

annual report 2000



RAMSAY
HEALTH CARE

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Ramsay Health Care Limited

ABN 57 001 288 768

The Annual General Meeting of Ramsay Health Care Limited will be held at Gloucester Room, Quay West Sydney, 98 Gloucester Street, The Rocks, Sydney New South Wales 2000 on Tuesday 21 November 2000 at 2.30 pm.

A digital copy of the Ramsay Annual Report can be downloaded from:
www.ramsayhealth.com.au

Operational highlights

- o Focus on improving profitability through cost containment, increased productivity and developing new businesses within existing hospitals.
- o Following a reassessment of strategic directions the Company discontinued a number of development projects including the Berwick Community Hospital privatisation, the Princess Alexandra collocation and the Austin Repatriation privatisation project.
- o Occupancy rates and revenue per patient bed day at collocated hospitals continued to grow.
- o Development of new Mildura Base Hospital completed and commissioned on 19 September 2000.

Financial highlights

	Year ended 30 June 2000 (\$ million)	Year ended 30 June 1999 (\$ million)
Operating revenue	328.2	259.8
EBIT	30.8	26.8
Net Profit before abnormal Items and income tax	9.9	12.8
Net profit after tax and abnormals	6.6	6.0
	(cents/share)	(cents/share)
Earnings per share	6.1¢	5.5¢
Dividends per share	7.4¢	7.4¢



Paul Ramsay

In just over a year the private health care environment has changed for the better. The success of the Federal Government's campaign to increase the number of Australians with private health insurance through Lifetime Health Cover and the 30% Rebate Scheme, has vastly improved the outlook for the private hospital industry. While the health care environment remains challenging, we believe that the future is looking much brighter and I congratulate the Howard Government for its commitment to reforming the health industry through these initiatives. As one of the largest and most respected private hospital operators in Australia, Ramsay Health Care is well positioned to capitalise on the market expansion resulting from the increased private health insurance membership.

Our established veteran, psychiatric and rural medical-surgical hospitals all experienced outstanding financial results in the last year posting a 14% increase in revenue and a 11% increase in operating profit after income tax. In the past year we absorbed the full depreciation and interest associated with our recent investments in the collocated hospitals; Flinders Private and North Shore Private. North Shore Private Hospital is expected to produce much improved profitability in the next 12 months, based on continuing strong demand, high occupancy and evidence of the more responsible health fund willingness to negotiate with better providers. Growth at Flinders Private Hospital is slower than expected and management has continued to focus on remedying this situation. In this regard, we have recently entertained negotiations for the sale of the Hospital.

On the basis of the Company's improving performance and an anticipated recovery within the private health care sector, the Directors declared a final dividend for the year of 4.4 cents per share, unfranked, which will be paid on 31 October 2000. Together with the interim dividend already paid, this brings the total dividend paid to shareholders to 7.4 cents per share for the year, unfranked.

Greenslopes and Hollywood Private Hospitals continue their tradition of serving the Veteran community. We are proud of our tradition of provision of high quality health care to Veterans and, over the past year, both hospitals have continued to substantially enhance their services and facilities for the benefit of the Veteran and War Widow community. In 1999 these Hospitals were recognised by the Australian Private Hospital Association for quality health care delivery with Greenslopes awarded Hospital of Excellence (over 70 bed category) and the Palliative Care team at Hollywood awarded the Team Award for Service Excellence.

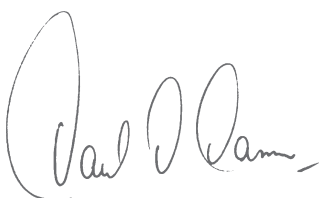
I am delighted that Ramsay Health Care has not only met but exceeded my personal undertakings to the Veteran community and the Department of Veterans' Affairs given at the time privatisation.

We are excited by our new venture in Mildura where for the first time, we will operate a public hospital under a 15 year service contract with the Victorian Government. This Hospital will provide a wide range of services to the people of the Sunraysia District. Mildura Base Hospital is budgeted to break-even in the first 12 months after commissioning and Ramsay Health Care is working closely with the Victorian Government to ensure its success. Ramsay Health Care has also signed a management agreement to manage the private hospital in Mildura.

We have been fortunate to have at the helm of Ramsay Health Care experienced management who, despite lower performances in the private health industry over the last few years, have been able to maintain better than average performances from our hospitals. The Company's strategy has focused on consolidation of new developments and growing the business of existing hospitals. Greater efficiencies have been achieved through aggressive cost containment and this year's results reflect the success of the Company's tight focus on improving profitability.

