

COMMENT BY DIRECTORS

The Directors of Ramsay Health Care are pleased to announce net profit after tax of \$16.0m for the year ended 30 June 2001 compared with \$6.6m for the prior year, an increase of 142% on the prior year.

The Group achieved a net profit after tax before unusual items of \$16.5m for the year ended 30 June 2001 compared with \$8.4m for the prior year. This represents an increase of 95%.

The Group's final result has shown a significant improvement over the prior year. Total operating revenue for the year was \$388m, an increase of 18% over last year while group earnings before interest and tax increased by 28% to \$39.6m.

As a result the Directors are pleased to declare an increase in the final dividend to 5 cents per share (last year 4.4 cents), which will be unfranked. This brings the total dividend to 8.5 cents for the full year representing a 15% increase over the prior year.

Detailed below is a summary of the full year results:

	Year Ended 30 June 2001 \$000's					
	** Alpha	Ramsay		Total		
	2001	2000	2001	2000	2001	%
Operating Revenue	8,869	328,220	379,058	328,220	387,927	18%
EBITDA	794	51,581	59,157	51,581	59,951	16%
EBIT	353	30,828	39,206	30,828	39,559	28%
Profit before tax and unusual items	129	9,962	22,283	9,962	22,412	125%
NPAT before unusual items	129	8,426	16,337	8,426	16,466	95%
Unusual Items (net of tax)	-	* (1,810)	(462)	* (1,810)	(462)	-
NPAT	129	6,616	15,875	6,616	16,004	142%

EBIT Margin	4.0%	9.4%	10.3%	9.4%	10.2%
EPS (cents per share)				6.1	14.2

* Previously disclosed as abnormal in 2000

** Alpha results are for the month of June only

Revenue from operations, excluding the discontinued Flinders Private Hospital, rose by 22% to \$375m, while EBIT increased 17% to \$40m.

The Group EBIT margin was effected by the impact of the Victorian Government contract for the management of Mildura Base Hospital (which is accounted for off balance). Excluding

Mildura and the discontinued Flinders operation, the EBIT margin for continuing operations would have been 11.9%. Mildura has broken even in the first nine months of operations.

In March 2001, Ramsay Health Care issued 15m ordinary shares via a private placement to institutional investors resulting in net proceeds of \$31m, which was used to repay debt. Ramsay Health Care has reduced its gearing from 141% at 30 June 2000 to 88% at 30 June 2001 after the acquisition of Alpha.

On 31 May 2001, Ramsay Health Care Ltd acquired a controlling interest in Alpha Healthcare for \$19.4m. Alpha Healthcare has eight hospitals based in NSW. In addition Ramsay acquired debt owed by the Alpha group with a book value of approximately \$28m for \$8m of which \$7m has subsequently been repaid. The Directors are pleased to announce that Alpha's operating performance is in line with expectations. Alpha contributed \$129k NPAT for the month of June to the current year's result. Alpha is expected to be EPS positive in the first full year post acquisition.

The Alpha acquisition provides notable strategic advantage to Ramsay Health Care. The Alpha hospitals give Ramsay a stronger position in NSW offering head office cost savings and other synergies. Westmead Private Hospital has significant growth potential given it has only been trading since October 2000, while the more established Alpha hospitals also provide growth opportunities via additional capacity and through Ramsay's existing relationship with Health Funds. Alpha's potential is expected to materialise further in the second year after acquisition as the benefits of additional capacity, reduced running costs through integration with Ramsay, improved health fund rebates and Ramsay's hospital management expertise flows through to Alpha's earnings.

There is optimism about the outlook for the coming year due to the significant increase in the membership of private health insurance, which has been sustained at high levels, and improved conditions in the healthcare industry generally. The successful completion of the Alpha acquisition has delivered competitive advantage to Ramsay in the key New South Wales private hospital market and the strategic fit of Alpha's hospitals enhances Ramsay's existing portfolio of hospitals.

