premises currently occupied by the Lynton annex of the Northside Clinic in Sydney, for the period up to completion of the planned amalgamation of the annex with the Northside Clinic (expected before the end of

1997). Outgoings are payable by the Company under the lease, but no rent is payable.

The Company utilises the services of a number of personnel contracted to Paul Ramsay Holdings Pty Limited as consultants. The services are provided when requested by the Company and on a cost-reimbursement basis.

Mr R H McGeoch is a partner of the law firm Corrs Chambers Westgarth, which has performed legal services for the Company in return for fees at its usual hourly rates.

10.9 Litigation

Ramsay Health Care is not involved in any material legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings pending or threatened.

10.10 Executive Share Option Scheme

The Company has established an Executive Share Option Scheme. A total of 2.54 million options are to be offered under the Scheme to directors and senior executives, as set out in section 10.8 of this Prospectus. Those options will be issued for no consideration. They cannot be exercised unless the market price of the Company's ordinary shares exceeds \$2.20 for a continuous period of a least 5 ASX trading days. Subject to that condition, the options will progressively become exercisable by the holders over the five year term of the options, 40% becoming exercisable after two years, an additional 20% becoming exercisable in the final three months of each of the subsequent three years. The exercise price will be equal to the price of Shares offered under this Prospectus.

10. Additional information

The Directors may decide to make further offers of options under the Executive Share Option Scheme after quotation of the Shares on ASX, on conditions determined by the Board within the terms of the Scheme, but subject to the approval of shareholders in the case of offerees who are Directors.

Following is a summary of the terms of the Executive Share Option Scheme:

- The total number of ordinary shares, the subject of options issued under the Scheme at any time cannot exceed 5% of the number of issued shares in the Company from time to time.
- Offers of options will be made by the Board, which has absolute discretion to determine when offers are made, which eligible persons receive offers, and the number of options offered.
- Eligible persons are persons who are concerned, or take part in, the management of the Company (which may include non-executive directors). If the Company is admitted to the official list of ASX, an offer of options to a Director or his or her nominee must be subject to the approval of shareholders.
- The issue price of options shall be nil unless the Board otherwise determines.
- The exercise price of each option shall be determined by the Board at the date of offer of the option and shall be no less than the current market price at the offer date of ordinary shares in the Company, determined as the weighted average selling price of shares sold on the ASX during the 5 trading days immediately prior to the offer date.
- The options have a term up to five years from the date of issue. Options can be exercised:
 - during the times and subject to the conditions specified in the offer of the options or where no time or conditions are specified at any time after the date of issue before expiry of the option; and
 - within a period specified by the Board in its absolute discretion if a takeover offer or announcement is made.
- If an eligible person ceases employment with the Company, options held by that person may not be exercised after the employment ceases unless the Board, in its absolute discretion, consents.
- Options may, with the approval of the Board, be issued or assigned to a close relative or family company of an eligible person.
- The options do not give any right to participate in dividends until shares are allotted pursuant to the exercise of the relevant option.
- The number of shares issued pursuant to the exercise of options will be adjusted for bonus issues made prior to exercise of options.
- Subject to any other conditions on exercise, an option holder will be given an opportunity to exercise the option prior to the record date for determining entitlements to a rights issue. If the option holder does not exercise the option prior to the record date for the rights issue, the terms of the option will be adjusted to take into account the rights issue.

10. Additional information

- If the Company, after having granted any option, subdivides or consolidates its ordinary shares, the shares issued to the option holder upon exercise of an option shall be subdivided or consolidated, as the case may be, in the same ratio, and the exercise price shall be amended in inverse proportion to that ratio.
- Ordinary shares issued upon the exercise of options will rank equally with the then existing issued ordinary shares in the Company and the Company will apply for quotation of the shares by ASX.

10.11 Dividend reinvestment plan

The Company has established a dividend reinvestment plan with the following key features:

- Shareholders have the option to elect to receive Shares in lieu of dividends on some or all of their Shares.
- Shares will be issued under the DRP at a price equal to the weighted average market price of the Shares on the ASX on the five trading days following the relevant record date. Shares will not be issued if the price determined is less than the par value of the Shares.
- No brokerage, commission or other transaction costs are charged on Shares allotted under the DRP.
- The Directors may implement, modify, suspend or terminate the DRP as they see fit and may not offer the DRP to shareholders outside Australia if such offering is unlawful,

or if they determine that the offering should not be made, due to overseas prospectus requirements.

