



## RAMSAY HEALTH CARE LIMITED Annual Report 1998





## Corporate Profile

Ramsay Health Care was established in 1964 and has grown to be one of the largest private hospital operators in Australia.

Ramsay Health Care boasts a high quality portfolio of strategically located hospitals and an excellent record in hospital management and patient care, features that combine to attract Australia's leading practitioners.

The company currently owns and operates 13 hospitals located in New South Wales, Victoria, Queensland, South Australia and Western Australia, with a total of 1,719 beds. Ramsay Health Care employs more than 2,500 people and caters to the health needs of more than 70,000 patients a year.

Ramsay Health Care has four divisions: veterans hospitals, rural medical-surgical hospitals, psychiatric hospitals and co-located hospitals.

*Ramsay Health Care's hospitals are renowned throughout Australia for providing the highest quality care, using leading edge technology 24 hours a day and seven days a week. Commitment to research and proven expertise in constructing and operating hospitals has established Ramsay Health Care as a leader in its field and a company that is well positioned to grow domestically and pursue opportunities overseas.*



## Highlights

### OPERATIONAL HIGHLIGHTS

- Achieved prospectus forecasts
- Strong performances across all divisions
- Completed North Shore Private Hospital, Sydney
- Selected as preferred tenderer for Princess Alexandra Hospital, Brisbane
- Progressed construction of Flinders Private Hospital, Adelaide, on budget and on schedule

### FINANCIAL HIGHLIGHTS

(\$ million)	Year ended 30 June 1998	Prospectus Forecast	Year ended 30 June 1997 <sup>(1)</sup>
Operating revenue	213.0	204.5	192.9
EBIT	27.4	27.9	24.8
Profit after tax	14.0	13.6	—
Earnings per share	14.1c	13.6c	—
Dividends per share	7.4c	7.4c	—

<sup>(1)</sup> Results below EBIT not applicable as entities operated under a different capital structure prior to float.

# Corporate Directory

## DIRECTORS

### Non-Executive Directors

Paul Ramsay (Chairman)  
Michael Siddle (Deputy Chairman)  
Marjorie Brislee  
Peter Evans  
Rod McGeoch  
Kerry Roxburgh

### Executive Directors

Pat Grier (Managing Director)  
Bruce Soden (Finance Director)

## COMPANY SECRETARIES

Larry Ransley  
Bruce Soden

## REGISTERED OFFICE

9th Floor, 154 Pacific Highway  
St Leonards NSW 2065  
Ph: 02 9433 3444  
Fax: 02 9433 3460

## SHARE REGISTRY

Corporate Registry Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
GPO Box 7045  
Sydney NSW 1115  
Ph: 02 8234 5222  
Fax: 02 8234 5050

## SOLICITORS TO THE COMPANY

Corrs Chambers Westgarth  
Level 33, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

Blake Dawson Waldron  
Level 37, Grosvenor Place  
225 George Street  
Sydney NSW 2000

## AUDITORS

Ernst & Young  
321 Kent Street  
Sydney NSW 2000

## FINANCIAL ADVISERS

Salomon Smith Barney  
Level 16, Grosvenor Place  
225 George Street  
Sydney NSW 2000

Bankers Trust  
The Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

# Hospital Directory

## ADELAIDE

**The Adelaide Clinic**  
33-36 Park Terrace  
Gilberton SA 5081

**Kahlyn Private Hospital**  
40 Briant Road  
Magill SA 5072

**Fullarton Private Hospital**  
293-295 Fullarton Road  
Parkside SA 5063

**Flinders Private Hospital**  
(under construction)  
Development Office  
Northern Entrance Flinders  
Medical Centre  
Bedford Park SA 5042

## BRISBANE

**Greenslopes Private Hospital**  
Newdegate Street  
Greenslopes Qld 4120

**New Farm Clinic**  
22 Sargent Street  
New Farm Qld 4004

## MELBOURNE

**Albert Road Clinic**  
31 Albert Road  
Melbourne Vic 3004

## PERTH

**Hollywood Private Hospital**  
Monash Avenue  
Nedlands WA 6009

## RURAL NEW SOUTH WALES

**Albury-Wodonga Private Hospital**  
1125 Pemberton Street  
West Albury NSW 2640

**Baringa Private Hospital**  
Mackays Road  
Coffs Harbour NSW 2450

**Tamara Private Hospital**  
2-6 Dean Street  
Tamworth NSW 2340

## SYDNEY

**North Shore Private Hospital**  
Westbourne Street  
St Leonards NSW 2065

**Northside Clinic**  
2 Greenwich Road  
Greenwich NSW 2065

**Evesham Clinic**  
1-3 Harrison Street  
Cremorne NSW 2090

# Board of Directors

**P J Ramsay**  
**Chairman**

**Appointed: 26.05.1975**

Mr Paul Ramsay, 62, has been involved in health care since 1964 when he developed and managed one of the first private psychiatric hospitals in Sydney. As Chairman of Ramsay Health Care, Mr Ramsay has overseen the building of nine private hospitals and has developed Ramsay Health Care to its present, strong position in Australian health care. He is also the Chairman of Prime Television Limited, which is Australia's fourth largest television network, and Ramsay Health Inc, a listed United States health care company.

**M S Siddle**  
**Deputy Chairman**

**Appointed: 26.05.1975**

Mr Michael Siddle, 49, has been with Ramsay Health Care for 30 years and was Managing Director during the period from 1975 to 1988. He has been closely involved with the Group's expansion through both construction and acquisition. He is also Deputy Chairman of Prime Television Limited.

**I P S Grier**  
**Managing Director**  
**Appointed: 25.06.1997**

Prior to entering the health care sector, Mr Pat Grier, 54, 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 of the group's operating entities since 1994.

**B R Soden**  
**Finance Director**  
**Appointed: 02.01.1997**

Mr Bruce Soden, 44, 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. Mr Soden was appointed Finance Director of Ramsay Health Care's operating entities in 1994. Prior to this, he spent four years based in New Orleans as Senior Vice President and Chief Financial Officer of Ramsay Health Care, Inc. a listed United States health care company.

**P J Evans**  
**Non-Executive Director**  
**Appointed: 29.12.1990**

Mr Peter Evans, 49, is a Chartered Accountant who has been in public practice for over 18 years with KPMG and as a sole practitioner since 1989. He has specialised in the financial management of hospitals and has had extensive experience in the health care field for over 25 years. Mr Evans also acts as a director for a number of other companies including Prime Television Limited and Ramsay Health Care, Inc. and is the Chairman of HOPE Health Care Limited.

**M L Brislee**  
**Non-Executive Director**  
**Appointed: 25.06.97**

Ms Marjorie Brislee, 74, 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.

**R H McGeoch**  
**Non-Executive Director**  
**Appointed: 03.07.1997**

Mr Rod McGeoch, 52, 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. Currently he is a director of the Sydney Organising Committee for the Olympic Games, and Chairman of Australian Growth Properties and FXF Management, Deputy Chairman of Australia Pacific Airports Corporation, and a member of the International Advisory Board of Morgan Stanley. In 1990, Mr McGeoch was awarded membership of the Order of Australia.

**K C D Roxburgh**  
**Non-Executive Director**  
**Appointed: 03.07.1997**

Mr Kerry Roxburgh, 56, worked for the investment banking arm of HongkongBank 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 and Chief Executive Officer of Nova Pacific Capital, and a director of Climax Mining, and a number of unlisted companies.

