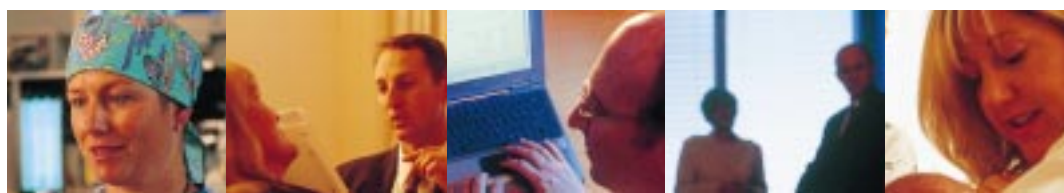


'99 ANNUAL REPORT



quality
determination
quality
determination
performance
quality
determination
performance
relationships
relationships
relationships



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Ramsay Health Care Limited

ACN 001 288 768

The Annual General Meeting of Ramsay Health Care Limited will be held at the ANA Hotel Sydney, Cambridge Room, 176 Cumberland St, The Rocks, Sydney NSW 2000, on Tuesday 16 November 1999 at 2.30pm.

www.ramsayhealth.com.au

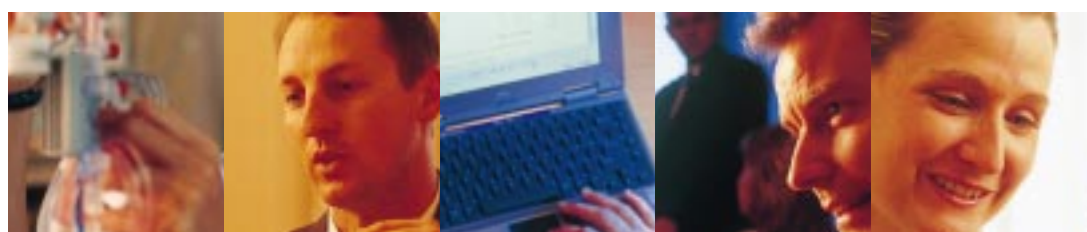
highlights

Operational highlights

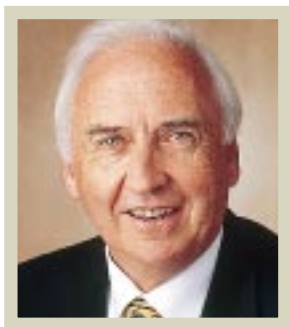
- A good performance from existing hospitals given the tough health insurance environment.
- North Shore Private Hospital was successfully opened in July 1998, and has achieved a first class reputation with occupancy levels, higher than expectations.
- Flinders Private Hospital was successfully opened in January 1999, and has experienced a gradual improvement in occupancy.
- Construction of Mildura Base Hospital commenced.
- Ramsay Health Care selected by the Victorian Government as preferred tenderer for the new privatised hospital development at Berwick.

Financial highlights

	Year ended 30 June 1999 (\$ million)	Year ended 30 June 1998 (\$ million)
Operating revenue	259.8	213.0
EBIT	26.8	27.5
Net Profit before abnormal items and income tax	12.8	19.1
	(cents/share)	(cents/share)
Earnings per share	5.5c	14.1c
Dividends per share	7.4c	7.4c



chairman's statement



*Mr Paul Ramsay,
Chairman*

This has been a year of challenge for Ramsay Health Care, in which we have strengthened our foundations for the future.

Our existing hospitals – that is, excluding North Shore Private Hospital and Flinders Private Hospital – performed well in extremely difficult conditions. The tough private health care environment, in particular the absence of any increase in health fund rates, has unfortunately affected the financial performance of our two new co-located hospitals.

North Shore Private Hospital was successfully commissioned during the year. This truly world class facility opened in July 1998 and has quickly gained a premier reputation – not only in Sydney, but across Australia and also overseas – for its state-of-the-art clinical services and five star accommodation. Both North Shore Private Hospital and Flinders Private Hospital, which was opened January 1999, are fine examples of private hospital facilities which have been designed to work closely with the public hospital system for the benefit of all patients.

I congratulate the Howard Government on the vigour with which it is pursuing its program to reform the private health insurance industry, because

the existence of a strong private health insurance industry, and strong private health care providers, benefits all Australians.

I was honoured that the Prime Minister agreed to officially open North Shore Private Hospital on 16 June 1999. Australia's public hospital system is under increasing pressure and this has accentuated the importance of facilities such as North Shore Private Hospital that provide health services of the highest quality.

It is frustrating to report, however, that although North Shore Private Hospital opened successfully, and despite the fact that its occupancy levels are high and above expectations, the continuing health fund pricing squeeze means that we are not achieving an acceptable rate of return from our investment.

We are experiencing similar factors at Flinders Private Hospital in Adelaide. Although there has been a slow build up of occupancy we do not anticipate a dramatic improvement in the hospitals performance in the short term given the continuing uncertainty in the South Australian private hospital market.

On the basis of the strong performance of the Company's existing business, the Directors declared a final dividend of 4.4 cents per share, which will be paid on

The existence of a strong private health insurance industry and strong private health care providers, benefits all Australians.



29 October 1999. This with the interim dividend paid on 30 April 1999 brought the total dividend paid to shareholders to 7.4 cents per share for the year. While there were sufficient franking credits available to frank these dividends to 80%, next year's dividend may not be franked to the same extent.

During the year, the Victorian Government selected Ramsay Health Care to build, own and operate the new privatised Mildura Base Hospital. The project contract for this hospital was executed in May and construction has commenced. We are targeting an opening date in late 2000.

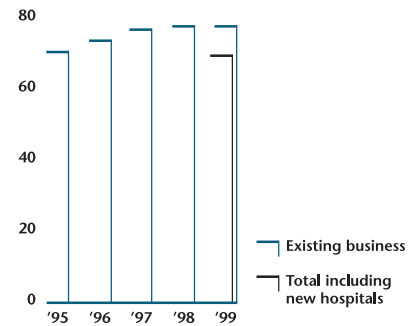
The Company was also selected as preferred proponent for the new privatised hospital development

at Berwick. This project is currently under negotiation with the Victorian Government.

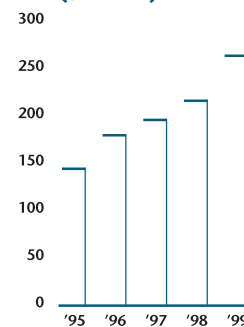
In the past year, Ramsay Health Care enhanced its reputation for high quality, innovative, customer-focused care and service while our impressive list of achievements confirmed our status as one of Australia's leading health care providers.

Mr Paul Ramsay, Chairman

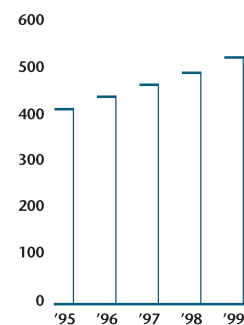
Inpatient occupancy (%)



Operating revenue (\$ million)



Net patient revenue per patient day (\$)



quality

managing director's report



*Mr Pat Grier,
Managing Director*

In what has been an extremely difficult year for the Australian private health care industry, Ramsay Health Care reported an annual net profit of \$12.8 million before abnormals and income tax and a 22 per cent increase in group revenue to \$260 million.

The performance of our existing hospitals – that is, excluding North Shore Private Hospital and Flinders Private Hospital – was particularly pleasing and a credit to our people. The margin pressures flowing from the current health insurance environment, however, make it very difficult to achieve acceptable rates of return from our new co-located hospitals.

Since we started building our co-located hospitals, health fund rates have simply not increased in line with CPI or historical trends. We will continue to



Revenue from existing hospitals rose by nine per cent to \$233 million with all three existing divisions improving on last year's revenue performance.

Earnings before interest and tax and abnormal items (EBIT) from existing hospitals lifted by 2% to \$27.9 million although EBIT margins fell from 12.9% to 12.0% due to the continuing health fund pricing squeeze.

22% increase in group revenue to \$260 million

negotiate with the health funds to achieve appropriate rises in rates. There have been some encouraging signs that health funds are now working to develop alliances with private hospital companies such as ours in an effort to improve the overall quality of the health product for consumers.

Group earnings before interest and tax edged lower by two per cent to \$26.8 million due to the start up of North Shore Private Hospital and Flinders Private Hospital during the year.