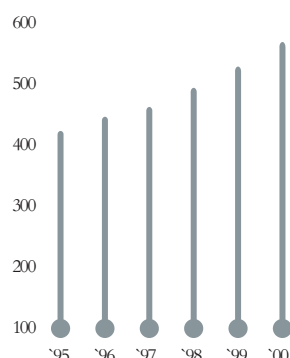
Supporting our excellent management team is the staff of Ramsay Health Care dispersed through all of our hospitals and other health care facilities. In the true "Ramsay Way", our staff have been admirable in their pursuit of quality health care for patients.

On the back of improved private health insurance levels and an improved outlook for our collocated hospitals, the Ramsay Health Care Board looks forward to significant increases in profitability in the coming year.

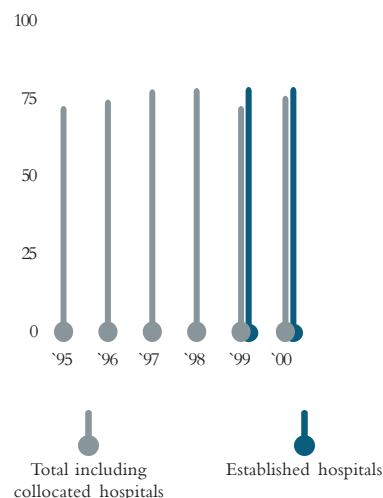


Paul Ramsay, Chairman

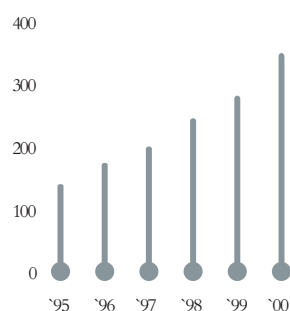
Net patient revenue per patient day (\$)



Inpatient occupancy (%)



Operating revenue (\$ million)



“looking forward to significant increases in profitability”





Pat Grier

Considering the tough environment in private health care in Australia, Ramsay Health Care achieved excellent results in the last financial year reporting an increase in annual net profit after tax and abnormals of 11% – from \$6 million to \$6.6 million – and a 14% increase in group revenue to \$330 million. After absorbing the first full year's impact of depreciation and interest associated with the collocated hospitals, operating profit before tax and abnormals fell from \$12.8 million to \$10 million.

On the basis of anticipated recovery within the private health care sector, there is a strong indication that Ramsay Health Care has weathered the storm and, under the guidance of a strong and solid management team, we can now look forward to a promising future with improved financial returns. Our established hospitals continued to experience outstanding results last year and, on the back of Government initiatives to improve private health insurance levels, the outlook for the new collocated hospitals is bright. As a premier provider of private hospital care in Australia, Ramsay Health Care is well positioned to capitalise on the market expansion in private health care and negotiate improved health fund reimbursement rates for all our hospitals.

During the past year, management focused on increasing profitability from established and collocated hospitals through cost containment, increased productivity and the development of new businesses within existing hospitals. In line with this strategy we made a decision to withdraw from the Berwick Community Hospital privatisation, the Princess Alexandra Hospital collocation and the Austin Repatriation privatisation projects. As a result of these and other discontinued developments the Company experienced an abnormal loss before tax of \$2.5 million. With less emphasis on new projects, management will concentrate on doing things better at our existing facilities in the coming year.

The Company continued with the project to develop and manage the Mildura Base Hospital in Victoria which has a better risk profile. This 153 bed privatised public hospital opened on 19 September 2000 and is budgeted to break-even in the first year.

Our commitment to Veteran health care at Greenslopes Private Hospital in Queensland and Hollywood Private Hospital in Western Australia continued last year with both hospitals expanding on their services for the Veteran and War Widow community. These hospitals are now amongst the two largest private hospitals in Australia offering a comprehensive range of surgical, medical, psychiatric and diagnostic services. The success of these hospitals have led both Greenslopes and Hollywood to be considered models on which services to Veterans in other hospitals throughout Australia are now based.

The performance of our collocated hospitals (North Shore and Flinders Private) continued to be adversely affected by the difficult health insurance environment last year. Despite a continued growth in occupancy and an improvement in revenue per patient day, the level of reimbursement from private health funds has not been commensurate with the high cost of acute care and the quality service provided by these hospitals. However, there are indications that certain health funds are responding more rationally to better providers and management will continue to seek improved reimbursement rates and form alliances with certain insurers.