# NORTH SHORE PRIVATE HOSPITAL



*Board of Directors (left to right): Pat Grier, Michael Siddle, Kerry Roxburgh, Paul Ramsay, Marjorie Brislee, Rod McGeoch, Peter Evans and Bruce Soden.*

## ORGANISATIONAL STRUCTURE



# Corporate Governance

The purpose of this statement is to outline Ramsay Health Care's main corporate governance practices. These practices were formally adopted on 12 July 1997 in preparation for the company's listing on the Australian Stock Exchange. Prior to this, most of Ramsay Health Care's corporate governance practices existed under an informal structure that was appropriate given the group's shareholding at that time.

Unless otherwise stated, the practices set out below were in force throughout the 1997/8 year.

## BOARD OF DIRECTORS

In recognition of their responsibility to Shareholders, for the creation of Shareholder value and the protection of Shareholder funds, the Directors have adopted the following principles in the definition of their corporate governance role:

- setting the strategic direction for the company;
- providing the leadership necessary to put strategic plans into effect;
- supervising the management of the company's business;
- identifying areas of significant business risk; and
- ensuring that appropriately skilled management is employed to implement the Board's instructions.

To ensure that they are meeting all their obligations to the company's shareholders, the Directors have reviewed their corporate governance responsibilities on a regular basis since the Company's listing on 24 September 1997.

## COMPOSITION OF THE BOARD AT THE DATE OF THIS REPORT

The Ramsay Health Care Board is comprised of a majority of non-executive directors with a broad range of skills and experience. Details of the background and particular expertise of each director are set out under the heading 'Board of Directors' (page 12) of the annual report.

Currently, the Board is made up of eight directors, six non-executive directors, including the Chairman, and two executive directors.

The Company's Articles of Association govern the appointment and removal of directors. In short, at each annual general meeting, one third of directors must offer themselves for re-election subject to the proviso that no director shall serve more than three years without being a candidate for re-election. Directors who have been appointed to fill casual vacancies must offer themselves for re-election at the next annual general meeting of the company.

## BOARD COMMITTEES

On 12 July 1997 the Board formally resolved to form the following committees:

- Audit Committee;
- Remuneration Committee; and
- Quality Improvement Committee;

The functions of each committee are as follows:

### Audit Committee

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

Members of the Committee are:

Peter Evans (Chairman)

Kerry Roxburgh

Bruce Soden

The Committee's responsibilities are to:

- oversee the reporting process and to provide an objective review of the financial information presented by management to the Board and for presentation to shareholders, regulatory authorities and the general public;
- oversee the existence and maintenance of internal controls and accounting systems;
- review the scope and effectiveness of the external audit;



- oversee and review the appointment, performance and remuneration of external auditors; and
- maintain lines of communication between the Board and the external auditors.

#### *Remuneration Committee*

Members of this Committee are:

Peter Evans (Chairman)

Rod McGeoch

Michael Siddle

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

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

Recommendations in respect of future allocations of Share Options under the Ramsay Health Care Limited Executive Share Option Scheme are also made by the Remuneration Committee for approval by the Board. In accordance with the listing rules of the Australian Stock Exchange,

options issued to executive directors require the approval of shareholders in general meeting.

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

#### *Quality Improvement Committee*

Members of this Committee are:

Marjorie Brislee (Chairman)

Pat Grier

This Committee assists the Board in its responsibility for ongoing quality improvement within the group. It oversees the accreditation process for all hospitals, including the review of clinical and infection control procedures. The Committee verifies the credentials of medical practitioners who use Ramsay facilities, receiving reports from each hospital's medical advisory board. This process minimises the risk of malpractice.

#### *Sealing Committee*

This Committee was established in April 1998, to act on behalf of the Board in the execution of documents between Board meetings. The Committee will comprise any two available directors and the company

secretary. All documents executed by the Committee will be ratified at the next meeting of the Board.

### **MANAGEMENT COMMITTEES**

In addition to Board committees, the following Management Committees have been established to monitor finance, operations, planning and development and year 2000 compliance:

#### *Finance Committee*

The role of this Committee is to:

- control the group treasury function;
- monitor cash flow and funding, and interest rate risk; and
- review tax planning.

#### *Operations Committee*

The role of this Committee is to review the individual operational performance of each hospital unit within the group on a range of key performance indicators.

#### *Planning and Development Committee*

The role of the Committee is to:

- supervise special projects undertaken by the group; and
- liaise with the finance Committee to assess project feasibility with regard to market requirements and the group's capital constraints.

#### *Year 2000 Steering Committee*

This Committee was established in recognition of the complexity and importance of year 2000 compliance issues for the company's continued

# Corporate Governance continued

operations. The primary role of the Committee is to co-ordinate all aspects of the company's year 2000 compliance programme.

Each Management Committee reports to the Board on a monthly basis.

## **INDEPENDENT PROFESSIONAL ADVICE**

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

## **BUSINESS RISK**

The Board manages and monitors business risk through:

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

- oversight and review of the six-monthly external audits, via the Audit Committee;
- oversight of treasury activities, via the Finance Committee;
- oversight of professional and medical conduct, via the Quality Improvement Committee; and
- maintenance of annual insurance programmes.

## **ETHICS**

Directors and employees of the company are expected to maintain standards of business conduct which are ethical and in this respect policies have been adopted on:

- disclosure of conflicts of interest;
- confidentiality;
- trading in company shares by directors;
- donations to political parties;
- occupational health and safety; and
- equal employment opportunity.



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# Directors' Report

Your Directors submit their report for the year ended 30 June 1998.

## DIRECTORS

The names of the directors of the company in office at the date of this report are:

### Names

P J Ramsay – Chairman  
M S Siddle – Deputy Chairman  
I P S Grier – Managing Director  
B R Soden – Finance Director  
P J Evans – Non-Executive Director  
M L Brislee – Non-Executive Director  
R H McGeoch – Non-Executive Director  
K C D Roxburgh – Non-Executive Director

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

### Interests in the shares of the company and related bodies corporate

The beneficial and direct interest of each director in the share capital of the company as at the date of this report was as follows:

Director	Company	
	Ordinary shares	Options
P J Ramsay	65,270,320	–
M S Siddle	–	55,000
M L Brislee	10,000	55,000
P J Evans	5,000	55,000
I P S Grier	4,600	400,000
B R Soden	5,300	135,000
R H McGeoch	10,000	110,000
K C D Roxburgh	60,000	110,000

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.

### Interests in contracts or proposed contracts with the company

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

## PRINCIPAL ACTIVITIES

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

## OPERATING RESULTS AND DIVIDENDS

### Consolidated results

The consolidated result of the economic entity after providing for income tax and abnormal items was a profit of \$13,961,000 (1997: loss of \$2,083,000). The operating profit before tax and abnormal items was \$19,050,000 (1997: \$8,042,000).