- Shareholders may sell any or all of their participating shares at any time. Shares will automatically be withdrawn from the DRP when the Company registers a valid transfer.
- If all of a shareholder's Shares participate in the DRP, any further Shares purchased by or issued to that shareholder will automatically participate in the DRP unless the shareholder otherwise elects. That is, the shareholder will not be sent a cash dividend in respect of such Shares, unless that shareholder so elects.
- Ramsay Health Care will apply to the ASX for quotation of Shares issued under the DRP.

The DRP will be activated by the Board in its discretion, at which time shareholders will be sent full details of the DRP together with a Notice of Dividend Election form. The Board has not yet determined when, or if, the DRP will be activated.

10.12 Consents

County NatWest Corporate Finance Australia Limited has given and before lodgment of this Prospectus not withdrawn its written consent to being named in this Prospectus as Financial Adviser.

County NatWest Securities Australia Limited has given and before lodgment of this Prospectus not withdrawn its written consent to being named in this Prospectus as Underwriter and Lead Manager to the Offer in the form and context in which it is so named.

10. Additional information

Corrs Chambers Westgarth has given and before lodgment of this Prospectus not withdrawn its written consent to being named as Solicitors to the Offer in the form and context in which it is so named.

Ernst & Young has given and before lodgment of this Prospectus not withdrawn its consent to the inclusion in this Prospectus of the Independent Accountant's Report set out in Section 7 in the form and context in which the report is included and to being named in this Prospectus as Independent Accountant in the form and context in which it is so named.

Ernst & Young Corporate Finance Pty Limited has given and before lodgment of this Prospectus not withdrawn its consent to the inclusion in this Prospectus of its report set out in Section 7 in the form and context in which the report is included and to being named in this Prospectus as the reviewer of the Director's forecasts in the form and context in which it is so named.

Colliers Jardine Consultancy and Valuation Pty Limited has given and before lodgment of this Prospectus not withdrawn its consent to the inclusion in this Prospectus of its report set out in Section 8 in the form and context in which the report is included and to being named in this Prospectus as the independent property valuer in the form and context in which it is so named.

None of County NatWest, Corrs Chambers Westgarth, Ernst & Young, Ernst & Young Corporate Finance Pty Limited or Colliers Jardine Consultancy and Valuation Pty Limited has authorised or caused the issue of, and each expressly disclaims and takes no responsibility for,

any part of this Prospectus except for those matters specifically attributed to each of them respectively in this Prospectus.

10.13 Interests of experts and advisers

Other than as set out below, no expert nor any firm in which such expert is a partner has at the time of lodgment of this Prospectus with the ASC, or has had in the two years before lodgment of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, the Company and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any expert (or to any firm in which he or she was a partner) for services rendered by the expert or firm in connection with the promotion or formation of the Company.

County NatWest has acted as Financial Adviser to Ramsay Health Care in relation to the Offer and re-financing the Group's borrowings, and will be paid a fee of approximately \$1.7 million. County NatWest has also acted as Underwriter to the Offer. The remuneration of the Underwriter is disclosed separately in the description of the Underwriting Agreement.

Corrs Chambers Westgarth has acted as Solicitors in relation to the Offer. At the date of this Prospectus Ramsay Health Care has been billed amounts totalling approximately \$300,000 (including disbursements) by Corrs Chambers Westgarth for work performed in relation to due diligence and the provision of legal advice in connection with the Offer. Further amounts will be paid to Corrs Chambers Westgarth at its usual hourly rates.

10. Additional information

Ernst & Young has prepared the Independent Accountant's Report included in Section 7 of this Prospectus. In respect of that work, the Company estimates it will pay amounts totalling approximately \$250,000 (including disbursements) to Ernst & Young.

Ernst & Young Corporate Finance Pty Limited has reviewed the Directors' forecasts included in Section 4 of this Prospectus and has also performed work in relation to the due diligence enquiries on financial matters. In respect of that work, the Company estimates it will pay amounts totalling approximately \$300,000 (including disbursements) to Ernst & Young Corporate Finance Pty Limited.

Colliers Jardine Consultancy and Valuations Pty Limited has prepared the Independent Property Valuers' Report included in section 8 of this Prospectus. In respect of that work, the Company estimates it will pay a fee of \$95,000 (including disbursements) to Colliers Jardine Consultancy and Valuations Pty Limited.

10.14 Responsibility statements

County NatWest has not been involved in the preparation of any part of this Prospectus, and specifically disclaims liability to any person in the event of omission from, or any false or misleading statement included in, this Prospectus.