In accordance with their annual review of hospital carrying values the Directors effected a net devaluation of \$40.7 million against the consolidated asset revaluation reserve. This included a devaluation of \$37 million for North Shore and Flinders Private Hospitals on the basis that while there has been an encouraging improvement in performance, profitability for the collocated hospitals has not emerged as quickly as anticipated. This year, management will remain focused on improving the performance of the collocated hospitals, and in particular, remedying the situation at Flinders Private Hospital in Adelaide, where the private health insurance environment remains the toughest in Australia.

To this end, Ramsay Health Care has recently entered into a contract for the sale of Flinders, subject to a number of conditions being satisfied including the approval of regulatory bodies, financiers and other parties. In the event this sale is completed, and as a consequence of the decision to devalue Flinders Private Hospital at 30 June 2000, the Directors do not anticipate a material profit or loss on the sale of this Hospital.

Our aim in the coming year is to consolidate our place as the premier operator of private hospitals in Australia. We are on target to achieve optimal results at our established and collocated hospitals through a focus on controlling costs and developing improved services and facilities at our hospitals. In addition, we will cautiously pursue diversifications such as allied health and e-health where there are identified opportunities in these areas.

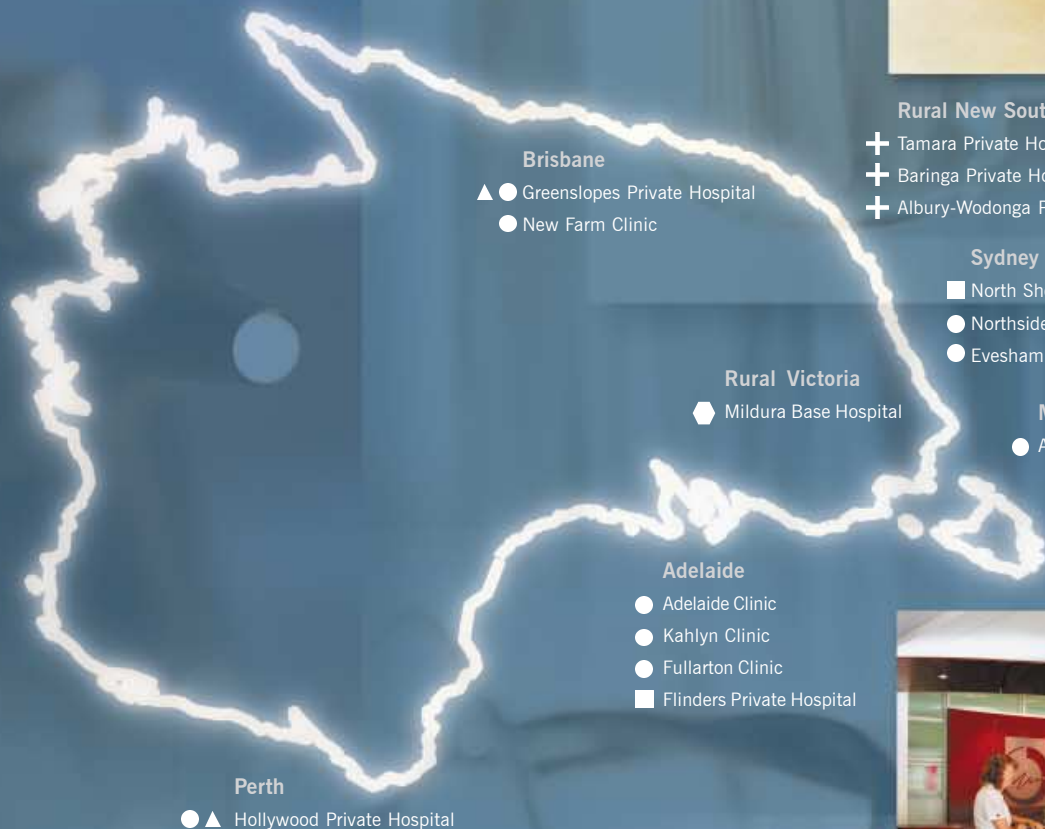


Pat Grier, Managing Director

“on target to achieve optimal results”



review of operations



LOCATIONS OF GROUP HOSPITALS

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

- ▲ Veterans hospitals
- Psychiatric hospitals
- + Rural medical-surgical hospitals
- Collocated hospitals
- Privatised Public hospitals (Managed)

Existing Businesses

Veterans Hospitals

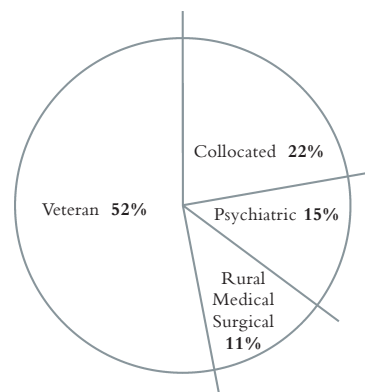
Both Hollywood Private Hospital in Perth and Greenslopes Private Hospital in Brisbane recorded outstanding results during the past year as a result of expanded capacity, additional activity and the continued management of operating costs.