### Earnings per share

Basic earnings per share	14.15 cents
Diluted earnings per share	13.99 cents

### Dividends

Dividends paid or recommended for payment are as follows:

Final dividend recommended @ 4.4 cents per share	\$4,786,490
Interim dividend paid during the year @ 3 cents per share	\$3,263,516

## REVIEW OF OPERATIONS

A review of operations of the Group during the financial year, and the results of those operations, are contained within the Annual Report in the Chairman's Statement and Managing Director's Report.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the economic entity occurred during the financial year:

- i) On 24 September 1997, 43,513,546 ordinary shares were issued to employees and members of the public who had applied for, and been allocated shares offered under the parent entity's listing on the Australian Stock Exchange. The shares were issued as follows:  
315,100 ordinary shares of \$0.10 at a premium of \$1.55 per share; and  
43,198,446 ordinary shares of \$0.10 at a premium of \$1.75 per share;
- ii) The proceeds from the float were used to repay debt of \$42 million and indebtedness to the majority shareholder of \$33 million.

## SHARE OPTIONS

On 17 September 1997, 2,537,500 options were issued over ordinary shares to executives and senior management with an exercise price of \$1.85. The options are not exercisable before 17 September 1999. In each case, none of the options are exercisable within two years of the date of issue, 40% of the options are exercisable after two years, a further 20% of the options are exercisable in the final three months of each of the subsequent three years. The expiry date of the options is five years after date of issue (ie. 17 September 2002). The options cannot be exercised unless the market price of the company's shares exceeds \$2.20 for a continuous period of at least five ASX trading days.

On 23 September 1997, a further 155,000 share options were issued to executives and senior management with the same exercise conditions as detailed above.

The names of all the option holders are entered in the company's register, inspection of which may be made free of charge. In disclosing these details, the directors have availed themselves of ASC class order 97/1011. At the date of this report, unissued shares under these options were 2.74 million ordinary 10 cent shares.

# Directors' Report continued

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The directors are not aware of any other matter or circumstance that has arisen since the end of the financial year, not otherwise dealt with in this Annual Report, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Directors and management of the economic entity will continue to seek growth in health care operations and to seek further cost efficiencies so as to optimise the returns to shareholders from existing hospitals. Rationalisation within the fragmented private hospital sector is providing opportunities for quality acquisitions and developments which can provide the group with added profit through additional revenue and further economies of scale. Directors and management are continuing to pursue opportunities in areas which meet the aims of developing an integrated healthcare group, while maintaining appropriate returns.

## DIRECTORS' BENEFITS

Disclosure of benefits provided to directors during the financial year is made in Note 26 and Note 30 of the financial statements in accordance with ASC class order 97/2348.

## INDEMNIFICATION AND INSURANCE

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

## DIRECTORS' MEETINGS

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

	Directors' meetings		Meetings of Committees		
	Scheduled	Procedural	Audit	Remuneration	Quality improvement
Number of meetings held:	11	6	4	1	9
Number of meetings attended:					
P J Ramsay	9	2			
M S Siddle	11	3		1	
M L Brislee	9	4			9
P J Evans	11	2	3	1	
I P S Grier	10	5			9
B R Soden	11	6	4		
R H McGeoch	11	—		1	
K C D Roxburgh	11	3	4		

## COMMITTEES

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

### Committee

Audit Committee

Remuneration Committee

Quality Improvement Committee

### Members

Messrs Evans, Roxburgh, Soden

Messrs Evans, McGeoch, Siddle

Mrs Brislee, Mr Grier

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

## ROUNDING

The amounts contained in this report have been rounded off under the option available to the company under S311 and Regulation 3.6.05 of the Corporations Law and Regulations.

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Ramsay Health Care Limited support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the Corporate Governance section of the Annual Report.

Signed in accordance with a resolution of the directors.



I P S Grier  
Director



B R Soden  
Director

Sydney, 24 September 1998

# Independent Auditors' Report to the Members of Ramsay Health Care Limited



## SCOPE

We have audited the financial statements of Ramsay Health Care Limited for the financial year ended 30 June 1998, as set out on pages 23 to 46, including the Statement by Directors. The financial statements include the accounts of Ramsay Health Care Limited, and the consolidated accounts of the economic entity comprising Ramsay Health Care Limited and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's and the economic entity's financial position, the results of their operations and their cash flows.

The names of the entities controlled during all or part of, or at the end of, the financial year, but of which we have not acted as auditor are disclosed in note 9. We have, however, received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts.

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

## AUDIT OPINION

In our opinion, the financial statements of Ramsay Health Care Limited are properly drawn up:

- a) so as to give a true and fair view of:
  - i) the state of affairs as at 30 June 1998, and the profit and cash flows for the financial year ended on that date of the company and of the economic entity; and
  - ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- b) in accordance with the provisions of the Corporations Law; and
- c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

The logo for Ernst &amp; Young, featuring a stylized 'EY' symbol followed by the text 'Ernst &amp; Young' in a script font.

ERNST & YOUNG

A handwritten signature in blue ink, appearing to read 'Neil E Wykes'.

N E Wykes  
Partner

Sydney, 24 September 1998



# Statement by Directors

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

- a) In the opinion of the directors:
  - i) the profit and loss account is drawn up so as to give a true and fair view of the result of the company for the financial year ended 30 June 1998;
  - ii) the balance sheet is drawn up so as to give a true and fair view of the state of affairs of the company as at 30 June 1998; and
  - iii) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.
- b) In the opinion of the directors, the consolidated accounts:
  - i) give a true and fair view of:
    - a) the result of the economic entity, constituted by the company and the entities it controlled from time to time during the financial year, for the financial year ended 30 June 1998; and
    - b) the state of affairs of the economic entity, constituted by the company and the entities that it controls at the year's end as at 30 June 1998; and
  - ii) have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law.

On behalf of the Board.



I P S Grier  
Director



B R Soden  
Director

Sydney, 24 September 1998

# Profit and Loss Account for the year ended 30 June 1998

		Consolidated		Company	
	Notes	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Operating revenue	2	213,976	198,196	18,088	9,260
Operating profit before abnormal items and income tax	2	19,050	8,042	17,340	3,306
Profit/(loss) on abnormal items before income tax	3	–	(11,015)	–	42,498
Operating profit/(loss) after abnormal items before income tax		19,050	(2,973)	17,340	45,804
Income tax (expense)/benefit attributable to operating profit/(loss)	4	(5,089)	890	(2,826)	–
Operating profit/(loss) after income tax		13,961	(2,083)	14,514	45,804
Retained profits/(accumulated losses) at the beginning of the financial year		23,788	119,117	41,310	(2,364)
Total available for appropriation		37,749	117,034	55,824	43,440
Dividends paid	5	(8,050)	(101,157)	(8,050)	(101,157)
Transfers from reserves	20	–	7,911	–	99,027
Retained profits at the end of the financial year		29,699	23,788	47,774	41,310

The profit and loss account should be read in conjunction with the accompanying notes.