Ramsay is restructuring its debt financing arrangements to provide it with greater flexibility to take advantage of future opportunities. A new debt facility of \$250m is being put in place which complements Alpha's existing debt arrangements. As a result of the above, a \$3.1m after tax refinancing cost was incurred which has largely been offset by tax losses amounting to \$2.6m not previously recognised.

Rules 4.1, 4.3

Appendix 4B (rule 4.13(b))

Half yearly/preliminary final report

Introduced 1/7/2000.

Name of entity

RAMSAY HEALTH CARE LIMITED

ACN, ARBN or ARSN

001 288 768

Half yearly
(tick)

☐

Preliminary
final (tick)

☒

Half year/financial year ended ('current
period')

30 June 2001

For announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities (<i>item 1.1</i>)	Up	18%	to	388,648
Profit (loss)from ordinary activities after tax (before amortisation of goodwill) attributable to members (<i>item 1.20</i>)	Up	141%	to	16,316
Profit (loss) from ordinary activities after tax attributable to members (<i>item 1.23</i>)	Up	142%	to	16,004
Profit (loss) from extraordinary items after tax attributable to members (<i>item 2.5(d)</i>)	Gain (loss) of			
Net profit (loss) for the period attributable to members (<i>item 1.11</i>)	Up	142%	to	16,004

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend (<i>Preliminary final report only – item 15.4</i>)	5.0¢	0.0¢
Interim dividend (<i>Half yearly report only - item 15.6</i>)	3.5¢	0.0¢
Previous corresponding period (<i>Preliminary final report - item 15.5; half yearly report - item 15.7</i>)	4.4¢ 3.0¢	0.0¢ 0.0¢

*Record date for determining entitlements to the dividend,
(in the case of a trust, distribution) (*see item 15.2*)

15 October 2001

Brief explanation of omission of directional and percentage changes to profit in accordance with Note 1 and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

+ See chapter 19 for defined terms.

Consolidated profit and loss account

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues from ordinary activities	388,648	329,032
1.2 Expenses from ordinary activities (<i>see items 1.24 + 12.5 + 12.6 + 2.3</i>)	353,097	299,505
1.3 Borrowing costs	17,839	21,842
1.4 Share of net profit (loss) of associates and joint venture entities (<i>see item 16.7</i>)		
1.5 Profit (loss) from ordinary activities before tax	17,712	7,685
1.6 Income tax on ordinary activities (<i>see note 4</i>)	(1,708)	(1,069)
1.7 Profit (loss) from ordinary activities after tax	16,004	6,616
1.8 Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)	Nil	Nil
1.9 Net profit (loss)	16,004	6,616
1.10 Net profit (loss) attributable to outside +equity interests	Nil	Nil
1.11 Net profit (loss) for the period attributable to members	16,004	6,616

Consolidated retained profits

1.12 Retained profits (accumulated losses) at the beginning of the financial period	26,179	27,613
1.13 Net profit (loss) attributable to members (<i>item 1.11</i>)	16,004	6,616
1.14 Net transfers to and from reserves	Nil	Nil
1.15 Net effect of changes in accounting policies	Nil	Nil
1.16 Dividends and other equity distributions paid or payable	(10,071)	(8,050)
1.17 Retained profits (accumulated losses) at end of financial period	32,112	26,179

Profit restated to exclude Amortisation of goodwill

	Current period \$A'000	Previous corresponding period \$A'000
1.18 Profit (loss) from ordinary activities after tax before outside equity interests (<i>items 1.7</i>) and amortisation of goodwill	16,316	6,758
1.19 Less (plus) outside +equity interests	Nil	Nil
1.20 Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to members	16,316	6,758

+ See chapter 19 for defined terms.