Corrs Chambers Westgarth has only been involved in the preparation of Sections 9 and 10 of this Prospectus and specifically disclaims liability to any person in the event of any omission from, or any false or misleading statement included, elsewhere in this Prospectus.

Ernst & Young has only been involved in the preparation of Section 7 of this Prospectus and specifically disclaims liability to any person in the event of omission from, or any false or misleading statement included, elsewhere in this Prospectus.

Ernst & Young Corporate Finance Pty Limited has only been involved in the preparation of Section 7 of this Prospectus and specifically disclaims liability to any person in the event of omission from, or any false or misleading statement included, elsewhere in this Prospectus.

Colliers Jardine Consultancy and Valuation Pty Limited has only been involved in the preparation of Section 8 of this Prospectus and specifically disclaims liability to any person in the event of omission from, or any false or misleading statement included, elsewhere in this Prospectus.

Corporate Registry Services Pty Limited has had no involvement in the preparation of any part of this Prospectus. Its name appears for information purposes only and it specifically disclaims liability to any other person in the event of omission from, or any false or misleading statement included in, this Prospectus.

10.15 Director's statement

The Directors state that, in their opinion, since 31 March 1997 (being the date of the accounts used in the preparation of this Prospectus and the Independent Accountant's Report) no circumstances have occurred which have materially affected or will materially affect the

10. Additional information

profitability of the Company or the value of its assets, save as disclosed elsewhere in this Prospectus. The Directors have authorised the issue of this Prospectus.

Signed by each Director of the Company or by a person authorised by that Director in writing to sign this Prospectus on his or her behalf.



Paul Ramsay
Chairman



Peter Evans
Non-Executive Director



Michael Siddle
Deputy Chairman



Marjorie Brislee
Non-Executive Director



Pat Grier
Managing Director
By his agent



Rod McGeoch
Non-Executive Director
By his agent



Bruce Soden
Finance Director



Kerry Roxburgh
Non-Executive Director



SECTION

Glossary

Terms and abbreviations used in this Prospectus have the following meanings:

“ACHS”	Australian Council on Healthcare Standards;
“AEST”	Australian Eastern Standard Time;
“Applicant”	a person who submits an Application;
“Application”	a valid application made to subscribe for a specified number of Shares offered by this Prospectus;
“Application Form”	the Application Form contained within this Prospectus being the public application for members of the public or the employee application form for employees;
“Application Monies”	the Application Price multiplied by the number of Shares applied for;
“Application Price”	\$1.85 in respect of the subscription price for each Share applied for under the Public Offer;
“ASC”	Australian Securities Commission;
“ASX”	Australian Stock Exchange Limited;
“Beds”	means beds which a hospital is licensed or otherwise permitted to provide;
“Board” or “Board of Directors” or “Directors”	the board of directors of the Company;
“CHESS”	Securities Clearing House Electronic Subregister System;
“Closing Date”	12 September 1997 or such other date the Public Offer closes as subject to the right of the Company and the Underwriter to vary the Closing Date;
“Company” or “Ramsay Health Care” or “Group”	Ramsay Health Care Limited and/or its controlled entities as the context requires;
“County NatWest”	County NatWest Securities Australia Limited or other members of NatWest Markets Australia Limited group;
“DVA”	the Commonwealth Department of Veterans Affairs;
“Employee Application Form”	the employee application form contained within this Prospectus;
“Employee Application Price”	\$1.65 in respect of the subscription price for each Share applied for under the Employee Offer;
“Employee Offer”	the offer open to permanent employees of Ramsay Health Care pursuant to and in accordance with this Prospectus;
“Issue” or “Offer”	the offer of 43.5 million Shares pursuant to and in accordance with this Prospectus;
“Listing Rules”	the listing rules of the ASX;
“Official List”	the official list of the ASX;
“Official Quotation”	quotation on the official list of the ASX;
“Opening Date”	1 September 1997;
“Prospectus”	this document dated 11 August 1997;
“Public Offer”	the offer open to members of the public pursuant to and in accordance with this Prospectus;
“Share”	a fully paid ordinary share with a par value of 10 cents in the capital of the Company;
“Underwriter”	County NatWest Securities Australia Limited.

All references to currencies are to Australian dollars and cents unless otherwise stated.
Financial year refers to a year ended/ending 30 June.

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PUBLIC APPLICATION

Ramsay Health Care Limited

ACN 001 288 768

Registrar's Use

Broker's Stamp

ASX Code

Advisor No.

A I/We apply for Shares or such lesser number of Shares as may be allocated to me/us by the Underwriter. I/We note the minimum application is 1,000 Shares and thereafter in multiples of 100 as set out in the Prospectus dated 11 August 1997.