# Balance Sheet as at 30 June 1998

		Consolidated		Company	
	Notes	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>CURRENT ASSETS</b>					
Cash		19,864	14,860	–	317
Receivables	6	22,322	17,641	–	–
Inventories	7	2,430	2,040	–	–
<b>Total current assets</b>		<b>44,616</b>	<b>34,541</b>	<b>–</b>	<b>317</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	8	–	–	162,670	126,766
Investments	9	221	221	75,000	10,000
Property, plant and equipment	10	398,288	319,371	–	–
Intangibles	11	–	647	–	–
Other	12	15,077	759	–	–
<b>Total non-current assets</b>		<b>413,586</b>	<b>320,998</b>	<b>237,670</b>	<b>136,766</b>
<b>Total assets</b>		<b>458,202</b>	<b>355,539</b>	<b>237,670</b>	<b>137,083</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable	13	32,931	24,136	1	–
Borrowings	14	7,987	63,486	–	–
Provisions	15	13,826	6,795	6,199	–
<b>Total current liabilities</b>		<b>54,744</b>	<b>94,417</b>	<b>6,200</b>	<b>–</b>
<b>NON-CURRENT LIABILITIES</b>					
Accounts payable	16	308	530	–	–
Borrowings	17	178,818	132,573	102,992	89,246
Provisions	18	18,769	2,544	–	–
<b>Total non-current liabilities</b>		<b>197,895</b>	<b>135,647</b>	<b>102,992</b>	<b>89,246</b>
<b>Total liabilities</b>		<b>252,639</b>	<b>230,064</b>	<b>109,192</b>	<b>89,246</b>
<b>Net assets</b>		<b>205,563</b>	<b>125,475</b>	<b>128,478</b>	<b>47,837</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	19	10,878	6,527	10,878	6,527
Reserves	20	164,986	95,160	69,826	–
Retained profits		29,699	23,788	47,774	41,310
<b>Total shareholders' equity</b>		<b>205,563</b>	<b>125,475</b>	<b>128,478</b>	<b>47,837</b>

The balance sheet should be read in conjunction with the accompanying notes.

# Statement of Cash Flows for the year ended 30 June 1998

		Consolidated		Company	
	Notes	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		208,372	190,971	–	–
Payments to suppliers and employees		(164,255)	(170,456)	(424)	(2)
Income tax paid		(1,417)	(80)	(1,417)	–
Borrowing costs paid		(9,194)	(13,136)	(321)	–
Interest received		804	1,854	180	311
Net cash flows from/(used in) operating activities	21	34,310	9,153	(1,982)	309
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash paid for purchases of property, plant and equipment		(91,072)	(55,862)	–	–
Cash paid for other assets		–	(679)	–	–
Cash paid for investments		–	–	(65,000)	(10,000)
Cash proceeds from sale of property, plant and equipment		158	1,401	–	–
Net cash flows used in investing activities		(90,914)	(55,140)	(65,000)	(10,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		80,437	–	80,437	–
Issue costs paid		(6,259)	–	(6,259)	–
Dividends paid		(3,263)	–	(3,263)	–
Finance lease repayments		(12)	(213)	–	–
Borrowings – receipts other		71,310	30,136	28,597	1,015
Borrowings – repayment other		(47,758)	(6,808)	–	–
Repayment of indebtedness to Paul Ramsay Holdings Pty Ltd		(32,847)	–	(32,847)	–
Net cash flows from financing activities		61,608	23,115	66,665	1,015
Net increase/(decrease) in cash held		5,004	(22,872)	(317)	(8,676)
Add opening cash brought forward		14,860	37,728	317	8,993
Exchange adjustments		–	4	–	–
Closing cash carried forward	21	19,864	14,860	–	317

This statement should be read in conjunction with the accompanying notes.

# Notes to the Accounts for the year ended 30 June 1998

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### a) **Basis of accounting**

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

### b) **Foreign currencies**

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

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

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

### c) **Investments**

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

### d) **Employee entitlements**

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

### e) **Inventories**

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

### f) **Recoverable amount**

Non-current assets are not revalued to an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have not been discounted to their present value.

### g) **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 income. Any net downward revaluation of the class of assets in excess of the asset revaluation reserve is recognised as an expense. Potential capital gains tax on assets acquired after the introduction of capital gains tax has not been taken into account in determining the 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. Costs related to development projects are capitalised from the time the company becomes the successful tenderer. 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

### h) **Cash**

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

# Notes to the Accounts continued

	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>2 OPERATING PROFIT</b>				
The operating profit before abnormal items and income tax is arrived at after charging/ (crediting) the following items:				
Amortisation of non-current assets				
Leasehold improvements	44	37	–	–
Capitalised leased assets	46	88	–	–
Project development costs	94	92	–	–
	184	217	–	–
Depreciation of non-current assets				
Plant and equipment	7,231	6,219	–	–
Buildings	2,718	2,114	–	–
	9,949	8,333	–	–
Bad and doubtful debts				
Trade debtors	334	98	–	–
Other debtors	–	64	–	–
	334	162	–	–
Borrowing costs				
Interest expense				
Non controlled related parties	321	5,951	321	5,951
Other persons/corporations	8,772	14,655	–	–
Finance charges – lease liability	17	45	–	–
Other borrowing costs				
Other persons/corporations	11	499	–	–
	9,121	21,150	321	5,951
Net loss on disposal of property, plant and equipment	115	64	–	–
Rental – operating leases	845	797	–	–
Net foreign currency losses	57	71	–	–
Provision for employee entitlements	9,070	7,840	–	–
Superannuation contributions	5,634	5,181	–	–
Borrowing costs capitalised	840	759	–	–



	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>2 OPERATING PROFIT continued</b>				
Included in the operating profit before abnormal items and income tax are the following items of operating revenue:				
Sales revenue	203,620	185,768	–	–
Other operating revenue				
Management fees				
Director related entities	699	–	–	–
Controlled entities (fully owned)	–	–	336	–
Other persons/corporations	330	789	–	–
Rental income				
Other persons/corporations	3,723	3,346	–	–
Director and director related entities	120	–	–	–
Guarantee fee				
Controlled entities (fully owned)	–	–	2,500	–
Bad debts recovered	17	14	–	–
Income from ancillary services	4,505	2,943	–	–
<b>Total operating revenue</b>	<b>213,014</b>	<b>192,860</b>	<b>2,836</b>	<b>–</b>
Interest				
Other related parties				
Controlled entities (fully owned)	–	–	15,252	6,867
Directors and director related entities	–	2,393	–	2,393
Other persons/corporations	804	1,542	–	–
	804	3,935	15,252	9,260
Proceeds on sale of non-current assets	158	1,401	–	–
<b>Total revenue</b>	<b>213,976</b>	<b>198,196</b>	<b>18,088</b>	<b>9,260</b>
<b>3 ABNORMAL ITEMS</b>				
Profit arising from the disposal of assets/subsidiaries not included in the ongoing group	–	7,502	–	42,498
Applicable income tax	–	–	–	–
	–	7,502	–	–
Loss from refinancing of debt	–	(18,517)	–	–
Applicable income tax	–	–	–	–
	–	(18,517)	–	–
<b>Total profit/(loss) on abnormal items before income tax</b>	<b>–</b>	<b>(11,015)</b>	<b>–</b>	<b>42,498</b>

## Notes to the Accounts continued

	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>4 INCOME TAX EXPENSE</b>				
The prima facie income tax on operating profit is reconciled to the income tax expense shown in the accounts as follows:				
Operating profit/(loss) before income tax	19,050	(2,973)	17,340	45,804
Prima facie tax payable/(tax benefit) on operating profit at 36%	6,858	(1,070)	6,242	16,489
Tax effect of permanent differences:				
Allowable deductions	(1,166)	(1,855)	3	(15,299)
Tax effect of prior year timing differences and tax losses brought to account	(635)	(129)	–	–
Tax effect of timing differences and current year losses not brought to account	–	3,480	–	–
Tax effect of timing differences previously brought to account	–	390	–	–
Tax losses transferred for nil consideration	–	(1,706)	(3,419)	(1,190)
Overseas and withholding tax paid	32	–	–	–
Income tax expense/(benefit) attributable to operating profit	5,089	(890)	2,826	–
The directors estimate that the potential future income tax benefit in respect of income tax losses not brought to account is	4,201	6,892	–	–
This future income tax benefit will only be obtained if:				
a) future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;				
b) the conditions for deductibility imposed by the tax legislation continue to be complied with; and				
c) no changes in tax legislation adversely affect the economic entity in realising the benefit.				