Profit (loss) from ordinary activities attributable to members

	Current period \$A'000	Previous period \$A'000
1.21 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	16,004	6,616
1.22 Less (plus) outside +equity interests	Nil	Nil
1.23 Profit (loss) from ordinary activities after tax, attributable to members	16,004	6,616

Revenue and expenses from ordinary activities

AASB 1004 requires disclosure of specific categories of revenue and AASB 1018 requires disclosure of expenses from ordinary activities according to either their nature of function. Entities must report details of revenue and expenses from ordinary activities using the layout employed in their accounts. See also items 12.1 to 12.6.

	Current period \$A'000	Previous period \$A'000
1.24 Details of revenue and expenses		
Revenues		
Operating Revenue	387,926	328,220
Interest Income	722	812
Total Revenue from Ordinary Activities	388,648	329,032
Details of Expenditure		
Personnel Costs	208,093	171,672
Occupancy Costs	16,849	14,925
Goods and Services	103,400	90,032

+ See chapter 19 for defined terms.

Intangible and extraordinary items

		<i>Consolidated - current period</i>			
		Before tax \$A'000	Related tax \$A'000	Related outside +equity interests \$A'000	Amount (after tax) attributable to members \$A'000
		(a)	(b)	(c)	(d)
2.1	Amortisation of goodwill	312	Nil	Nil	312
2.2	Amortisation of other intangibles	N/A	N/A	N/A	N/A
2.3	Total amortisation of intangibles	312	Nil	Nil	312
2.4	Extraordinary items (details)	Nil	Nil	Nil	Nil
2.5	Total extraordinary items	Nil	Nil	Nil	Nil

Comparison of half year profits <i>(Preliminary final report only)</i>		Current year - \$A'000	Previous year - \$A'000
3.1	Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year (item 1.23 in the half yearly report)	6,518	2,701
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year	9,486	3,915

+ See chapter 19 for defined terms.

Consolidated balance sheet

	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Current assets			
4.1 Cash	10,298	12,030	11,246
4.2 Receivables	54,650	36,004	35,563
4.3 Investments	Nil	Nil	Nil
4.4 Inventories	6,434	4,516	4,552
4.5 Other (provide details if material)	Nil	Nil	Nil
4.6 Total current assets	71,382	52,550	51,361
Non-current assets			
4.7 Receivables	177	Nil	Nil
4.8 Investments (equity accounted)	Nil	Nil	Nil
4.9 Other investments	269	411	387
4.10 Inventories	Nil	Nil	Nil
4.11 Exploration and evaluation expenditure capitalised (see para .71 of <i>AASB 1022</i>)	N/A	N/A	N/A
4.12 Development properties (+mining entities)	N/A	N/A	N/A
4.13 Other property, plant and equipment (net)	407,634	391,783	344,770
4.14 Intangibles (net)	10,777	3,269	3,206
4.15 Other (provide details if material)			
- Future income tax benefit	20,348	19,169	18,657
- Capitalised costs	251	258	759
4.16 Total non-current assets	439,456	414,890	367,779
4.17 Total assets	510,838	467,440	419,140
Current liabilities			
4.18 Payables	50,262	31,166	41,945
4.19 Interest bearing liabilities	19,137	13,675	13,015
4.20 Provisions	36,007	15,712	15,149
4.21 Other (provide details if material)			
- Unearned revenue	7,654	6,251	8,819
4.22 Total current liabilities	113,060	66,804	78,928
Non-current liabilities			
4.23 Payables	Nil	163	1,980
4.24 Interest bearing liabilities	158,376	214,698	144,100
4.25 Provisions	17,615	6,588	10,672
4.26 Other (provide details if material)			
- Deferred income tax liability	20,581	17,872	19,434
4.27 Total non-current liabilities	196,572	239,321	176,186
4.28 Total liabilities	309,632	306,125	255,114
4.29 Net assets	201,206	161,315	164,026

+ See chapter 19 for defined terms.