As a consequence of the Commonwealth Government's initiative to expand the Gold Card Scheme there has been a significant increase in demand experienced at each hospital. From 1 January 1999, an additional 50,000 World War II Veterans around Australia qualified for access to a range of health care services under the Repatriation Private Patient Scheme. To accommodate the increase in demand the Company opened 30 extra beds in each hospital. At Hollywood a cardiac catheterisation laboratory, coronary care unit, and a day surgery and endoscopy unit were also built.

As the only two private Veteran hospitals in Australia, Ramsay Health Care continues to ensure that Hollywood and Greenslopes are hospitals specifically focused on the needs of the Veteran community. For example, the Florence Syer interim care unit established at Greenslopes Private Hospital last year, is designed to accommodate Veterans and War Widows who are past the acute stage of their illness. This Unit is the only one of its type in the Australian private hospital industry. With the ongoing support of the Veteran community, the Company will continue to improve the services and facilities at Greenslopes and Hollywood Hospitals.

The future outlook for the Veteran hospitals remains excellent and Ramsay Health Care is committed to a continued program of investment in them.

Operating Revenue (%)



“...at the heartbeat of the industry”



Rural Medical / Surgical

Despite only minimal price increases from the health funds, the three rural medical/surgical hospitals improved their performance over the prior year. This was achieved through a combination of increased capacity – notably at Albury Wodonga Private Hospital – and the effective management of operating costs. At Albury Wodonga the developments undertaken last year (a 10 bed orthopaedic unit) have borne fruit with a substantial increase in activity and improved financial performance.

At Baringa Private Hospital in Coffs Harbour and Tamara Private Hospital in Tamworth improved performance was achieved predominantly through a successful cost containment program. During the year a free standing day surgery centre was acquired in Coffs Harbour, which cemented Ramsay's provision of ophthalmic services in the Region.

Divisional Analysis (Established Hospitals)	Revenue (increase %)	EBIT (increase %)	EBIT Margin (increase %)
Veterans	16	20	4
Rural Medical-Surgical	11	21	9
Psychiatric	1	17	16
Total	11	24	11

Improved performance in established hospitals resulting from a management focus on improving productivity, expanded capacity and services, and costs containment.



Albury Wodonga Private Hospital – Regional New South Wales

Psychiatric

Ramsay Health Care's leading position in the provision of private psychiatric services was maintained last year. Recognised as the premier provider of psychiatric services, all psychiatric hospitals in the Group continued to perform well, whilst providing the highest quality service.

The importance of the private psychiatric sector in the overall provision of mental health services is continually recognised by the Strategic Planning Group for Private Psychiatric Services. Established by the Federal Minister for Health, this Group provides direction for the future provision of services under the National Mental Health Strategy.

Given the increasing recognition being afforded to mental health globally and domestically, this is an area of business which will continue to attract Management focus. Ramsay Health Care remains committed to an ongoing program of development at our psychiatric hospitals and will continue to negotiate with health funds to achieve positive outcomes.

Collocations

Collocated hospitals are private hospitals that are located on the campus of a public hospital and are typically physically linked in some way. Ramsay has two collocated facilities; North Shore Private Hospital in Sydney (opened July 1998) and Flinders Private Hospital in Adelaide (opened January 1999).

During the year both hospitals continued to develop business activity and refine operating cost structures, achieving an overall improved performance over the prior year.

Despite continued growth in occupancy and improved revenue per patient day, the performance of the collocated hospitals have continued to be adversely affected by the low level of reimbursement from the private health funds. However, with increase in private health insurance rates and positive outcomes resulting from negotiations with health funds, better financial performances are expected in the coming year from the collocated hospitals.



“...at the cutting edge
of technology”

In particular, a significant improvement is expected in the performance of North Shore Private Hospital. Located in a market where private health insurance membership exceeds 60%, the occupancy rates at the Hospital continually exceed 90%. Given this level of occupancy, substantial price rises achieved from the health funds and continued improvements in productivity, a marked improvement in profitability is anticipated for the 2001 financial year.