	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>5 DIVIDENDS PAID AND PROPOSED</b>				
Dividends proposed				
Franked dividends – ordinary (80% franked)	3,829	–	3,829	–
Unfranked dividends – ordinary	957	–	957	–
	4,786	–	4,786	–
Dividend paid during the year				
Franked dividends – ordinary (80% franked)	2,611	–	2,611	–
Unfranked dividends – ordinary	653	101,157	653	101,157
	3,264	101,157	3,264	101,157
	8,050	101,157	8,050	101,157
The tax rate at which dividends have or will be franked is 36% (1997: 36%)				
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the financial year	(98)	–	(98)	–
Franking credits that will arise from the payment of income tax during the next financial year	6,612	2,513	6,612	2,513
Franking debits that will arise from the payment of dividends as at the end of the financial year	(3,829)	(2,611)	(3,829)	(2,611)
	2,685	(98)	2,685	(98)
<b>6 RECEIVABLES (CURRENT)</b>				
Trade debtors	16,726	13,967	–	–
Less: Provision for doubtful debts	(436)	(361)	–	–
	16,290	13,606	–	–
Other debtors and prepayments	6,470	2,433	–	–
Less: Provision for doubtful debts	(477)	(377)	–	–
	5,993	2,056	–	–
Loan to other related party	39	1,979	–	–
	22,322	17,641	–	–

# Notes to the Accounts continued

	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>6 RECEIVABLES (CURRENT) continued</b>				
Movement in provision for doubtful debts				
Balance at beginning of year	(738)	(941)	–	–
Bad debts previously provided for written-off during the year	159	365	–	–
Bad and doubtful debts provided for during the year	(334)	(162)	–	–
<b>Balance at end of year</b>	<b>(913)</b>	<b>(738)</b>	<b>–</b>	<b>–</b>
<b>Terms and conditions</b>				
Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Credit sales are mainly on 15 to 30 day terms, dependent on the conditions of specific contracts.				
Amounts receivable from related entities are carried at nominal amounts due. Details of the terms and conditions are set out in note 30.				
<b>Concentration of credit risk</b>				
The economic entity's maximum exposure to credit risk at balance date is the carrying value of those assets as indicated in the balance sheet. This does not take into account the value of any security held in the event of other entities/parties failing to perform their obligations under the financial instruments in question.				
The economic entity's credit risk is low in relation to trade debtors because the majority of transactions are with the Government and Health Funds. Other debtors primarily relates to rental and ancillary services. Concentration of credit risk on trade debtors arise as follows:				
	Consolidated maximum credit risk exposure			
	Percentage of total trade debtors (%)		\$'000	
	1998	1997	1998	1997
Health funds	57	53	9,336	7,236
Government	38	38	6,180	5,140
Other	5	9	774	1,230
	100	100	16,290	13,606

		Consolidated		Company	
	Notes	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>7 INVENTORIES</b>					
Amount of medical and food supplies to be consumed in providing future patient services – at the lower of cost and net realisable value		2,430	2,040	–	–
<b>8 RECEIVABLES (NON-CURRENT)</b>					
Amounts receivable from controlled entities		–	–	162,660	126,766
<b>9 INVESTMENTS</b>					
Investments, at cost, comprise:					
Ordinary Shares					
Listed on a prescribed stock exchange		6	6	–	–
Other		30	30	–	–
		36	36	–	–
Units in unit trust					
Listed on a prescribed stock exchange		120	120	–	–
Unsecured notes – unlisted		65	65	–	–
		185	185		
		221	221	–	–
Investment in controlled entities – unlisted shares and units	9(a)	–	–	75,000	10,000
		221	221	75,000	10,000
Listed shares and units are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are received from the investee.					
Unlisted shares and notes are carried at the lower of cost or recoverable amount. Distributions are recognised as income when received.					

# Notes to the Accounts continued

	Country of Inc.	Beneficial Percentage Held		Company	
		1998 %	1997 %	1998 \$'000	1997 \$'000
9 INVESTMENTS continued					
a) Investments in controlled entities					
Investments in controlled entities comprise:					
Retrogen Sdn Bhd #	Malaysia	100	100	10,000	10,000
RHC Nominees Pty Ltd	Australia	100	—	*	*
RHC Developments Pty Limited	Australia	100	—	65,000	—
And its controlled entity:					
Health Care Development Unit Trust	—	100	—		
Ramsay Bedford Park Pty Limited	Australia	100	100	*	*
Ramsay Health Care Investments Pty Limited	Australia	100	100	*	*
And its controlled entities:					
Ramsay Health Care ##	Republic of Mauritius	100	—		
RHC Australia ##	Republic of Mauritius	100	—		
RHC Diagnostics ##	Republic of Mauritius	100	—		
Ramsay Hospital Holdings Pty Limited	Australia	100	100		
Ramsay Hospital Holdings (Queensland) Pty Limited	Australia	100	100		
Ramsay Health Care Australia Pty Limited	Australia	100	100		
And its controlled entities:					
Ramsay Professional Services Pty Limited (formerly: Fullers Road Hospital Pty Limited)	Australia	100	100		
Phiroan Pty Limited	Australia	100	100		
New Farm Hospitals Pty Limited	Australia	100	100		
Ramsay Health Care (Victoria) Pty Limited	Australia	100	100		
Adelaide Clinic Holdings Pty Limited	Australia	100	100		
Ramsay Health Care (South Australia) Pty Limited	Australia	100	100		
North Shore Private Hospital Pty Limited	Australia	100	100		
Ramsay Health Care (Asia Pacific) Pty Limited	Australia	100	100		
And its controlled entities:					
P T Ramsay Health Care Asia Pacific #	Indonesia	100	100		
Ramsay Health and Management Services Sdn Bhd #	Malaysia	100	100		
				75,000	10,000

\* Denotes \$2 # Audited by other member firms of Ernst & Young International ## Not audited by Ernst & Young International



	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>10 PROPERTY, PLANT AND EQUIPMENT</b>				
Licensed private hospitals				
at directors' valuation at 30 June 1998	253,801	231,083	–	–
Building construction in progress – at cost	107,801	53,235	–	–
Leasehold improvements at cost	1,013	1,788	–	–
Less: accumulated amortisation	(109)	(65)	–	–
	904	1,723	–	–
<b>Total land and buildings</b>	<b>362,506</b>	<b>286,041</b>	<b>–</b>	<b>–</b>
Plant and equipment				
Plant and equipment – at cost	63,634	53,330	–	–
Less: accumulated depreciation	(27,960)	(20,420)	–	–
	35,674	32,910	–	–
Plant and equipment under lease	136	581	–	–
Less: accumulated amortisation	(28)	(161)	–	–
	108	420	–	–
<b>Total plant and equipment</b>	<b>35,782</b>	<b>33,330</b>	<b>–</b>	<b>–</b>
<b>Total property, plant and equipment</b>	<b>398,288</b>	<b>319,371</b>	<b>–</b>	<b>–</b>
The directors' valuation at 30 June 1998 was prepared by the Directors and was based on an independent assessment dated 1 July 1997 by Colliers Jardine's Mr Graeme Martin – RDA Grad Dip MSc (Urban Land Appraisal) LFVLE, Registered Valuer NSW No. 3776. The independent valuation was based on a 'market value – existing use basis'.				
<b>11 INTANGIBLES</b>				
Float costs	–	647	–	–
<b>12 OTHER NON-CURRENT ASSETS</b>				
Capitalised costs	2,521	759	–	–
Less: accumulated amortisation	(14)	–	–	–
	2,507	759	–	–
Future income tax benefit	12,570	–	–	–
	15,077	759	–	–