The Company incurred an abnormal loss after tax of \$4 million, made up



of a \$5 million loss from pre-opening and commissioning costs associated with North Shore Private Hospital and Flinders Private Hospital, a \$2.5 million abnormal gain from the sale of a non-hospital asset, and the write off of \$1.5 million costs in respect of discontinued projects.

The two new regional managers will report to Chris Rex, our Chief Operating Officer. Robert Glynn, formerly the General Manager of Greenslopes Private Hospital, has been appointed Regional Manager (East) with responsibility for New South Wales and Queensland. Mary Allen, formerly

Despite the current market difficulties we believe that Ramsay Health Care's strong, diversified, portfolio of hospitals and revenue streams means it is well placed for the long-term future.



Mr Pat Grier, Managing Director

Commitment to the training and development of our people

Ramsay Health Care maintained its commitment to teaching and research during the year, sponsoring the Chair of Injury Prevention at the University of Sydney, Northern Clinical School. The first person to hold this position, Professor Robyn Norton, will focus on the causes, prevention and treatment of injuries in Australia and the Asia Pacific region.

We also continued our commitment to the training and development of our people through the establishment an internal trainee management program. In addition, due to the Company's expansion, we have enhanced our operational management structure through the appointment of two regional managers.

the Development Manager for Victoria, has been appointed Regional Manager (South) with responsibility for Victoria and South Australia. I am particularly pleased that people from within the company have filled these new positions, because it reflects the quality of our management team.

The private health insurance environment remains tough, but our existing hospitals are performing well and our new co-located hospitals, which are still in the start up phase, have achieved improved occupancy levels. While North Shore Private Hospital is continuing to improve we expect that it will take some time to resolve the difficulties experienced at Flinders Private Hospital given the uncertainties experienced in the South Australian private hospital market.

*Despite the current market difficulties
Ramsay Health Care is well placed
for the long-term future.*

review of operations

LOCATION OF GROUP HOSPITALS

Ramsay Health Care has five divisions, operating across five Australian states.

- ▲ Veterans hospitals
- Psychiatric hospitals
- + Rural medical-surgical hospitals
- Co-located hospitals
- ★ Privatised public hospital under construction



Existing Business

Veterans Hospitals

Our veterans hospitals, Hollywood Private Hospital in Perth and Greenslopes Private Hospital in

Brisbane, continue to perform well vindicating the Company's strategy to diversify into this area.

Most significantly, these two hospitals reduce Ramsay Health Care's reliance on private health insurance.

Both hospitals have benefited from the Government's initiative to expand the Gold Card scheme. From 1 January 1999, an additional 50,000 World War veterans were able to receive a comprehensive range of health care services, including private patient

We are committed to continuing our excellent working relationship with the Department of Veterans' Affairs and to effective management of hospital operating costs.

hospital care, free of charge and an extra 30 beds were opened at each of the two veterans hospitals to accommodate the increase in demand.

We have continued to expand Hollywood's services during the year, through the opening of:

- a cardiac catheterisation laboratory
- a new 10-bed coronary care unit
- day surgery unit with 18 recovery beds
- gastroenterology department with 14 recovery beds
- 16-bed first stage theatre recovery area
- 39-suite medical consulting complex was also constructed.

At Greenslopes, we have successfully opened a new cardiac surgery unit and 30-bed sub-acute unit. We have also enhanced the hospital's building and functionality through the renovation of the foyer and admissions area.

The good performance of the veteran hospitals is indicative of an excellent working relationship with the Department of Veterans' Affairs, which we will continue to nurture, and the effective management of hospital operating costs.



The outlook for our veterans hospitals is excellent and we are committed to the ongoing investment in them.

Our veterans hospitals continue to perform well

Rural Medical-Surgical Hospitals

We took a number of steps during the year to enhance the services available at our rural medical-surgical hospitals – the Albury-Wodonga Private Hospital, Tamara Private Hospital in Tamworth and Baringa Private Hospital in Coffs Harbour.

Each remains the only private hospital in its respective area, and we are committed to improving our facilities further to meet the particular needs of rural communities.

We opened a new \$1.8 million radiology facility at Albury-Wodonga in February 1999. This facility houses a cardiac catheterisation laboratory owned and operated by the hospital. The range of services offered in this new radiology facility is second to none for a hospital in rural or regional Australia. During the year, we also expanded the hospital's intensive care unit. At Baringa, we completed the

refurbishment of a new day surgery and high dependency unit and opened a new stand alone day surgery centre.

We continue to increase our capacity in the hospitals and in July, we will introduce 10 new orthopaedic beds to Albury-Wodonga. In addition orthopaedic consulting suites will be opened in October, which will enhance the services on offer in the region.





Clinic and Kahlyn Private Hospital in Adelaide and New Farm Clinic in Brisbane. We also have psychiatric units at our veteran hospitals in Brisbane and Perth.

New Business

Co-located Hospitals

This year we commenced the newest division of our business with the opening of the two new 'co-located' hospitals, North Shore Private Hospital and Flinders Private Hospital.

Co-location is where a private hospital is physically linked to a public hospital, providing a more efficient use of resources to the benefit of both public

Psychiatric Hospitals

Ramsay Health Care is the pre-eminent provider of private psychiatric health care in Australia. Our acknowledged leadership in this field is maintained through continuous innovation, research and development.

Through a support structure of medical registrars, Ramsay Health Care has been pivotal in the generation of a substantial body of psychiatric research.

During the year, we purchased the 44-bed Fullarton Private Hospital

Pre-eminent provider of private psychiatric health care in Australia

in Adelaide, which includes the Fullarton Therapy Centre, a stand-alone day patient facility and the Greenhill Consulting Suites.

The Fullarton acquisition performed well and complements the existing six psychiatric hospitals that we currently own and administer: Northside Clinic and Evesham Clinic in Sydney; Albert Road Clinic in Melbourne; Adelaide

and private patients. Co-location represents a concrete example of how the private sector can work with the public sector to provide a better overall health care service.

North Shore Private Hospital is co-located with Royal North Shore Hospital, one of Australia's leading teaching hospitals. North Shore Private Hospital has 164 beds, eight operating



leadership

theatres, two day surgery procedure rooms and more than 60 medical and consulting suites.

It offers a comprehensive range of specialised clinical, medical and diagnostic services. During the year, North Shore Private Hospital:

- admitted over 12,000 patients
- completed over 10,300 procedures
- delivered over 1,300 babies
- served 163,000 meals



Management will seek to achieve further operational efficiencies

Since opening in July 1998 North Shore Private Hospital has experienced levels of occupancy, which have been higher than expectations. Currently occupancy for the hospital is over 80%. Despite this achievement the tough conditions prevailing in the private health care industry, especially the absence of any increase in health fund reimbursement rates, is making it very difficult for the Company to achieve an acceptable return from our investment. We are continuing to negotiate with the health funds to achieve appropriate rises in rates and there are encouraging signs that some health funds are now working to develop alliances with

private hospital companies like Ramsay Health Care. We are committed to working with the private health funds in an effort to improve the quality of the health care product to consumers. In particular the development of 'no-gap' billing must be a priority.

In addition to our negotiations with the health funds for improved rates of reimbursement and product management, we will seek to achieve further operational efficiencies through:

- Improved bed utilisation and use of day surgical facilities;
- The development of more profitable case-mix;

- Cost management; and
- The development of joint ventures with allied health facilities on the hospital campus.

In July 1999 the new cardiac catheterisation laboratory opened, further enhancing the hospital's services.

Flinders Private Hospital is co-located with Adelaide's Flinders Medical Centre. It has 130 beds, eight operating theatres, a day surgery unit with private rooms, five birthing suites, a 10-bed critical care unit, cardiac unit, on-site diagnostic services, and radiotherapy.

Our leadership in private psychiatric health care is maintained through continuous innovation, research and development.



Since opening in January 1999, Flinders Private Hospital has also experienced lower than anticipated levels of reimbursement from the health funds.

In addition, continuing uncertainties in the South Australian private health market will mean that there will not be a dramatic improvement in the hospital's performance in the short term. Both utilisation and advanced surgical case-mix have been lower than projected. However occupancy levels have been slowly increasing, currently standing at 50%.

Management is currently working on the following initiatives to improve the hospital's performance:

- The hospital was recently awarded a contract for accident and emergency services with the Department of Veterans' Affairs. In addition we will actively pursue the tender for all veteran surgical services upon its release later this year;
- Medical and specialty consulting suites are currently under construction and we are actively campaigning for occupancy;
- We are aggressively recruiting doctors and seeking to develop more profitable case-mix for the hospital;
- We are continuing to develop alliances with private health funds.