Consolidated balance sheet continued

	Equity			
4.30	Capital/contributed equity	114,662	80,704	80,704
4.31	Reserves	54,432	54,432	54,432
4.32	Retained profits (accumulated losses)	32,112	26,179	28,890
4.33	Equity attributable to members of the parent entity	201,206	161,315	164,026
4.34	Outside +equity interests in controlled entities	Nil	Nil	Nil
4.35	Total equity	201,206	161,315	164,026
4.36	Preference capital included as part of 4.33	Nil	Nil	Nil

Exploration and evaluation expenditure capitalised

To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit.

	Current period \$A'000	Previous corresponding period - \$A'000
5.1 Opening balance	N/A	N/A
5.2 Expenditure incurred during current period		
5.3 Expenditure written off during current period		
5.4 Acquisitions, disposals, revaluation increments, etc.		
5.5 Expenditure transferred to Development Properties		
5.6 Closing balance as shown in the consolidated balance sheet (item 4.11)	N/A	N/A

Development properties

(To be completed only by entities with mining interests if amounts are material)

	Current period \$A'000	Previous corresponding period - \$A'000
6.1 Opening balance	N/A	N/A
6.2 Expenditure incurred during current period		
6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisitions, disposals, revaluation increments, etc.		
6.6 Expenditure transferred to mine properties		
6.7 Closing balance as shown in the consolidated balance sheet (item 4.12)	N/A	N/A

+ See chapter 19 for defined terms.

Consolidated statement of cash flows

		Current period \$A'000	Previous corresponding period - \$A'000
	Cash flows related to operating activities		
7.1	Receipts from customers	385,972	328,372
7.2	Payments to suppliers and employees	(326,897)	(272,692)
7.3	Dividends received from associates	-	-
7.4	Other dividends received	-	-
7.5	Interest and other items of similar nature received	873	812
7.6	Interest and other costs of finance paid	(16,266)	(21,678)
7.7	Income taxes paid	-	(2,154)
7.8	GST received	8,558	-
7.9	Net operating cash flows	52,240	32,660
	Cash flows related to investing activities		
7.10	Payment for purchases of property, plant and equipment	(13,030)	(9,705)
7.11	Proceeds from sale of property, plant and equipment	719	1,227
7.12	Payment for purchases of equity investments	-	-
7.13	Proceeds from sale of equity investments	-	-
7.14	Loans to other entities	-	(432)
7.15	Loans repaid by other entities	-	-
7.16	Other (provide details if material)	(426)	(3,409)
7.17	Net investing cash flows	(12,737)	(12,319)
	Cash flows related to financing activities		
7.18	Proceeds from issues of +securities (shares, options, etc.)	31,103	-
7.19	Proceeds from borrowings	-	9,332
7.20	Repayment of borrowings	(49,220)	(22,867)
7.21	Acquisition of subsidiary	(17,361)	-
7.22	Dividends paid	(5,739)	(8,050)
7.23	Other (provide details if material)	(18)	(53)
7.24	Net financing cash flows	(41,235)	(21,638)
7.25	Net increase (decrease) in cash held	(1,732)	(1,297)
7.26	Cash at beginning of period (see Reconciliation of cash)	12,030	13,327
7.27	Exchange rate adjustments to item 7.25.		
7.28	Cash at end of period (see Reconciliation of cash)	10,298	12,030

+ See chapter 19 for defined terms.

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

On 30 November 2000 Flinders Private Hospital was sold. The total consideration for the sale was the assumption of \$41.7 million of net debt by the purchaser.