I/We lodge full application monies I/We wish to hold all the Shares allocated to me/us in uncertificated form.

B I/We lodge full application money at \$1.85 per Share \$

C Complete full registration name and details

Single Applicant Given Name Surname

Joint Applicant 1 Given Name Surname

Joint Applicant 2 Given Name Surname

Tax File Number Single Applicant Joint Applicant 1 Joint Applicant 2

D Complete postal address

Number and Street

Suburb or City State Postcode

E Telephone details

Contact Name Home

F CHESSE details HIN (Holder Identification Number)

(Where applicable)

G Cheque details

Drawer Bank Branch \$

H Declaration

I/We make the declarations and if appropriate give the representation and warranties listed on the page opposite and agree to be bound by the Memorandum and Articles of Association of Ramsay Health Care Limited.

No signature is required

Your guide to the Public Application Form

Please complete all relevant sections of the application form using **BLOCK LETTERS**

Please post or deliver the completed Form together with your cheque in favour of "Ramsay Health Care Limited - Float Account" to the following address:

Corporate Registry Services Pty Limited
Level 2, 321 Kent Street
SYDNEY NSW 2000

A The minimum number of shares which may be applied for is 1,000. Additional shares in excess of the minimum must be applied for in multiples of 100.

B Application moneys must be for the full amount in Australian dollars (numbers of Shares multiplied by \$1.85 per Share). Cheques must be made payable to "Ramsay Health Care - Float Account" and crossed "Not Negotiable". If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Company's decision as to whether to treat your Application Form as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to purchase more Shares in the Company than is indicated in Paragraph A of the Application Form.

C Applications must be in the name of natural person, companies or other legal entities acceptable to the Company up to a maximum of three names per application for Shares. Applications in the name of a trust or estate, business, firm, partnership, club, association or other unincorporated body cannot be accepted. However, applications made solely in the individual name of a person who is the trustee, proprietor, partner or office bearer (as applicable) of those entities will be entitled to be accepted.

D All communications to you from the Company's share registry (for share certificates, annual/interim reports, correspondence etc) will be mailed to the person and address shown. You should notify the Company of any change of address. For joint applications only one address is required.

E Please provide us with telephone numbers (including the person responsible in the case of an application by a company) so that we can contact you quickly if there is an irregularity in your Application Form. If you have any questions on how to complete the Application Form please telephone Corporate Registry Services on (02) 9290 4111.

F Ramsay Health Care Limited will apply to the ASX to participate in CHES. If you are already a participant in CHES you may complete this section or forward the signed Application Form to your sponsoring broker for completion prior to lodgement. Otherwise leave this section blank.

G Complete cheque details as requested.

H Declaration by applicant(s) on completing and submitting the Application Form.

By completing and submitting this Application Form you (or your attorney) will be taken to have declared that:

- all details and statements made by you are complete and accurate and the Application complies with the term.
- no notice of revocation of the power of attorney has been received.
- you are not as a result of the law of any place a person to whom a Prospectus should not be given; and
- you are not less than 18 years of age or a person not otherwise having full contractual capacity without the necessity for consent or ratification by any other person.

Type of investor	Correct Form of Registration Title	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith	Sue Smith Family Trust (Sue Smith Family A/C)
Deceased Estate Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith (Est John Smith A/C)	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with a appropriate designation.	Mr John Alfred Smith (Peter Smith A/C)	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith (John Smith and Son A/C)	John Smith and son
Long Names	Mr John William Alexander Robertson-Smith	Mr John WA Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith (ABC Tennis Association A/C)	ABC Tennis Association (ABC Tennis Association A/C)
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd (Super Fund A/C)	Jane Smith Pty Ltd Superannuation Fund

Ready Reckoner - How to calculate application money payable

To calculate the application money payable multiply the number of shares applied for by \$1.85. The application money payable for some common share quantities is shown below.

Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
1,000	\$1,850	1,500	\$2,775	2,000	\$3,700	2,500	\$4,625
1,100	\$2,035	1,600	\$2,960	2,100	\$3,885	2,600	\$4,810
1,200	\$2,220	1,700	\$3,145	2,200	\$4,070	2,700	\$4,995
1,300	\$2,405	1,800	\$3,330	2,300	\$4,255	2,800	\$5,180
1,400	\$2,590	1,900	\$3,515	2,400	\$4,440	2,900	\$5,365

EMPLOYEE APPLICATION

Ramsay Health Care Limited

ACN 001 288 768

Registrar's Use

Broker's Stamp

ASX Code

Advisor No.