We are continuing to develop alliances with private health funds

Building strong relationships between the private and public sectors has resulted in better health care services.

New Developments

During the year, the Victorian Government selected Ramsay Health Care to build, own and operate the new privatised Mildura Base Hospital. This project involves the development of an existing public hospital facility with a 15-year contract with the Victorian Government. The project will be financed off-balance sheet.

The 153-bed Mildura Base Hospital is a purpose-built facility that will cater for the unique needs of the local community, including the needs of special groups such as women and children, people from non-English speaking backgrounds and Aboriginal people. The hospital has been

people of Sunraysia. Specialty and sub-specialty services will include medicine, surgery, obstetrics and gynaecology, ophthalmology, oncology and nephrology. The hospital will also offer a purpose-built accident and emergency department.

Ramsay Health Care was also selected as preferred proponent for the new privatised hospital development at Berwick. The project is currently under review with the Victorian Government.

During the year Ramsay Health Care also formed a 50:50 joint venture partnership with Mayne Nickless to bid for the contract to build, own and operate the new Austin & Repatriation Medical Centre in

A purpose built facility that will cater for the unique needs of the local community

designed to create a warm and pleasant environment for patients, visitors and staff while capturing the unique aspects of North West Victoria.

It is expected that Mildura will be commissioned in September 2000, when it will deliver a wide range of high quality health services to the

Heidelberg, Melbourne. Government tender documents for this project have been delayed until later in the year.

Given the current market conditions within private health care this project, together with the Princess Alexandra development in Brisbane, have been placed on hold.



relationships

board of directors

P J Ramsay

Chairman

Appointed 26/05/75

Mr Paul Ramsay, 63, has been involved in health care since 1964 when he developed and managed one of the first private psychiatric hospitals in Sydney. As Chairman of Ramsay Health Care, he has overseen the building of nine private hospitals and has developed Ramsay Health Care to its present strong position in Australian health care. He is also Chairman of Prime Television Limited, which is Australia's fourth largest television network, and Ramsay Youth Services Inc.

M S Siddle

Deputy Chairman

Appointed 26/05/75

Mr Siddle, 50, has been with Ramsay Health Care for 30 years and was Managing Director during the period from 1975 to 1988. He has been closely involved with the group's expansion through both construction and acquisition. He is also Deputy Chairman of Prime Television Limited.

M L Brislee

Non-Executive Director

Appointed 15/06/97

Mrs Marjorie Brislee, 75, 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.

A J Clark AM

Non-Executive Director

Appointed 06/10/98

Mr Tony Clark, 60, is a Chartered Accountant and was formerly Managing Partner of KPMG NSW. Currently he is Chairman of Maritime Industry Finance Company Limited, Deputy Chairman of Australian Tourist Commission, and a director of Telstra Corporation Limited and Amalgamated Holdings Limited

Group. In 1995 Mr Clark was awarded membership of the Order of Australia for services to Business, Commerce and Community.

P J Evans

Non-Executive Director

Appointed 25/06/90

Mr Peter Evans, 50, 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 Youth Services Inc, and is the Chairman of HOPE Health Care Limited.

I P S Grier

Managing Director

Appointed 25/06/97

Prior to entering the health care sector, Mr Pat Grier, 55, was Sales Manager for Reckitt and Colman and General Manager of Revlon. In 1984 he joined Hospital Corporation Australia, which was the largest private surgical hospital group in Australia. In 1988, Mr Grier joined Ramsay Health Care and has been Managing Director of the group's operating entities since 1994. He is a member for the Board of the Institute for International Health and is Chairman of the Australian Private Hospital Association.

R H McGeoch AM

Non-Executive Director

Appointed 03/07/97.

Mr Rod McGeoch, 53, is National Chairman of Partners of Corrs Chambers Westgarth, a leading Australian law firm. He was Chief Executive of Sydney's successful bid for the 2000 Olympic Games and served on the Sydney Organising Committee for the Olympic Games until November 1998. Currently he is Chairman of Australian Growth Properties Limited and FXF Management

Limited, and Deputy Chairman of Australia Pacific Airports. He is a director of AAPT Limited, Sports and Outdoor Media International PLC, and a member of the Australian Advisory Board of Morgan Stanley Dean Witter. Mr McGeoch also holds a number of honorary positions and in 1990 was awarded membership of the Order of Australia for services to Law and Community.

K C D Roxburgh

Non-Executive Director

Appointed 03/07/97

Mr Kerry Roxburgh, 57, worked for the investment banking arm of Hongkong Bank for 10 years where he held various positions including Executive Director, Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia. Until 1986 Mr Roxburgh was in practice for 20 years as a chartered accountant during which time he was Chairman of Partners in the Sydney practice of Mann Judd. He is Chief Executive Officer of ETRADE Australia Limited, Chairman of Heller Financial Services Limited and a director of Asian Express Airlines Pty Limited.

B R Soden

Finance Director

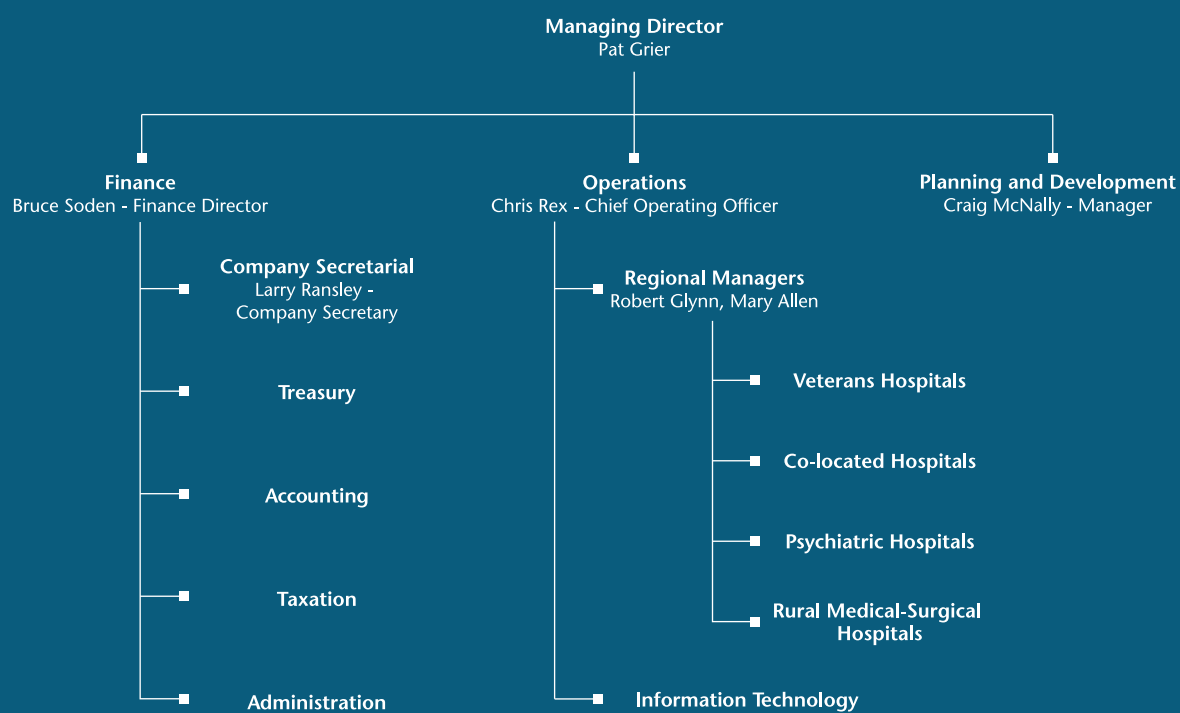
Appointed 02/01/97

Mr Bruce Soden, 45, joined Ramsay Health Care in 1987 after having spent 12 years with Arthur Andersen & Co in their Sydney, Milan and Johannesburg offices in the Financial Consulting Division. Mr Soden was appointed Finance Director of Ramsay Health Care's operating entities in 1994. Prior to this, he spent four years based in New Orleans as Senior Vice President and Director of Ramsay Health Care, Inc. a listed United States health care company.



Board of Directors (left to right): Tony Clark, 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 for the financial year. Unless otherwise stated, the practices set out below were in force throughout the 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:

- a) setting the strategic direction for the company;
- b) providing the leadership necessary to put strategic plans into effect;
- c) supervising the management of the company's business;
- d) identifying areas of significant business risk; and
- e) 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 throughout the year.