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current period \$A'000	Previous corresponding period - \$A'000
8.1	Cash on hand and at bank	5,953	3,833
8.2	Deposits at call	4,345	119
8.3	Bank overdraft	Nil	Nil
8.4	Other (provide details)	Nil	8,078
8.5	Total cash at end of period (item 7.28)	10,298	12,030

Ratios		Current period	Previous corresponding Period
9.1	Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax (item 1.5) as a percentage of revenue (item 1.1)	4.6%	2.3%
9.2	Profit after tax / +equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (item 1.9) as a percentage of equity (similarly attributable) at the end of the period (item 4.33)	8.0%	4.1%

Earnings per security (EPS)		Current period	Previous corresponding period
10.1	Calculation of the following in accordance with AASB 1027: <i>Earnings per Share</i>		
	(a) Basic EPS	14.15¢	6.08¢
	(b) Diluted EPS (if materially different from (a))	13.91¢	6.08¢
	(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	113,094,689	108,783,866

NTA backing (see note 7)		Current period	Previous corresponding period
11.1	Net tangible asset backing per +ordinary security	\$1.69	\$1.44

+ See chapter 19 for defined terms.

Details of specific receipts/outlays, revenues/ expenses

	Current period \$A'000	Previous corresponding period - \$A'000
12.1 Interest revenue included in determining item 1.5	722	812
12.2 Interest revenue included in item 12.1 but not yet received (if material)	Nil	Nil
12.3 Interest costs excluded from borrowing costs, capitalised in asset values	Nil	Nil
12.4 Outlays (except those arising from the +acquisition of an existing business) capitalised in intangibles (if material)	Nil	Nil
12.5 Depreciation and amortisation (excluding amortisation of intangibles)	19,743	20,457
12.6 Other specific relevant items not shown in item 1.24 (see note 15) * #	4,700	2,277

Other Items

* Current Period:

	Before Tax	Related Tax	Amount After Tax
- Borrowing costs associated with the refinancing of the existing bond facility	4,700	(1,598)	3,102
- Tax credit arising from the capitalisation of tax losses not previously brought to account	-	(2,640)	(2,640)
	4,700	(4,238)	462

Previous Corresponding Period
(previously shown as abnormal item)

	Before Tax	Related Tax	Amount After Tax
- Write-off of discontinued projects	2,894	(689)	2,205
- Reversal of surplus rental property provision	(617)	222	(395)
	2,277	(467)	1,810

+ See chapter 19 for defined terms.

Control gained over entities having material effect

13.1	Name of entity (or group of entities)	Alpha Healthcare Limited
13.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) since the date in the current period on which control was +acquired	\$129,000
13.3	Date from which such profit has been calculated	1 June 2001
13.4	Profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) for the whole of the previous corresponding period	\$750,000

Loss of control of entities having material effect

14.1	Name of entity (or group of entities)	Flinders Private Hospital (including Ramsay Bedford Park Pty Ltd)
14.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) for the current period to the date of loss of control	* (\$1,973,000)
14.3	Date to which the profit (loss) in item 14.2 has been calculated	30 November 2000
14.4	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period	(\$2,927,000)
14.5	Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	* (\$226,000)

* The combined NPAT loss from Flinders Private Hospital to date of sale was \$2,199,000.

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: Financial Reporting by Segments. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this report. However, the following is the presentation adopted in the Appendices to AASB 1005 and indicates which amounts should agree with items included elsewhere in this report.

The economic entity operates within the health care industry predominantly in Australia.

Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	31 October 2001
15.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of registrable transfers received by 5.00 pm if +securities are not +CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHES approved)	15 October 2001
15.3	If it is a final dividend, has it been declared? (Preliminary final report only)	Yes

+ See chapter 19 for defined terms.

Amount per security

		Amount per security	Franked amount per security at 36% tax	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> Final dividend: Current year	5.0¢	Nil	Nil
15.5	Previous year	4.4¢	Nil	Nil
15.6	<i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year	3.5¢	Nil	Nil
15.7	Previous year	3.0¢	Nil	Nil

Total dividend (distribution) per security (interim plus final)

(Preliminary final report only)

	Current year	Previous year
15.8 +Ordinary securities	8.5¢	7.4¢
15.9 Preference +securities	Nil	Nil

*Half yearly report - interim dividend (distribution) on all securities or
Preliminary final report - final dividend (distribution) on all securities*

	Current period \$A'000	Previous corresponding period - \$A'000
15.10 +Ordinary securities	6,263	4,786
15.11 Preference +securities	N/A	N/A
15.12 Other equity instruments	N/A	N/A
15.13 Total	6,263	4,786

The +dividend or distribution plans shown below are in operation.