# Notes to the Accounts continued

		Consolidated		Company	
	Notes	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>13 ACCOUNTS PAYABLE (CURRENT)</b>					
Unsecured liabilities					
Accounts payable		9,476	6,838	–	–
Sundry creditors and accrued expenses		21,257	15,341	1	–
		30,733	22,179	1	–
Secured liabilities					
Lease liability – finance lease	29	28	71	–	–
Loan – insurance funding	29	2,170	1,886	–	–
		2,198	1,957	–	–
		32,931	24,136	1	–
Accounts payable and accruals: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity. Trade liabilities are normally settled on 30 day terms.					
Loan – insurance funding: This loan is carried at the principal amount less any repayments.					
<b>14 BORROWINGS (CURRENT)</b>					
Secured					
Bank loans	29	7,987	63,486	–	–
<b>15 PROVISIONS (CURRENT)</b>					
Dividend		4,786	–	4,786	–
Taxation		1,461	–	1,413	–
Employee entitlements		7,579	6,795	–	–
		13,826	6,795	6,199	–
Dividends payable: Dividends payable are recognised when declared by the company. Dividend payable represent a final dividend of 4.4 cents per ordinary share for the financial year ended 30 June 1998. The extent to which the dividends are franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in note 5.					
<b>16 ACCOUNTS PAYABLE (NON-CURRENT)</b>					
Unsecured					
Accrued expenses		228	174	–	–
Secured					
Lease liability – finance lease	29	80	356	–	–
		308	530	–	–
Accrued expenses: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.					

		Consolidated		Company	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>17 BORROWINGS (NON-CURRENT)</b>					
Unsecured					
Other loans – related party		–	32,809	102,992	89,246
Secured liabilities					
Bank loans	29	178,818	99,764	–	–
		178,818	132,573	102,992	89,246
<b>18 PROVISIONS (NON-CURRENT)</b>					
Employee entitlements		3,986	2,544	–	–
Deferred income tax liability		14,783	–	–	–
		18,769	2,544	–	–
<b>19 SHARE CAPITAL</b>					
Issued and paid up capital					
108,783,866 ordinary shares of 10c each					
fully paid (1997: 65,270,320 ordinary					
shares of 10c each fully paid)		10,878	6,527	10,878	6,527
<p>Ordinary shares: Ordinary share capital is recognised at the par value of the amount paid-up. Any excess between the par value and the issue price is recorded in the share premium reserve. The company is authorised to issue up to 2,500 million ordinary shares of 10 cents par value each.</p> <p><b>Shares issued during the year</b></p> <p>On 24 September 1997, 43,513,546 ordinary shares were issued to employees and members of the public who had applied for, and been allocated, shares offered under the parent entity's listing on the Australian Stock Exchange. The shares were issued as follows:</p> <p>315,100 ordinary shares of \$0.10 at a premium of \$1.55 per share;</p> <p>43,198,446 ordinary shares of \$0.10 at a premium of \$1.75 per share.</p> <p><b>Share options</b></p> <p>On 17 September 1997, 2,537,500 options were issued to executives and senior management with an exercise price of \$1.85. The options are not exercisable before 17 September 1999. In each case, none of the options are exercisable within two years of the date of issue, 40% of the options are exercisable after two years, a further 20% of the options are exercisable in the final three months of each of the subsequent three years. The expiry date of the options is five years after date of issue (ie. 17 September 2002). The options cannot be exercised unless the market price of the company's shares exceeds \$2.20 for a continuous period of at least five ASX trading days.</p> <p>On 23 September 1997, a further 155,000 share options were issued to executives and senior management with the same exercise conditions as above.</p>					

# Notes to the Accounts continued

	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>20 RESERVES</b>				
Share premium	69,826	–	69,826	–
Assets revaluation	95,160	95,160	–	–
	164,986	95,160	69,826	–
<b>Movements in reserves</b>				
<b>Share premium reserve</b>				
Balance at beginning of year	–	6,517	–	6,517
Premium of \$1.55 on 315,100 ordinary shares issued	488	–	488	–
Premium of \$1.75 on 43,198,446 ordinary shares issued	75,597	–	75,597	–
Application of share issue cost	(6,259)	–	(6,259)	–
Issue of bonus shares to Paul Ramsay Holdings Pty Limited	–	(6,517)	–	(6,517)
<b>Balance at end of year</b>	<b>69,826</b>	<b>–</b>	<b>69,826</b>	<b>–</b>
<b>Asset revaluation reserve</b>				
Balance at beginning of year	95,160	49,933	–	99,027
Revaluation increments/(decrements) on revaluation of:				
Licensed hospitals, land and buildings	–	62,560	–	–
Sale of subsidiary	–	(10,590)	–	–
Transfer to retained earnings	–	(6,743)	–	(99,027)
<b>Balance at end of year</b>	<b>95,160</b>	<b>95,160</b>	<b>–</b>	<b>–</b>
<b>Foreign currency translation reserve</b>				
Balance at beginning of year	–	854	–	–
Surplus/(deficiency) on translation of the financial statements of financially independent foreign controlled entity	–	314	–	–
Transfer to retained earnings	–	(1,168)	–	–
<b>Balance at end of year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>21 STATEMENT OF CASH FLOWS</b>				
<b>a) Reconciliation of the operating profit after tax to the net cash flows from operations</b>				
Operating profit/(loss) after tax	13,961	(2,083)	14,514	45,804
Profit on restructure	–	(7,503)	–	(18,527)
Interest received (related entity)	–	–	(17,909)	–
Amortisation and depreciation	10,133	8,550	–	–
Borrowing expenses	–	499	–	–
Loss on sale of non-current assets	115	64	–	–
Foreign exchange loss (net)	57	–	–	–
Changes in assets and liabilities				
Future income tax benefit	(12,570)	3,746	–	–
Receivables	(4,642)	2,030	–	–
Prepayments	–	1,386	–	–
Borrowing costs	–	3,173	–	–
Other assets	647	(1,191)	–	–
Receivable-related companies	–	–	–	(6,868)
Creditors	8,892	(615)	–	–
Revenue received in advance	–	(3,681)	–	–
Accrued expenses	–	3,204	–	–
Deferred income tax	14,783	(4,594)	–	–
Provision for employee entitlements	2,226	818	–	–
Inventory	(389)	(55)	–	–
Tax provisions	1,461	–	1,413	–
Loan – related companies	(305)	5,367	–	(20,100)
Other liabilities	(59)	38	–	–
<b>Net cash flow from/(used in) operating activities</b>	<b>34,310</b>	<b>9,153</b>	<b>(1,982)</b>	<b>309</b>
<b>b) Reconciliation of cash</b>				
Cash balances comprise:				
Cash on hand	15	13	–	–
Cash at bank and on deposit	19,849	14,847	–	317
<b>Closing cash balance</b>	<b>19,864</b>	<b>14,860</b>	<b>–</b>	<b>317</b>
<b>c) Bank facilities</b>				
The economic entity has borrowing facilities available to the extent of \$239,509,975 (1997: \$246,020,000). At 30 June 1998 these facilities have been drawn down to \$186,804,752 (1997: \$165,674,000).				
<b>d) Non-cash financing and investing activities</b>				
During the financial year the economic entity acquired plant and equipment with an aggregate fair value of \$75,000 (1997: \$208,923) by means of a finance lease. Other leased assets with a carrying value of \$Nil (1997: \$94,000) were used as a trade in for the acquisition.				
<b>e) Acquisition of subsidiary</b>				
During the year the holding company subscribed for 65,000,000 \$1 shares in a wholly owned subsidiary. This subsidiary on-lent the money to entities within the group.				