A I apply for Shares or such lesser number of Shares as may be allocated to me by the Underwriter. I note the minimum application is 1,000 Shares and thereafter in multiples of 100 up to a maximum of 2,500 Shares as set out in the Prospectus dated 11 August 1997.
I lodge full application monies I wish to hold all the Shares allocated to me in uncertificated form.

B I lodge full application money at \$1.65 per Share \$

C Complete full registration name and details

Given Name Surname
Tax File Number Applicant

D Complete postal address

Number and Street
Suburb or City State Postcode

E Telephone details

Contact Name Home

F CHESSE details HIN (Holder Identification Number)

(Where applicable)

G Cheque details

Drawer Bank Branch \$

H As a condition of the Employee Share Offer, I agree not to dispose of Shares acquired under the Employee Share Offer for a period of, the earlier of 3 years from the date the Shares are issued, or the time of ceasing employment with Ramsay Health Care.

I Declaration

I make the declarations and if appropriate give the representation and warranties listed on the page opposite and agree to be bound by the Memorandum and Articles of Association of Ramsay Health Care Limited.

No signature is required

Your guide to the Employee Application Form

Please complete all relevant sections of the application form using **BLOCK LETTERS**

Please post or deliver the completed Form together with your cheque in favour of "Ramsay Health Care Limited - Float Account" to the following address:

Corporate Registry Services Pty Limited
Level 2, 321 Kent Street
SYDNEY NSW 2000

A The minimum number of shares which may be applied for is 1,000 and the maximum is 2,500 Shares. Additional shares in excess of the minimum must be applied for in multiples of 100.

B Application moneys must be for the full amount in Australian dollars (numbers of Shares multiplied by \$1.65 per Share). Cheques must be made payable to "Ramsay Health Care - Float Account" and crossed "Not Negotiable". If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Company's decision as to whether to treat your Application Form as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to purchase more Shares in the Company than is indicated in Paragraph A of the Application Form.

C Applications must be in the name of the employee. Applications in the name of a trust or estate, business, firm, partnership, club, association or other unincorporated body cannot be accepted.

D All communications to you from the Company's share registry (for share certificates, annual/interim reports, correspondence etc) will be mailed to the person and address shown. You should notify the Company of any change of address.

E Please provide us with telephone numbers so that we can contact you quickly if there is an irregularity in your Application Form. If you have any questions on how to complete the Application Form please telephone Corporate Registry Services on (02) 9290 4111.

F Ramsay Health Care Limited will apply to the ASX to participate in CHES. If you are already a participant in CHES you may complete this section or forward the signed Application Form to your sponsoring broker for completion prior to lodgement. Otherwise leave this section blank.

G Complete cheque details as requested.

H The Board has framed the Employee Share Offer with the intention that employees be capable of claiming an exemption from income tax in respect of the discount with which they are being provided. Each employee should obtain independent taxation advice as to the tax position regarding Shares issued under the Employee Offer. Applicants who are allotted Shares pursuant to the Employee Offer will be restricted from disposing of these Shares until the earlier of the end of a period of 3 years from the date of issue or the time of ceasing employment with Ramsay Health Care Pty Limited.

I Declaration by applicant on completing and submitting the Application Form.

By completing and submitting this Application Form you (or your attorney) will be taken to have declared that:

- all details and statements made by you are complete and accurate and the Application complies with the term.
- no notice of revocation of the power of attorney has been received.
- you are not as a result of the law of any place a person to whom a Prospectus should not be given; and
- you are not less than 18 years of age or a person not otherwise having full contractual capacity without the necessity for consent or ratification by any other person.

Type of investor

Correct Form of Registration Title

Incorrect Form of Registration

Individual	Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Minor (a person under the age of 18)	Use the name of a responsible adult with a appropriate designation.	Mr John Alfred Smith (Peter Smith A/C)	Master Peter Smith
Long Names		Mr John William Alexander Robertson-Smith	Mr John WA Robertson-Smith

Ready Reckoner - How to calculate application money payable

To calculate the application money payable multiply the number of shares applied for by \$1.65. The application money payable for some common share quantities is shown below.

Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
1,000	\$1,650	1,400	\$2,310	1,800	\$2,970	2,200	\$3,630
1,100	\$1,815	1,500	\$2,475	1,900	\$3,135	2,300	\$3,795
1,200	\$1,980	1,600	\$2,640	2,000	\$3,300	2,400	\$3,960
1,300	\$2,145	1,700	\$2,805	2,100	\$3,465	2,500	\$4,125