On an annual basis the Board has set aside time to review and consider with senior management the company's long term business strategies.

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' of the annual report.

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

The appointment and removal of directors are governed by the Company's Constitution. In short, at each annual general meeting, one third of directors (excluding the Managing Director) must offer themselves for re-election subject to the proviso that no director shall serve more than three years without being a candidate for re-election. 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

The following committees have been established to operate under terms of reference approved by the Board:

- Audit Committee;
- Remuneration Committee;
- Quality Improvement Committee;
- Sealing 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 (non-executive Chairman)
- Tony Clark (non-executive)
- Kerry Roxburgh (non-executive)
- Bruce Soden (executive Finance Director)

The Committee's responsibilities are to:

- a) oversee the reporting process and to provide an objective review of the financial information presented by management to the Board and for presentation to shareholders, regulatory authorities and the general public;
- b) oversee the existence and maintenance of internal controls and accounting systems;
- c) review the scope and effectiveness of the external audit;
- d) oversee and review the appointment, performance and remuneration of external auditors; and
- e) maintain lines of communication between the Board and the external auditors.

Remuneration Committee

Members of this Committee are:

Peter Evans (non-executive Chairman)
Rod McGeoch (non-executive)
Michael Siddle (non-executive)

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
(non-executive Chairman)
Pat Grier
(executive Managing Director)

In addition two senior executives have been seconded as members of this committee which assists the Board in its responsibility for ongoing quality improvement within the group. The committee oversees the accreditation process for all hospitals, including the review of clinical and infection control procedures. The committee also 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 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:

a) 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.

b) 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.

c) Planning and Development Committee

The role of the committee is to:

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

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

e) GST Steering Committee

This committee was established to co-ordinate and monitor the company's preparations for the introduction of the Goods and Services Tax regime.

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:

- a) comprehensive reporting, whereby detailed management and business performance reports are prepared for the Board on a monthly basis. At each meeting of the Board, directors receive and give consideration to reports from:

- the Managing Director;
 - the Finance Director;
 - operations and hospital management;
 - quality improvement; and
 - planning and development.
- b) review and approval of budgeted routine and capital expenditure;
 - c) the establishment of policies on limits of authority and the approval of expenditure;
 - d) oversight and review of the six-monthly external audits, via the Audit Committee;
 - e) oversight of treasury activities, via the Finance Committee;
 - f) oversight of professional and medical conduct, via the Quality Improvement Committee;
 - g) 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:

- a) Disclosure of conflicts of interest;
- b) Confidentiality;
- c) Trading in company shares by directors;
- d) Donations to political parties;
- e) Occupational health and safety;
- f) Equal employment opportunity.

Directors

Non Executive Directors:

Paul Ramsay (Chairman)

Michael Siddle (Deputy Chairman)

Marjorie Brislee

Tony Clark

Peter Evans

Rod McGeoch

Kerry Roxburgh

Executive Directors:

Pat Grier (Managing Director)

Bruce Soden (Finance Director)

Company Secretaries

Larry Ransley

Bruce Soden

Auditors

Ernst & Young

321 Kent Street

Sydney NSW 2000

Registered Office

9th Floor, 154 Pacific Highway

St Leonards NSW 2065

Email enquiry@ramsayhealth.com.au

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Share Registry

Computershare Registry Services Pty Limited

Level 3, 60 Carrington Street

Sydney NSW 2000

Mail Address GPO Box 7045

Sydney NSW 1115

Website www.cshare.com.au

financial statements

for the year ended 30 June 1999

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directors' report

Your directors submit their report for the year ended 30 June 1999.

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
M.L. Brislee – Non-Executive Director
A.J. Clark – Non-Executive Director (Appointed 6 October 1998)
P.J. Evans – 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	Ramsay Health Care Limited	
	Ordinary Shares	Options
P.J. Ramsay	65,270,320	–
M.S. Siddle	10,000	55,000
M.L. Brislee	10,000	55,000
A.J. Clark	25,000	110,000
P.J. Evans	5,000	55,000
I.P.S. Grier	4,600	400,000
R.H. McGeoch	10,000	110,000
K.C.D. Roxburgh	60,000	110,000
B.R. Soden	5,300	135,000

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 \$5,964,000 (1998 profit of \$13,961,000). The operating profit before tax and abnormal items was \$12,755,000 (1998: \$19,050,000).

Earnings per Share

Basic earnings per share	5.48 cents
Diluted earnings per share	5.48 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 @ 3.0 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

There were no significant changes to the Company's state of affairs during the period.

SHARE OPTIONS

At the date of this report, there were 2,910,000 unissued Ordinary Shares under share options issued to directors, executives and senior management. These options were issued on the following dates:

Date issued	Number of options	Expiry date
17 September 1997	2,537,500	Five years from date of issue, i.e. 17 September 2002
23 September 1997	155,000	Five years from date of issue, i.e. 23 September 2002
15 December 1998	217,500	Five years from date of issue, i.e. 15 December 2003

The options were issued under the following exercise conditions:

- The expiry date of the options is five years after the date of issue as shown above;
- None of the options can be exercised within two years of the issue date;
- 40% of the options issued are exercisable after the second anniversary date of the issue with a further 20% exercisable in the final three months of each of the subsequent three years;
- The options can not 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.

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 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 consolidated entity will continue to seek growth in health care operations and to seek further cost efficiencies so as to optimise the returns to shareholders from existing hospitals. Directors and management are continuing to pursue opportunities in areas which meet the aims of developing an integrated healthcare group, while maintaining appropriate returns, in a difficult healthcare economic environment.

INDEMNIFICATION AND INSURANCE

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' AND OTHER OFFICERS' EMOLUMENTS

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

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

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

The amount disclosed as Total Salary and Other Benefits includes the grossed up value of all fringe benefits, salary packaged amounts, and includes the increase or decrease during the year in accrued annual and long service leave entitlements.

	Annual emoluments	Long term emoluments
	Total salary and other benefits (excluding bonuses and superannuation) \$	Bonus \$
		Superannuation \$
P.J. Ramsay	75,000	–
M.S. Siddle	60,000	–
M.L. Brislee	60,000	–
A.J. Clark	44,318	–
P.J. Evans	60,000	–
I.P.S. Grier	463,006	50,000
R.H. McGeoch	60,000	–
K.C.D. Roxburgh	60,000	–
B.R. Soden	280,605	20,000

The only options issued to directors during the year were options issued over 110,000 Ordinary Shares issued to A.J. Clark.

Emoluments of the five most highly paid executive officers of the Company and the consolidated entity are:

	Annual emoluments	Long term emoluments
	Total salary and other benefits (excluding bonuses and superannuation) \$	Bonus \$
		Superannuation \$
C. Rex	255,397	25,000
R. Glynn	216,621	10,000
C. McNally	214,088	12,000
P. Doust	190,039	10,000
K. Cass-Ryall	161,945	15,000

There were no options issued during or since the year end to any of the five most highly paid executives.

directors' report continued

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:	12	9	6	3	9
Number of meetings attended:					
P.J. Ramsay	7	1			
M.S. Siddle	12	8		3	
M.L. Brislee	11	5			9
A.J. Clark *	8	–	3		
P.J. Evans	12	6	6	3	
I.P.S. Grier	12	9			6
R.H. McGeoch	11	2		3	
K.C.D. Roxburgh	10	1	6		
B.R. Soden	11	9	6		

* Appointed 6 October 1998 (the number of scheduled meetings held since Mr Clark's appointment on 6 October were: Director's – 8 and Audit Committee – 4)

COMMITTEES

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

Committee	Members
Audit Committee	Messrs Evans, Roxburgh, Clark, Soden
Remuneration Committee	Messrs Evans, McGeoch, Siddle
Quality Improvement Committee	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 and in the financial statements have been rounded off under the option available to the Company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

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.

A handwritten signature in dark ink, appearing to read 'B. R. Soden', is positioned above the printed name.

B. R. Soden
Director

Sydney, 24 September 1999

independent audit report



To the members of Ramsay Health Care Limited

Scope

We have audited the financial report of Ramsay Health Care Limited for the financial year ended 30 June 1999, as set out on pages 25 to 51, including the Directors' Declaration. The financial report includes the financial statements of Ramsay Health Care Limited, and the consolidated financial statements of the consolidated entity comprising the Company 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 report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 report is 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 consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

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

- (a) the Corporations Law including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 1999 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

A stylized, handwritten signature of the Ernst & Young firm, appearing as 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature of N. E. Wykes, appearing as 'Neil E. Wykes' in a cursive script.