# Notes to the Accounts continued

	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>22 CAPITAL AND LEASING COMMITMENTS</b>				
<b>a) Finance lease commitments payable:</b>				
Not later than one year	32	113	–	–
Later than one year but not later than two years	62	230	–	–
Later than two years but not later than five years	22	168	–	–
Minimum lease payments	116	511	–	–
Less: future finance charges	(8)	(84)	–	–
<b>Total lease liability</b>	<b>108</b>	<b>427</b>	<b>–</b>	<b>–</b>
Finance lease liability: The lease liability is accounted for in accordance with AASB 1008. As at balance date, the economic entity had finance leases with an average lease term of 2 years. The average discount rate implicit in the leases is 8.5%. The security over finance leases is disclosed in note 29.				
<b>b) Operating lease commitments payable:</b>				
Not later than one year	542	521	–	–
Later than one year but not later than two years	477	434	–	–
Later than two years but not later than five years	962	988	–	–
	1,981	1,943	–	–
<b>c) Capital expenditure commitments:</b>				
Capital expenditure commitments contracted for on private hospitals	90,852	87,172	–	–

## 23 SEGMENTAL INFORMATION

The economic entity operates in the private hospitals industry segment, predominantly in the geographical segment of Australia.

## 24 SUPERANNUATION COMMITMENTS

The chief entity and controlled entities contribute to industry and individual superannuation funds established for the provision of benefits to employees of entities within the economic entity on retirement, death or disability. Benefits provided under these plans are based on contributions for each employee and for retirement are equivalent to accumulated contributions and earnings. All death and disability benefits are insured with various life assurance companies. The entity contributes to the funds at various agreed contribution levels.

## 25 CONTINGENT LIABILITIES

Ramsay Health Care Limited and each of its controlled entities have provided cross guarantees to ensure full payment on a timely basis, of borrowings provided by the lenders to Ramsay Health Care Australia Pty Limited.

North Shore Private Hospital Pty Limited has also given a fixed and floating charge (debenture trust deed) over all its assets to secure these borrowings.

Ramsay Health Care Australia Pty Limited and each of its controlled entities are subject to a negative pledge and certain financial undertakings in connection with borrowings provided by the lenders to Ramsay Health Care Australia Pty Limited.

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



	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>26 REMUNERATION OF DIRECTORS</b>				
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the economic entity, directly or indirectly, by the entities of which they are directors or any related party	941	1,341		
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the chief entity, directly or indirectly, from the entity or any related party			941	837
The number of directors of Ramsay Health Care Limited whose income (including superannuation contributions) falls within the following bands is:			1998	1997
\$ 0 – \$ 9,999			–	2
\$ 40,000 – \$ 49,999			3	–
\$ 50,000 – \$ 59,999			1	–
\$ 60,000 – \$ 69,999			2	–
\$ 90,000 – \$ 99,999			–	1
\$110,000 – \$119,999			–	1
\$250,000 – \$259,999			1	–
\$300,000 – \$309,999			–	1
\$320,000 – \$329,999			–	1
\$370,000 – \$379,999			1	–

# Notes to the Accounts continued

	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>27 REMUNERATION OF EXECUTIVES</b>				
Remuneration received or due and receivable by executive officers of the economic entity whose remuneration is \$100,000 or more, from entities in the economic entity or a related party, in connection with the management of the affairs of the entities in the economic entity whether as an executive officer or otherwise	3,691	2,148		
Remuneration received or due and receivable by executive officers of the company whose remuneration is \$100,000 or more, from the company or any related party, in connection with the management of the affairs of the company or any related party whether as an executive officer or otherwise			–	–
The number of executives of the economic entity and the company whose remuneration falls within the following bands:	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
\$100,000 – \$109,999	3	4	–	–
\$110,000 – \$119,999	3	4	–	–
\$120,000 – \$129,999	3	1	–	–
\$130,000 – \$139,999	2	1	–	–
\$140,000 – \$149,999	2	–	–	–
\$150,000 – \$159,999	4	1	–	–
\$170,000 – \$179,999	–	1	–	–
\$190,000 – \$199,999	1	–	–	–
\$200,000 – \$209,999	1	1	–	–
\$210,000 – \$219,999	1	–	–	–
\$220,000 – \$229,999	–	1	–	–
\$250,000 – \$259,999	1	1	–	–
\$260,000 – \$269,999	1	–	–	–
\$370,000 – \$379,999	1	–	–	–

	Consolidated		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>28 AUDITORS' REMUNERATION</b>				
Amounts received or due and receivable by the auditors for:				
Auditing the accounts	272	256	–	–
Other services	607	698	–	–
	879	954	–	–
Amounts included above received or due and receivable by auditors other than the chief entity auditors for:				
Auditing the accounts	3	–	–	–
<b>29 BORROWINGS</b>				
<b>a) Accounting policies:</b>				
<i>i) Bank overdrafts</i>				
The bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.				
<i>ii) Bank loans</i>				
The bank loans are carried at the principal amount. Interest is charged as an expense as it accrues.				
<b>b) Terms and conditions:</b>				
<i>i) Bank overdraft</i>				
Interest is charged at the bank's benchmark rate. The overdraft is guaranteed by Ramsay Health Care Limited and the controlled entities provide cross guarantees similar to that detailed at note 25.				
<i>ii) Bank loans</i>				
\$167 million of bank loans at 30 June 1998 are amortising and will be repaid over the period September 2002 to January 2010. The remaining debt of \$20 million is repayable January 2010. The effective rate of interest on these borrowings is 9.95%.				
<b>c) Securities:</b>				
<i>i) Lease liability – finance lease</i>				
The lease liability is secured by a charge over the leased plant and equipment of Ramsay Health Care Australia Pty Limited and controlled entities.				
<i>ii) Secured bank loans</i>				
Loans of \$44,550,102 (1997: \$47,861,417) are secured by a mortgage over the hospital land, a charge over the hospital assets and a mortgage of the shares in the borrower (Ramsay Hospital Holdings Pty Limited).				
Loans of \$46,759,873 (1997: \$50,358,699) are secured by a mortgage over the hospital land, a charge over the hospital assets and a mortgage of the shares in the borrower (Ramsay Hospital Holdings (Queensland) Pty Limited).				
Loans of \$37,294,783 (1997: \$8,454,503) are secured by way of fixed and floating charge of the assets of Ramsay Bedford Park Pty Limited (the borrower), 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.				