Although occupancy continued to improve throughout the year at Flinders Private Hospital, profitability of this Hospital has been lower than originally anticipated. During the year, Flinders Private Hospital was successful in getting a contract with the Department of Veterans' Affairs which has boosted its patient mix through the addition of the Veteran market. In addition, consulting suites were established bringing more doctors to the campus. Combined with an increased number of specialties to the Hospital and positive outcomes from negotiations with health funds for better rates of reimbursement,

improvements in performance are expected for the ensuing financial year. However, management recognises that the Hospital's short to medium term future may be more assured under the management of a more established South Australian private hospital provider. Accordingly, the Company recently entered into negotiations and subsequent to the end of the 2000 financial year, exchanged contracts for the sale of the Hospital. The sale is subject to a number of conditions including the approval of regulatory authorities, financiers and other parties. As a consequence of the decision to devalue Flinders Private Hospital at 30 June 2000, there will be no material profit or loss on the sale of the Hospital.

New Business

Mildura Hospital

The development of the new Mildura Base Hospital was completed and commissioned on 19 September 2000. This new 153 bed privatised public hospital, which replaces the older existing public hospital in Mildura, will be managed by Ramsay Health Care under a 15 year service contract.

The Mildura Base Hospital will provide a wide range of services to the people of the Sunraysia District including acute surgical and medical specialties, emergency services, obstetrics, aged care, mental health, palliative care, rehabilitation, hydrotherapy, and diagnostic services.

The hospital is forecast to break even in the first 12 months after commissioning and the Company is working closely with the Victorian Government to ensure its success.

In addition to the management of the Base Hospital, Ramsay Health Care has also signed a management agreement to manage the Mildura Private Hospital.

Future Directions

Backed by an experienced management team, Ramsay Health Care has positioned itself as one of the premier providers of private hospital services in Australia. The Company's leading position in the industry augurs well for improved financial performances in the coming year based on a brighter outlook for the private health care industry, and improved performance for the collocated hospitals, and increased efficiencies and improved productivity at the non collocated hospitals.

Ramsay Health Care will continue to cautiously seek out growth opportunities particularly with respect to diversification and alternatives within our core competencies.

“reflexive to the growing private health insurance market”



P J Ramsay

Chairman

Appointed 26/05/75

Mr Paul Ramsay has been involved in health care since 1964 when he developed and managed one of the first private psychiatric hospitals in Sydney. As Chairman of Ramsay 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 Michael Siddle has been with Ramsay Health Care for 30 years and was Managing Director during the period from 1975 to 1988. He has been closely involved with the Group's expansion through both construction and acquisition. He is also Deputy Chairman of Prime Television Limited.

M L Brislee

Non-Executive Director

Appointed 15/06/97

Mrs Marjorie Brislee a former Managing Director of Ramsay Health Care, joined the Company in 1976 and has hospital management experience in Australia, United States, Hong Kong and the United Kingdom. She currently has specific responsibility for quality improvement throughout the Group.

A J Clark AM

Non-Executive Director

Appointed 06/10/98

Mr Tony Clark 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, Carlton

Investments Limited Group 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 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 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 as Manager of the Group's operating entities and was appointed Managing Director in 1994. He is currently a member of the Board of the Institute for International Health and is the Chairman of the Australian Private Hospital Association.

R H McGeoch AM

Non-Executive Director

Appointed 03/07/97

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

1998. Currently he is Chairman of Australian Growth Properties Limited and Sporting Frontiers and Deputy Chairman of Australia Pacific Airports. He is a Director of AAPT Limited and a member of the Australian Advisory Board of Morgan Stanley Dean Witter and a Trustee of the Sydney Cricket and Sports Ground Trust. Mr McGeoch also holds a number of honorary positions and in 1990 was awarded membership of the Order of Australia for services to Law and the Community.

K C D Roxburgh

Non-Executive Director

Appointed 03/07/97

Mr Kerry Roxburgh has recently completed a two year term as CEO of E*Trade Australia where he is currently an Executive Director. Prior to this appointment he was an Executive Director of Hong Kong Bank of Australia where for 10 years he held various positions including Managing Director 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 also Chairman of Asian Express Airlines Pty Limited.