N. E. Wykes
Partner

Sydney, 24 September 1999

directors' declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 1999 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



B. R. Soden
Director

Sydney, 24 September 1999

profit and loss statement

for the year ended 30 June 1999

	Notes	Consolidated		Ramsay Health Care Limited	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Total revenue	2	289,944	213,976	12,969	18,088
Operating profit before abnormal items and income tax	2	12,755	19,050	12,263	17,340
Profit/(loss) on abnormal items before income tax	3	(6,998)	–	–	–
Operating profit/(loss) after abnormal items before income tax		5,757	19,050	12,263	17,340
Income tax (expense)/benefit attributable to operating profit/(loss)	4	207	(5,089)	(4,371)	(2,826)
Operating profit/(loss) after income tax		5,964	13,961	7,892	14,514
Retained profits/(accumulated losses) at the beginning of the financial year		29,699	23,788	47,774	41,310
Total available for appropriation		35,663	37,749	55,666	55,824
Dividends paid and proposed	5	(8,050)	(8,050)	(8,050)	(8,050)
Retained profits at the end of the financial year		27,613	29,699	47,616	47,774

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

balance sheet

for the year ended 30 June 1999

			Consolidated		Ramsay Health Care Limited	
			1999	1998	1999	1998
	Notes		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS						
Cash			13,327	19,864	3,021	–
Receivables	6		33,433	22,322	12	–
Inventories	7		4,730	2,430	–	–
Total current assets			51,490	44,616	3,033	–
NON-CURRENT ASSETS						
Receivables	8		2,924	–	85,917	162,670
Investments	9		297	221	149,997	75,000
Property, plant and equipment	10		444,341	398,288	–	–
Other	11		22,380	15,077	22	–
Total non-current assets			469,942	413,586	235,936	237,670
Total assets			521,432	458,202	238,969	237,670
CURRENT LIABILITIES						
Accounts payable	12		35,006	32,931	33	1
Borrowings	13		13,574	7,987	–	–
Provisions	14		16,480	13,826	6,906	6,199
Total current liabilities			65,060	54,744	6,939	6,200
NON-CURRENT LIABILITIES						
Accounts payable	15		262	308	–	–
Borrowings	16		227,200	178,818	103,706	102,992
Provisions	17		25,433	18,769	4	–
Total non-current liabilities			252,895	197,895	103,710	102,992
Total liabilities			317,955	252,639	110,649	109,192
Net assets			203,477	205,563	128,320	128,478
SHAREHOLDERS' EQUITY						
Share capital	18		80,704	10,878	80,704	10,878
Reserves	19		95,160	164,986	–	69,826
Retained profits			27,613	29,699	47,616	47,774
Total shareholders' equity			203,477	205,563	128,320	128,478

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

statement of cash flows

for the year ended 30 June 1999

	Notes	Consolidated		Ramsay Health Care Limited	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		248,703	208,372	–	–
Payments to suppliers and employees		(221,354)	(164,255)	(675)	(424)
Income tax paid		(3,678)	(1,417)	(3,681)	(1,417)
Borrowing costs paid		(14,472)	(9,194)	–	(321)
Interest received		408	804	–	180
Net cash flows from/(used in) operating activities	20	9,607	34,310	(4,356)	(1,982)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash paid for purchases of property, plant and equipment		(88,694)	(91,072)	–	–
Loan to associated entity		(2,897)	–	–	–
Repaid loan to subsidiary		–	–	74,997	–
Cash paid for investments		(76)	–	(74,997)	(65,000)
Cash proceeds from sale of property, plant and equipment		29,695	158	–	–
Net cash flows used in investing activities		(61,972)	(90,914)	–	(65,000)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		–	80,437	–	80,437
Issue costs paid		–	(6,259)	–	(6,259)
Dividends paid		(8,050)	(3,263)	(8,050)	(3,263)
Finance lease repayments		(37)	(12)	–	–
Borrowings – receipts other		78,783	71,310	15,427	28,597
Borrowings – repayment other		(24,868)	(47,758)	–	–
Repayment of indebtedness to Paul Ramsay Holdings Pty Ltd		–	(32,847)	–	(32,847)
Net cash flows from financing activities		45,828	61,608	7,377	66,665
Net increase/(decrease) in cash held		(6,537)	5,004	3,021	(317)
Add opening cash brought forward		19,864	14,860	–	317
Closing cash carried forward	20	13,327	19,864	3,021	–

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

notes to the financial statements

for the year ended 30 June 1999

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 consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

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

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

(c) Investments

Investments are valued at the lower of cost and recoverable amount. Dividends, distributions, 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 assets. Costs related to development projects are capitalised from the time the Company becomes the successful tenderer.

notes to the financial statements continued

for the year ended 30 June 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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:

- | | |
|---|--|
| • 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.

(i) Revenue Recognition

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

PATIENT REVENUE

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

INTEREST

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

DIVIDENDS

Dividends are recognised when received.

	Consolidated		Ramsay Health Care Limited	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
2. OPERATING PROFIT				
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	38	44	–	–
– Capitalised leased assets	41	46	–	–
– Project development costs	92	94	–	–
	171	184	–	–
Depreciation of non-current assets:				
– Plant and equipment	10,783	7,231	–	–
– Buildings	3,986	2,718	–	–
	14,769	9,949	–	–
Bad and doubtful debts:				
– Trade debtors	246	334	–	–
	246	334	–	–
Borrowing costs:				
– Interest expense				
Non-controlled related parties	–	321	–	321
Other persons/corporations	14,418	8,772	–	–
– Finance charges – lease liability	1	17	–	–
– Other borrowing costs				
Other persons/corporations	61	11	–	–
	14,480	9,121	–	321
Net (profit)/loss on disposal of property, plant and equipment	(392)	115	–	–
Rental – operating leases	877	845	–	–
Net foreign currency (gains)/losses	(7)	57	–	–
Provision for employee entitlements	10,884	9,070	–	–
Superannuation contributions	7,681	5,634	–	–
Borrowing costs capitalised	80	840	–	–

notes to the financial statements continued

for the year ended 30 June 1999

	Consolidated		Ramsay Health Care Limited	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
2. OPERATING PROFIT <small>continued</small>				
Included in the operating profit before abnormal items and income tax are the following items of operating revenue:				
Sales revenue	249,676	203,620	–	–
Other operating revenue				
– Management fees				
Director related entities	2	699	–	–
Controlled entities (fully owned)	–	–	475	336
Other persons/corporations	176	330	–	–
– Rental income				
Other persons/corporations	4,851	3,723	–	–
Director and director related entities	110	120	–	–
– Guarantee fee				
Controlled entities (fully owned)	–	–	2,500	2,500
– Bad debts recovered	38	17	–	–
– Income from ancillary services	4,988	4,505	–	–
Total operating revenue	259,841	213,014	2,975	2,836
– Interest				
Other related parties				
Controlled entities (fully owned)	–	–	9,994	15,252
Other persons/corporations	408	804	–	–
Total interest income	408	804	9,994	15,252
– Proceeds on sale of non-current assets	29,695	158	–	–
Total revenue	289,944	213,976	12,969	18,088

	Consolidated		Ramsay Health Care Limited	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
3. ABNORMAL ITEMS				
Profit on sale of non-hospital asset	2,502	–	–	–
Applicable income tax	46	–	–	–
	2,548	–	–	–
Commissioning costs of North Shore Private Hospital and Flinders Private Hospital	(7,870)	–	–	–
Applicable income tax	2,833	–	–	–
	(5,037)	–	–	–
Write-off of discontinued projects	(1,630)	–	–	–
Applicable income tax	101	–	–	–
	(1,529)	–	–	–
Total profit/(loss) on abnormal items before income tax	(6,998)	–	–	–
4. INCOME TAX EXPENSE				
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	5,757	19,050	12,263	17,340
Prima facie tax payable/(tax benefit) on operating profit at 36%	2,073	6,858	4,415	6,242
Tax effect of permanent differences:				
– Allowable deductions	(1,386)	(1,166)	5	3
– Tax effect of prior year timing differences and tax losses brought to account	(894)	(635)	–	–
Tax losses transferred for nil consideration	–	–	(49)	(3,419)
Overseas and withholding tax paid	–	32	–	–
Income tax expense/(benefit) attributable to operating profit	(207)	5,089	4,371	2,826
The directors estimate that the potential future income tax benefit in respect of income tax losses not brought to account is	3,892	4,201	–	–