# Notes to the Accounts continued

## 29 BORROWINGS continued

### c) Securities (continued)

#### ii) Secured bank loans (continued)

Loans of \$58,199,994 (1997: Nil) are secured by way of a fixed and floating charge (debenture trust deed) given by a wholly owned subsidiary, North Shore Private Hospital Pty Ltd and a group guarantee and indemnity.

Loans of \$Nil (1997: \$56,575,714) are secured by way of a group deed of charge, group guarantee and indemnity and real property mortgages given by the companies in the Group which own land.

#### iii) Other loan – insurance funding

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

## 30 RELATED PARTY TRANSACTIONS

Directors of Ramsay Health Care Limited at 30 June 1998 were:

P J Ramsay

M S Siddle

M L Brislee

P J Evans

I P S Grier

B R Soden

R H McGeoch (appointed 3 July 1998)

K C D Roxburgh (appointed 3 July 1998)

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

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

- Loan to director at concessional interest rate.

During the year, Mr I P S Grier repaid \$36,140 and fully extinguished a housing loan provided by Ramsay Health Care Australia Pty Limited.

#### Transactions with Director-related entities and the Group

- Entities associated with Mr R H McGeoch.

Mr McGeoch is a partner of the law firm Corrs Chambers Westgarth, which has performed legal services for the group in return for fees at its usual hourly rates, aggregating \$596,200.

- Entities associated with Mr P J Ramsay.

During the year the economic entity repaid \$32,848,000 indebtedness to Paul Ramsay Holdings Pty Limited out of proceeds from the float.

- Paul Ramsay Holdings Pty Limited has a licence from the economic entity to occupy office space at a commercial arms length licence fee. In addition, any expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited is charged at cost recovery plus a 5% margin. Total amount outstanding at 30 June 1998 is \$39,000.

#### Transactions with related parties in wholly owned group

	1998 \$'000	1997 \$'000
Loans from Subsidiaries		
Interest free	102,992	89,246
Loans to Subsidiaries		
Interest bearing	151,847	116,766
Interest free	10,813	10,000
	162,660	126,766

Interest is charged at commercial rates.

### 31 EARNINGS PER SHARE

	1998
a) Basic earnings per share (cents per share)	14.15
b) Diluted earnings per share (cents per share)	13.99
c) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	98,650,574

Prior years comparatives are not provided as the group operated under a different corporate structure prior to listing on the Australian Stock Exchange.

### 32 FINANCIAL INSTRUMENTS

#### a) Interest rate risk

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

Financial Instruments	Floating rate interest	Fixed interest rate maturing in:			Total carrying amount as per the balance sheet	Weighted average effective interest rate
	\$000	1 year or less	Over 1 to 5 years	More than 5 years	\$000	%
<b>i) Financial assets</b>						
Cash at bank and on deposit						
1998	19,849				19,849	4.60
1997	14,847				14,847	3.90
Total financial assets						
1998	19,849				19,849	
1997	14,847				14,847	
<b>ii) Financial liabilities</b>						
Bank loans						
1998	19,107	7,987	39,093	120,618	186,805	9.95
1997		63,486		99,764	163,250	9.00
Finance lease liability						
1998		31	60	17	108	8.50
1997		92	188	147	427	8.50
Total financial liabilities						
1998	19,107	8,018	39,153	120,635	186,913	
1997		63,578	188	99,911	163,677	

# Notes to the Accounts continued

## 32 FINANCIAL INSTRUMENTS continued

### b) Net fair values:

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	Total carrying amount as per the balance sheet		Aggregate net fair value*	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
<b>i) Financial assets</b>				
Cash	19,864	14,860	19,864	14,860
Receivables – trade	16,290	13,606	16,290	13,606
Receivables – related parties/entities	39	1,979	39	1,979
Listed shares and units	126	126	121	121
Unlisted shares and units	95	95	95	95
<b>Total financial assets</b>	<b>36,414</b>	<b>30,666</b>	<b>36,409</b>	<b>30,661</b>
<b>ii) Financial liabilities</b>				
Bank loans	186,805	163,250	186,805	163,250
Trade creditors and accruals	30,961	22,353	30,961	22,353
Accounts payable – related party	–	32,809	–	32,809
Dividends payable	4,786	–	4,786	–
Finance lease liability	108	427	108	427
Other loans	2,170	1,886	2,170	1,886
<b>Total financial liabilities</b>	<b>224,830</b>	<b>220,725</b>	<b>224,830</b>	<b>220,725</b>

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

#### **Recognised financial instruments**

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

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

**Dividends payable:** The carrying amount approximates fair value.

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

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

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

# Supplementary Information for the year ended 30 June 1998

## SHAREHOLDER INFORMATION

The following additional information required by the Australian Stock Exchange Limited, was applicable as at 31 August 1998:

### a) Distribution of shareholders

Size of holding	Number of shareholders	Ordinary shares	% of issued capital
1 – 1,000	245	217,694	.20
1,001 – 5,000	860	2,779,453	2.55
5,001 – 10,000	249	2,008,164	1.85
10,001 – 100,000	129	2,881,474	2.65
100,001 and over	31	100,897,081	92.75
<b>Totals</b>	<b>1,514</b>	<b>108,783,866</b>	<b>100.00</b>

b) The number of shareholdings held in less than marketable parcels is 15.

### c) 20 Largest Shareholders – Ordinary Capital:

Name	Number of fully paid ordinary shares	% of issued capital
1 Paul Ramsay Holding Pty Limited	65,270,320	60.00
2 Perpetual Trustees Nominees Limited	4,416,868	4.06
3 Zurich Australia Limited	4,079,747	3.75
4 National Nominees Limited	4,063,439	3.74
5 Westpac Custodian Nominees Limited	3,242,949	2.98
6 AMP Life Limited	3,090,667	2.84
7 Permanent Trustee Company Limited	2,344,954	2.15
8 BT Custodial Services Pty Limited	2,159,200	1.98
9 Citicorp Nominees Pty Limited	2,041,035	1.88
10 Queensland Investment Corporation	1,856,418	1.71
11 The National Mutual Life Association of Australasia Limited	1,269,976	1.17
12 Chase Manhattan Nominees Limited	1,222,186	1.12
13 GIO Personal Investment Services Ltd	987,600	.91
14 Perpetual Trustees Victoria Limited	845,631	.78
15 Victorian Superannuation Board	684,000	.63
16 ANZ Nominees Limited	553,787	.51
17 Permanent Trustee Australia Limited	526,000	.48
18 Zurich Australian Insurance Limited	475,500	.44
19 Alfred Street Nominees Pty Limited	465,878	.43
20 Dervat Nominees Pty Limited	450,000	.41
<b>Totals</b>	<b>100,046,155</b>	<b>91.97</b>

## Supplementary Information continued

### d) Substantial shareholders

The names of the substantial shareholders listed in the Company's Register as at 31 August 1998 are:

Shareholder	Number of fully paid ordinary shares
Paul Ramsay Holdings Pty Limited	65,270,320
NM Rothschild Australia Holdings Pty Limited	5,801,106

### e) Voting rights

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