Dividend Reinvestment Plan

The last date(s) for receipt of election notices for the +dividend or distribution plans

Monday, 15 October 2001

Any other disclosures in relation to dividends (distributions)

The issue price of shares to participants in the Dividend Reinvestment Plan will be the weighted average market price per share of all shares traded on the ASX during the period of five trading days commencing the first trading day after the record date of the interim dividend, ie: 15 October 2001, discounted by 5%.

+ See chapter 19 for defined terms.

Details of aggregate share of profits (losses) of associates and joint venture entities

	Current period \$A'000	Previous corresponding period - \$A'000
16.1 Profit (loss) from ordinary activities before income tax	-	-
16.2 Income tax on ordinary activities	-	-
16.3 Profit (loss) from ordinary activities after income tax	-	-
16.4 Extraordinary items net of tax	-	-
16.5 Net profit (loss)	-	-
16.6 Outside +equity interests	-	-
16.7 Net profit (loss) attributable to members	-	-

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from xx/xx/xx") or disposal ("to xx/xx/xx").

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.9)	
	Current period	Previous corresponding period	Current period - \$A'000	Previous corresponding period- \$A'000
17.1 Equity accounted associates and joint venture entities	N/A	N/A	N/A	N/A
17.2 Total				
17.3 Other material interests	N/A	N/A	N/A	N/A
17.4 Total				

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current period

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

Category of +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 Preference +securities (description)				
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				
18.3 +Ordinary securities	108,783,866	108,783,866	N/A	N/A
18.4 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks (c) Dividend reinvestment	15,000,000 1,330,557	15,000,000 1,330,557	N/A N/A	N/A N/A
18.5 +Convertible debt securities (description and conversion factor)				
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.7 Options (description and conversion factor)			Exercise Price	Expiry date (if any)
	2,277,500 155,000 217,500		1.85 1.85 1.85	17/09/02 # 23/09/02 # 15/12/03 #
18.8 Issued during current period	1,255,000		1.50	11/10/03 *
18.9 Exercised during current period			Exercise Price	Expiry Date (if any)
	79,500 40,000 29,500	79,500 40,000 29,500	1.85 1.85 1.50	17/09/02 15/12/03 11/10/03
18.10 Expired during current period	238,000		1.85	Various
18.11 Debentures (totals only)				

+ See chapter 19 for defined terms.

18.12	Unsecured notes (<i>totals only</i>)	
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On 11 October 2000, a further 1,255,000 options to subscribe for ordinary shares in the company's share capital were issued to executive directors and senior management.

- # Expiry date is five years after issues. The options can not be exercised unless the market price of the Company's shares remain above \$2.20. In each case, none of the options are exercisable within the first two years of the date of issue. Up to 40% of the options are exercisable after 2 years, a further 20% of the options are exercisable three months before the anniversary date of the issue in each of the subsequent three years, or at any time thereafter up to and until the fifth anniversary of the issue.
- * The expiry date of the option is 3 years from the issue date, ie: 11 October 2003. The options cannot be exercised unless the market price of the Company's ordinary shares remains above \$1.50. The options will vest over a two year period with 25% of the options becoming exercisable six months after the issue date and after each subsequent six monthly period, or at anytime thereafter, up to and until the third anniversary of the issue. The exercise price is \$1.50.

+ See chapter 19 for defined terms.

Comments by directors

Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the directors' report and statement (as required by the Corporations Law) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.

Basis of accounts preparation

If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Half-Year Accounts and Consolidated Accounts. It should be read in conjunction with the last +annual report and any announcements to the market made by the entity during the period. [Delete if preliminary final statement.]