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.

notes to the financial statements continued

for the year ended 30 June 1999

	Consolidated		Ramsay Health Care Limited	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
5. DIVIDENDS PAID AND PROPOSED				
Dividends proposed				
– Franked dividends – ordinary (80% franked)	3,829	3,829	3,829	3,829
– Unfranked dividends – ordinary	957	957	957	957
	4,786	4,786	4,786	4,786
Dividend paid during the year				
– Franked dividends – ordinary (80% franked)	2,611	2,611	2,611	2,611
– Unfranked dividends – ordinary	653	653	653	653
	3,264	3,264	3,264	3,264
	8,050	8,050	8,050	8,050
The tax rate at which dividends have or will be franked is 36% (1998: 36%)				
The amount of franking credits available for the subsequent financial year are:				
– Franking account balance as at the end of the financial year	(124)	(98)	(124)	(98)
– Franking credits that will arise from the payment of income tax during the next financial year	3,953	6,612	3,953	6,612
– Franking debits that will arise from the payment of dividends as at the end of the financial year	(3,829)	(3,829)	(3,829)	(3,829)
	–	2,685	–	2,685
6. RECEIVABLES (CURRENT)				
Trade debtors	27,051	16,726	–	–
Less: Provision for doubtful debts	(443)	(436)	–	–
	26,608	16,290	–	–
Other debtors and prepayments	7,517	6,470	12	–
Less: Provision for doubtful debts	(705)	(477)	–	–
	6,812	5,993	12	–
Loan to other related party	13	39	–	–
	13	39	–	–
	33,433	22,322	12	–

	Consolidated		Ramsay Health Care Limited	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
6. RECEIVABLES (CURRENT) continued				
Movement in provision for doubtful debts				
– Balance at beginning of year	(913)	(738)	–	–
– Bad debts previously provided for written-off during the year	11	159	–	–
– Bad and doubtful debts provided for during the year	(246)	(334)	–	–
– balance at end of year	(1,148)	(913)	–	–

TERMS AND CONDITIONS:

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

Amounts receivable from related entities are carried at nominal amounts due. Details of the terms and conditions are set out in note 30.

CONCENTRATION OF CREDIT RISK:

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

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

	Consolidated maximum credit risk exposure			
	Percentage of total trade debtors (%)		\$'000	
	1999	1998	1999	1998
Health Funds	56	57	14,959	9,336
Government	33	38	8,685	6,180
Other	11	5	2,964	774
	100	100	26,608	16,290

notes to the financial statements continued

for the year ended 30 June 1999

Notes	Consolidated		Ramsay Health Care Limited	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
7. INVENTORIES				
Amount of medical and food supplies to be consumed in providing future patient services – at the lower of cost and net realisable value	4,730	2,430	–	–
8. RECEIVABLES (NON-CURRENT)				
Amounts receivable from associated entities	2,924	–	–	–
Amounts receivable from controlled entities	–	–	85,917	162,670
	2,924	–	85,917	162,670
9. INVESTMENTS				
Non-current investments, at cost, comprise:				
Ordinary shares				
– Listed on a prescribed stock exchange	6	6	–	–
– Other	106	30	–	–
	112	36	–	–
Units in unit trust				
– Listed on a prescribed stock exchange	120	120	–	–
Unsecured notes – unlisted	65	65	–	–
	185	185	–	–
	297	221	–	–
Investment in controlled entities				
– Unlisted shares and units 9(a)	–	–	149,997	75,000
	297	221	149,997	75,000

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.

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		1999	1998	1999	1998
		%	%	\$'000	\$'000
9. INVESTMENTS continued					
9(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	100	*	*
RHC Developments Pty Limited	Australia	100	100	139,997	65,000
And its controlled entities:					
Health Care Development Unit Trust	—	100	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	100		
RHC Australia #	Republic of Mauritius	100	100		
RHC Diagnostics #	Republic of Mauritius	100	100		
Ramsay Hospital Holdings Pty Limited	Australia	100	100	*	*
Ramsay Hospital Holdings (Queensland) Pty Limited	Australia	100	100	*	*
Mildura Base Hospital Pty Ltd ##	Australia	100	—		
Ramsay Health Care Australia Pty Limited	Australia	100	100		
And its controlled entities:					
Ramsay Professional Services Pty Limited	Australia	100	100		
Phiroan Pty Limited	Australia	100	100		
New Farm Hospitals Pty Limited	Australia	100	100		
Ramsay Health Care (Victoria) Pty Limited	Australia	100	100		
Adelaide Clinic Holdings Pty Limited	Australia	100	100		
Balance carried forward				149,997	75,000

* Denotes \$2

Audited by other member firms of Ernst & Young International

At 30 June 1999 the Group owned 100% of the issued capital being \$100 with the intention of selling 50% or more of the capital to third parties in the next financial year. Consequently this investment has been treated as an equity investment, as the Group's control of the Company is only temporary. The equity treatment is not materially different to treating this investment as a controlled entity.

notes to the financial statements continued

for the year ended 30 June 1999

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		1999 %	1998 %	1999 \$'000	1998 \$'000
9. INVESTMENTS continued					
9(a) Investments in controlled entities continued					
Balance brought forward				149,997	75,000
Ramsay Health Care Australia Pty Limited					
And its controlled entities (continued):					
Ramsay Health Care (South Australia) Pty Limited	Australia	100	100		
North Shore Private Hospital Pty Limited	Australia	100	100		
Ramsay Health Care (Princess Alexandra) Pty Limited	Australia	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		
				149,997	75,000

* Denotes \$2

Audited by other member firms of Ernst & Young International

At 30 June 1999 the Group owned 100% of the issued capital being \$100 with the intention of selling 50% or more of the capital to third parties in the next financial year. Consequently this investment has been treated as an equity investment, as the Group's control of the Company is only temporary. The equity treatment is not materially different to treating this investment as a controlled entity.

	Consolidated		Ramsay Health Care Limited	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
10. PROPERTY, PLANT AND EQUIPMENT				
Licensed private hospitals				
– At directors' valuation 30 June 1999	364,417	253,801	–	–
Building construction in progress – at cost	7,521	107,801	–	–
Leasehold improvements at cost	7,346	1,013	–	–
Less: accumulated amortisation	(279)	(109)	–	–
	7,067	904	–	–
Total land and buildings	379,005	362,506	–	–
Plant and equipment				
Plant and equipment – at cost	102,912	63,634	–	–
Less: accumulated depreciation	(37,633)	(27,960)	–	–
	65,279	35,674	–	–
Plant and equipment under lease	114	136	–	–
Less: accumulated amortisation	(57)	(28)	–	–
	57	108	–	–
Total plant and equipment	65,336	35,782	–	–
Total property, plant and equipment	444,341	398,288	–	–

At 30 June 1999 the directors reviewed the carrying value of licensed private hospitals and prepared a valuation based on a similar methodology as the 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'.

The directors' valuation undertaken at 30 June 1999 has not resulted in any net increase or decrease to the carrying value of non-current assets.

11. OTHER NON-CURRENT ASSETS				
Capitalised costs	1,323	2,521	–	–
Less: accumulated amortisation	(416)	(14)	–	–
	907	2,507	–	–
Future income tax benefit	21,473	12,570	22	–
	22,380	15,077	22	–

notes to the financial statements continued

for the year ended 30 June 1999

	Notes	Consolidated		Ramsay Health Care Limited	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
12. ACCOUNTS PAYABLE (CURRENT)					
Unsecured liabilities					
– Accounts payable		14,987	9,476	33	–
– Sundry creditors and accrued expenses		17,899	21,257	–	1
		32,886	30,733	33	1
Secured liabilities					
– Lease liability – finance lease	29	4	28	–	–
– Loan – insurance funding	29	2,116	2,170	–	–
		2,120	2,198	–	–
		35,006	32,931	33	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.					
13. BORROWINGS (CURRENT)					
Secured					
– Bank loans	29	13,153	7,987	–	–
– Other loans		421	–	–	–
		13,574	7,987	–	–
14. PROVISIONS (CURRENT)					
Dividends payable		4,786	4,786	4,786	4,786
Taxation		2,171	1,461	2,120	1,413
Employee entitlements		9,174	7,579	–	–
Other		349	–	–	–
		16,480	13,826	6,906	6,199

Dividends payable: dividends payable are recognised when recommended by the directors. Dividends payable represent a final dividend of 4.4 cents per ordinary share for the financial year ended 30 June 1999. 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.

	Notes	Consolidated		Ramsay Health Care Limited	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
15. ACCOUNTS PAYABLE (NON-CURRENT)					
Unsecured					
– Accrued expenses		196	228	–	–
Secured					
– Lease liability – finance lease	29	66	80	–	–
		262	308	–	–
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.					
16. BORROWINGS (NON-CURRENT)					
Unsecured					
– Other loans – related party		–	–	103,706	102,992
Secured liabilities					
– Bank loans	29	221,819	178,818	–	–
– Other loans		5,381	–	–	–
		227,200	178,818	103,706	102,992
17. PROVISIONS (NON-CURRENT)					
Employee entitlements		4,529	3,986	–	–
Other		1,813	–	–	–
Deferred income tax liability		19,091	14,783	4	–
		25,433	18,769	4	–
18. SHARE CAPITAL					
Issued and paid up capital					
108,783,866 ordinary shares fully paid (1998: 108,783,866 ordinary shares fully paid)		80,704	10,878	80,704	10,878
Amount of former share premium reserve included in share capital		69,826	–	69,826	–

notes to the financial statements continued

for the year ended 30 June 1999

18. SHARE CAPITAL continued

Share Options:

At the end of the year there were 2,910,000 unissued ordinary shares in respect of share options issued to directors, executives and senior management. These options were issued on the following dates for no consideration:

Date issued	Number of options	Expiry date
17 September 1997	2,537,500	Five years from date of issue, i.e. 17 September 2002
23 September 1997	155,000	Five years from date of issue, i.e. 23 September 2002
15 December 1998	217,500	Five years from date of issue, i.e. 15 December 2003

The options were issued under the following exercise conditions:

- The expiry date of the options is five years after the date of issue as shown above;
- None of the options can be exercised within two years of the issue date;
- 40% of the options issued are exercisable after the second anniversary date of the issue with a further 20% exercisable in the final three months of each of the subsequent three years;
- The options can not 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.

	Consolidated		Ramsay Health Care Limited	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
19. RESERVES				
Share premium	–	69,826	–	69,826
Assets revaluation	95,160	95,160	–	–
	95,160	164,986	–	69,826
Movements in reserves				
Share premium reserve				
Balance at beginning of year	69,826	–	69,826	–
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)
Transfer of balance as at 1 July 1998 to the Share Capital Account to reflect the abolition of the concepts of par value and share premium	(69,826)	–	(69,826)	–
Balance at end of year	–	69,826	–	69,826
Asset revaluation reserve				
Balance at beginning of year	95,160	95,160	–	–
Revaluation increments/(decrements) on revaluation of:				
– Licensed hospitals, land and buildings	–	–	–	–
Balance at end of year	95,160	95,160	–	–

	Consolidated		Ramsay Health Care Limited	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
20. STATEMENT OF CASH FLOWS				
(a) Reconciliation of the operating profit after tax to the net cash flows from operations				
Operating profit/(loss) after tax	5,964	13,961	7,892	14,514
Interest received (related entity)	–	–	(9,994)	(17,909)
Amortisation and depreciation	14,939	10,133	–	–
(Profit)/loss on sale of non-current assets	(392)	115	–	–
Foreign exchange loss (net)	–	57	–	–
Changes in assets and liabilities				
Future income tax benefit	(8,904)	(12,570)	(22)	–
Receivables	(11,138)	(4,642)	(12)	–
Other assets	–	647	–	–
Receivable – related companies	–	–	(2,963)	–
Creditors	4,282	8,892	32	–
Deferred income tax	4,309	14,783	4	–
Provision for employee entitlements	2,138	2,226	–	–
Inventory	(2,301)	(389)	–	–
Tax provisions	710	1,461	707	1,413
Loan – related companies	–	(305)	–	–
Other liabilities	–	(59)	–	–
Net cash flow from/(used in) operating activities	9,607	34,310	(4,356)	(1,982)
(b) Reconciliation of cash				
Cash balances comprise:				
Cash on hand	18	15	–	–
Cash at bank and on deposit	13,309	19,849	3,021	–
Closing cash balance	13,327	19,864	3,021	–

(c) Bank facilities

The economic entity has bank borrowing facilities available to the extent of \$248,286,534 (1998: \$239,509,975). At 30 June 1999 these facilities have been drawn down to \$234,972,049 (1998: \$186,805,000). In addition, a further \$3,000,000 of bank guarantees have been issued under these facilities.

(d) Non-cash financing and investing activities

During the financial year the economic entity acquired plant and equipment with an aggregate fair value of \$Nil (1998: \$75,000) by means of a finance lease.

(e) Acquisition of subsidiary

During the year the holding company subscribed for 74,997,134 \$1 shares in a wholly owned subsidiary. This subsidiary on-lent the money to entities within the Group.

(f) Restricted cash balances

Of the amount of \$13,309,000 shown as cash at bank and on deposit, the amount of \$8,084,817 is held in restricted accounts.

notes to the financial statements continued

for the year ended 30 June 1999

	Consolidated		Ramsay Health Care Limited	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
21. CAPITAL AND LEASING COMMITMENTS				
(a) Finance lease commitments payable:				
– Not later than one year	54	32	–	–
– Later than one year but not later than two years	19	62	–	–
– Later than two years but not later than five years	–	22	–	–
Minimum lease payments	73	116	–	–
Less: future finance charges	(3)	(8)	–	–
Total lease liability	70	108	–	–
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 two years. The average discount rate implicit in the leases is 8.5%. The security over finance leases is disclosed in note 29.				
(b) Operating lease commitments payable:				
– Not later than one year	1,997	542	–	–
– Later than one year but not later than two years	1,929	477	–	–
– Later than two years but less than five years	5,069	962	–	–
– More than five years	3,581	–	–	–
	12,576	1,981	–	–
(c) Capital expenditure commitments:				
Capital expenditure commitments contracted for on private hospitals	13,033	90,852	–	–

(d) Funding commitment:

The consolidated entity has an obligation to provide the funds for any variations and overruns above the fixed price contract for a hospital currently being constructed by Mildura Base Hospital Pty Ltd.

22. SEGMENTAL INFORMATION

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

23. 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 are equivalent to accumulated contributions and earnings. All death and disability benefits are insured with various life assurance companies. The entity contributes to the funds at various agreed contribution levels, which are not less than the statutory minimum.

24. 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.

Ramsay Health Care Limited and certain of its controlled entities have provided a guarantee in respect of letters of credit provided to a third party totalling \$2,000,000 at 30 June 1999.

25. SUBSEQUENT EVENT

During the year the Victorian State Government selected Ramsay Health Care as preferred proponent for the development of the new privatised Berwick Community Hospital. This project was nearing the final stages of protracted negotiations with the State when, as a consequence of the September 1999 State elections, negotiations were put on hold. Total commitments made in relation to the project at the time of this report are estimated at \$2,500,000. Given the uncertainty now surrounding the State elections and the possibility of a change in Government policy the future of the project and the recoverability of costs incurred in relation to the project may be in doubt, though the Company would vigorously seek full recovery from the State.

	Consolidated		Ramsay Health Care Limited	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
26. REMUNERATION OF DIRECTORS				
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	1,272	941		
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			1,272	941

The number of directors of Ramsay Health Care Limited whose income (including superannuation contributions) falls within the following bands is:

	1999	1998	1999	1998
\$ 40,000 – \$ 49,999	1	3	1	3
\$ 50,000 – \$ 59,999	–	1	–	1
\$ 60,000 – \$ 69,999	5	2	5	2
\$ 80,000 – \$ 89,999	1	–	1	–
\$250,000 – \$259,999	–	1	–	1
\$300,000 – \$309,999	1	–	1	–
\$370,000 – \$379,999	–	1	–	1
\$510,000 – \$519,999	1	–	1	–

notes to the financial statements continued

for the year ended 30 June 1999

	Consolidated		Ramsay Health Care Limited	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
27. REMUNERATION OF EXECUTIVES				
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	4,750	3,691		
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			827	610
The number of executives of the economic entity and the Company whose remuneration falls within the following band is:	1999	1998	1999	1998
\$100,000 – \$109,999	3	3	–	–
\$110,000 – \$119,999	6	3	–	–
\$120,000 – \$129,999	2	3	–	–
\$130,000 – \$139,999	2	2	–	–
\$140,000 – \$149,999	4	2	–	–
\$150,000 – \$159,999	2	4	–	–
\$170,000 – \$179,999	1	–	–	–
\$180,000 – \$189,999	2	–	–	–
\$190,000 – \$199,999	–	1	–	–
\$200,000 – \$209,999	1	1	–	–
\$210,000 – \$219,999	–	1	–	–
\$230,000 – \$239,999	2	–	–	–
\$250,000 – \$259,999	–	1	–	1
\$260,000 – \$269,999	–	1	–	–
\$280,000 – \$289,999	1	–	–	–
\$300,000 – \$309,999	1	–	1	–
\$370,000 – \$379,999	–	1	–	1
\$510,000 – \$519,999	1	–	1	–

	Consolidated		Ramsay Health Care Limited	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
28. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors for:				
– Auditing the accounts	285	272	–	–
– Other services	295	607	–	–
	580	879	–	–
Amounts included above received or due and receivable by auditors other than the chief entity auditors for:				
– Auditing the accounts	–	3	–	–

29. BORROWINGS

(a) Accounting policies:

(i) Bank overdrafts:

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

(ii) Bank loans:

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

(b) Terms and conditions:

(i) Bank overdrafts:

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 24.