Material factors affecting the revenues and expenses of the economic entity for the current period

Refer to attachment entitled "Comment by Directors"

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

N/A

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Dividends in the current financial year are not expected to be franked as there are insufficient franking credits available.

Changes in accounting policies since the last annual report are disclosed as follows.

(Disclose changes in the half yearly report in accordance with AASB 1029: Half-Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final report in accordance with AASB 1001: Accounting Policies-Disclosure.)

No material changes

+ See chapter 19 for defined terms.

Additional disclosure for trusts

19.1	Number of units held by the management company or responsible entity or their related parties.	N/A
19.2	<p>A statement of the fees and commissions payable to the management company or responsible entity.</p> <p>Identify:</p> <ul style="list-style-type: none"> • initial service charges • management fees • other fees 	N/A

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	Quay West Suite Sydney 98 Gloucester Street, The Rocks, Sydney
Date	20 November 2001
Time	2.30pm
Approximate date the +annual report will be available	

Compliance statement

- 1 This report has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 12).

Identify other standards used

Nil

- 2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does/does not* (*delete one*) give a true and fair view of the matters disclosed (see note 2).

+ See chapter 19 for defined terms.

- 4 This report is based on ⁺accounts to which one of the following applies.
(Tick one)
- | | |
|---|--|
| <input type="checkbox"/> The ⁺ accounts have been audited. | <input type="checkbox"/> The ⁺ accounts have been subject to review. |
| <input checked="" type="checkbox"/> The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The ⁺ accounts have <i>not</i> yet been audited or reviewed. |
- 5 If the audit report or review by the auditor is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Law.*)
- 6 The entity has/does not have* (*delete one*) a formally constituted audit committee.

Sign here: Date:
(Director)

Print name:Bruce Soden.....

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section.
2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.
3. **Consolidated profit and loss account**

Item 1.1	The definition of "revenue" and an explanation of "ordinary activities" are set out in AASB 1004: <i>Revenue</i> , and AASB 1018: <i>Statement of financial performance</i> .
Item 1.6	This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.

⁺ See chapter 19 for defined terms.

5. **Consolidated balance sheet**

Format The format of the consolidated balance sheet should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Half-Year Accounts and Consolidated Accounts*, and *AASB 1040: Statement of Financial Position*. Banking institutions, trusts and financial institutions identified in an ASIC Class Order dated 2 September 1997 may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last ⁺annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required. Trusts should also note paragraph 10 of *AASB 1029* and paragraph 11 of *AASB 1030: Application of Accounting Standards etc.*

6. **Consolidated statement of cash flows** For definitions of “cash” and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. ⁺Mining exploration entities may use the form of cash flow statement in Appendix 5B.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ⁺ordinary securities (ie, all liabilities, preference shares, outside ⁺equity interests etc). ⁺Mining entities are *not* required to state a net tangible asset backing per ⁺ordinary security.

8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the ⁺accounts. Details must include the contribution for each gain or loss that increased or decreased the entity’s consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.

9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. However, an entity may report exact figures, if the \$A’000 headings are amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, if the \$A’000 headings are amended.

10. **Comparative figures** Comparative figures are the unadjusted figures from the previous corresponding period. However, if there is a lack of comparability, a note explaining the position should be attached.

⁺ See chapter 19 for defined terms.

11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the +ASIC under the Corporations Law must also be given to ASX. For example, a directors' report and declaration, if lodged with the +ASIC, must be given to ASX.
12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one) must be complied with.
13. **Corporations Law financial statements** As at 1/7/96, this report may be able to be used by an entity required to comply with the Corporations Law as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.
15. **Relevant Items** AASB 1018 requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. the term "relevance" is defined in AASB 1018. For foreign entities, there are similar requirements in other accounting standards normally accepted by ASX.
16. **\$ Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

+ See chapter 19 for defined terms.