(ii) Bank loans:

\$113,286,534 of bank loans at 30 June 1999 are amortising and will be repaid over the period July 1999 to January 2010; \$81,685,515 is repayable September 2002; \$20,000,000 is renewable annually up until September 2002; and \$20,000,000 is repayable January 2010. The effective rate of interest on these borrowings is 9.12%.

notes to the financial statements continued

for the year ended 30 June 1999

29. BORROWINGS continued

(c) Securities:

(i) Lease liability – finance lease:

The lease liability is secured by a charge over the leased plant and equipment of Ramsay Health Care Australia Pty Limited and controlled entities.

(ii) Secured bank loans:

Loans of \$44,056,841 (1998: \$44,550,102) 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 \$42,601,439 (1998: \$46,759,873) 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 \$46,628,254 (1998: \$37,294,783) 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.

Loans of \$101,685,515 (1998: \$58,199,994) are secured by way of a fixed and floating charge (debenture trust deed) given by a wholly owned subsidiary, North Shore Private Hospital Pty Limited, and a Group guarantee and indemnity.

(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 1999 were:

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

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

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

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	Ordinary shares		Options	
	1999	1998	1999	1998
P.J. Ramsay	65,270,320	65,270,320	–	–
M.S. Siddle	10,000	–	55,000	55,000
M.L. Brislee	10,000	10,000	55,000	55,000
A.J. Clark	25,000	–	110,000	–
P.J. Evans	5,000	5,000	55,000	55,000
I.P.S. Grier	4,600	4,600	400,000	400,000
R.H. McGeoch	10,000	10,000	110,000	110,000
K.C.D. Roxburgh	60,000	60,000	110,000	110,000
B.R. Soden	5,300	5,300	135,000	135,000

The terms and exercise conditions of these options are as disclosed in note 18.

Mr Ramsay has a relevant interest in 65,270,320 shares held by Paul Ramsay Holdings Pty Limited and is a director of that company. Mr Siddle, Mrs Brislee, Mr Clark and Mr Evans are also directors of Paul Ramsay Holdings Pty Limited.

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 \$340,264 (1998: \$596,200).

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

Paul Ramsay Holdings Pty Limited has a licence from the economic entity to occupy office space at a commercial arms length licence fee. In addition, any expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited is charged at cost recovery plus a 5% margin. Total amount outstanding at 30 June 1999 is \$13,227.

Transactions with related parties in wholly owned Group

	1999 \$'000	1998 \$'000
Loans from subsidiaries		
– Interest free	103,706	102,992
Loans to subsidiaries		
– Interest bearing	75,094	151,847
– Interest free	10,823	10,823
	85,917	162,670

Interest is charged at commercial rates.

notes to the financial statements continued

for the year ended 30 June 1999

	1999	1998
31. EARNINGS PER SHARE		
(a) Basic earnings per share (cents per share)	5.48	14.15
(b) Diluted earnings per share (cents per share)	5.48	13.99
(c) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	108,783,366	98,650,574

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
		1 year or less	Over 1 year to 5 years	More than 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	%
(i) Financial assets:						
Cash at bank and on deposit						
– 1999	13,309				13,309	4.51
– 1998	19,849				19,849	4.60
Total financial assets						
– 1999	13,309				13,309	
– 1998	19,849				19,849	
(ii) Financial liabilities						
Bank loans						
– 1999	14,235	9,818	147,727	63,192	234,972	9.12
– 1998	19,107	9,558	88,654	69,486	186,805	9.95
Other loans						
– 1999	–	421	1,683	3,698	5,802	1.2
– 1998	–	–	–	–	–	–
Finance lease liability						
– 1999		52	18	–	70	8.50
– 1998		31	60	17	108	8.50
Total financial liabilities						
– 1999	14,235	10,291	149,428	66,890	240,844	
– 1998	19,107	9,589	88,714	69,503	186,913	

(b) Net fair values:

There is no difference between the aggregate net fair values of financial assets and financial liabilities and the value recognised in the balance sheet at 30 June 1999.

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 the 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 the 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 1999

SHAREHOLDER INFORMATION

The following additional information required by the Australian Stock Exchange Ltd, was applicable as at 31 August 1999:

(a) Distribution of Shareholders

Size of holding	Number of shareholders	Ordinary shares	% of issued capital
1 – 1,000	332	291,964	0.27
1,001 – 5,000	1,315	4,249,513	3.91
5,001 – 10,000	512	4,017,736	3.69
10,001 – 100,000	295	6,805,772	6.26
100,001 and over	34	93,418,881	85.87
Totals	2,488	108,783,866	100.00

(b) The number of shareholdings held in less than marketable parcels is 51.

(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. National Nominees Limited	3,817,193	3.51
3. Chase Manhattan Nominees	3,565,691	3.28
4. Zurich Australia Limited	2,537,829	2.33
5. Westpac Custodian Nominees Limited	2,232,445	2.05
6. Mercantile Mutual Life Insurance Company Limited	2,096,570	1.93
7. BT Custodial Services Pty Limited	2,035,600	1.87
8. Queensland Investment Corporation	1,802,418	1.66
9. Permanent Trustee Company Limited	1,532,735	1.41
10. IOOF Australia Trustees (NSW) Ltd	1,480,909	1.36
11. GIO Personal Investment Services Ltd	1,337,600	1.23
12. Questor Financial Services Ltd	936,760	0.86
13. Perpetual Trustees Nominees Limited	592,247	0.54
14. Travelon Insurances (Agencies) Pty Limited	500,000	0.46
15. AMP Life Limited	420,229	0.39
16. IOOF Investment Management Limited	361,300	0.33
17. Capital Concerns Pty Limited	337,306	0.31
18. Robhar Pty Limited	300,000	0.28
19. Victorian Superannuation Board	276,000	0.25
20. Perpetual Nominees Limited	230,000	0.21
Totals	91,663,152	84.26

(d) Substantial shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 31 August 1999 are:

Shareholder	Number of fully paid ordinary shares
Paul Ramsay Holdings Pty Limited	65,270,320

(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.

hospital directory

Adelaide

The Adelaide Clinic

33-36 Park Terrace
Gilberton South Australia 5081

Kahlyn Private Hospital

40 Briant Road
Magill South Australia 5072

Fullarton Private Hospital

293-295 Fullarton Road
Parkside South Australia 5063

Flinders Private Hospital

Off Flinders Drive
Bedford Park South Australia 5042

Perth

Hollywood Private Hospital

Monash Avenue
Nedlands Western Australia 6009

Rural New South Wales

Albury Wodonga Private Hospital

1125 Pemberton Street
West Albury New South Wales 2640

Baringa Private Hospital

Mackays Road
Coffs Harbour New South Wales 2450

Tamara Private Hospital

2-6 Dean Street
Tamworth New South Wales 2340

Brisbane

Greenslopes Private Hospital

Newdegate Street
Greenslopes Queensland 4120

New Farm Clinic

22 Sargent Street
New Farm Queensland 4004

Sydney

North Shore Private Hospital

Westbourne Street
St Leonards New South Wales 2065

Northside Clinic

2 Greenwich Road
Greenwich New South Wales 2065

Evesham Clinic

1-3 Harrison Street
Cremorne New South Wales 2090

Melbourne

Albert Road Clinic

31 Albert Road
Melbourne Victoria 3004

Rural Victoria

Mildura Base Hospital

(under construction)

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RAMSAY
HEALTH CARE