B R Soden

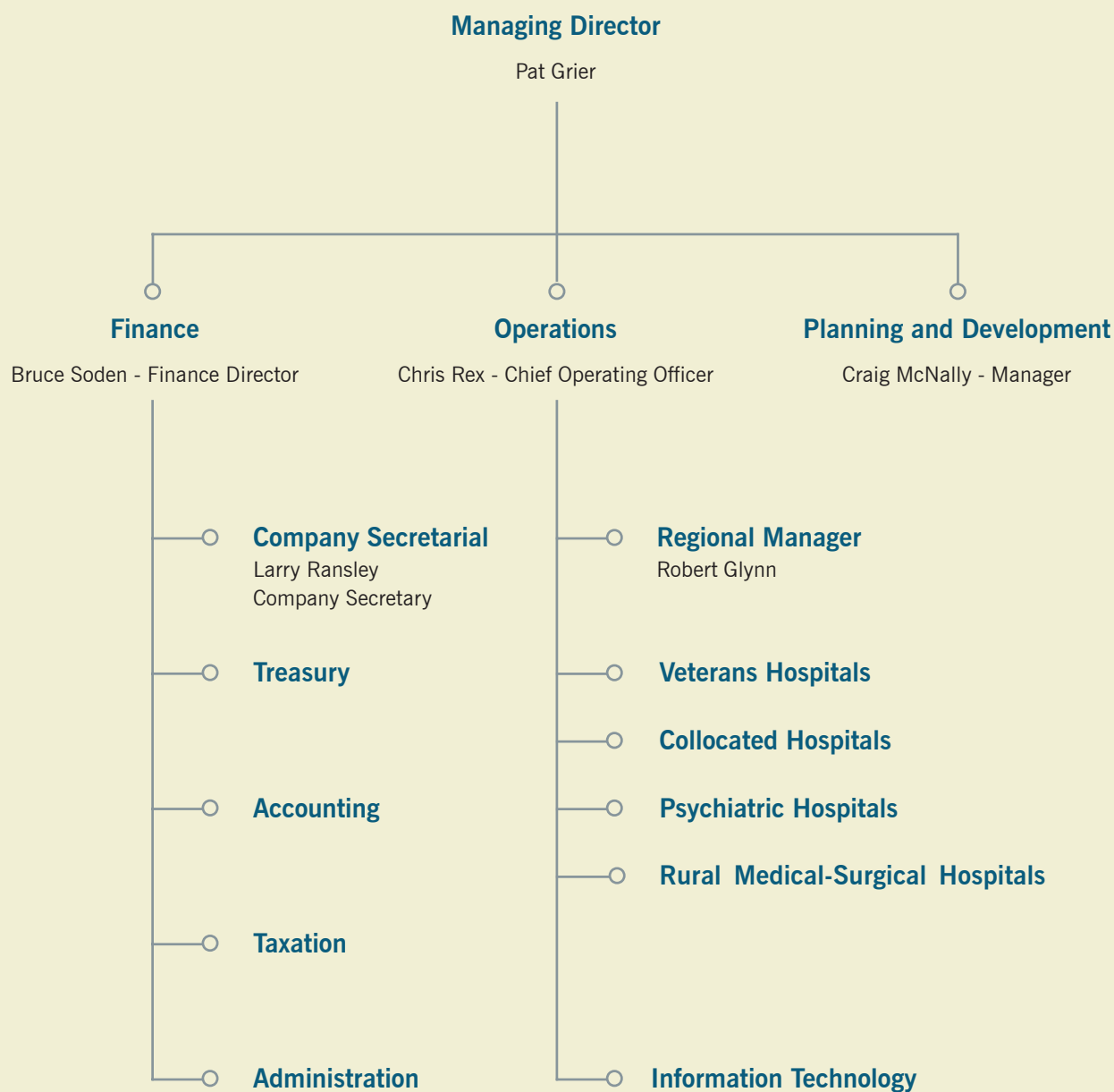
Finance Director

Appointed 02/01/97

Mr Bruce Soden 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.



organisational structure



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



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:

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

To ensure that they are meeting all their obligations to the Company's shareholders, the Directors have reviewed their corporate governance responsibilities on a regular basis 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;

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)

The Managing Director, Pat Grier and the Finance Director, Bruce Soden are ex-officio members of the Audit Committee

The Committee's responsibilities are to:

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

Remuneration Committee

Members of this Committee are:

- Peter Evans (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.

Management Committees

In addition to Board committees, the following management committees have been established to monitor finance, operations, planning and development :

Finance Committee

The role of this Committee is to:

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

Operations Committee

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

Planning and Development Committee

The role of the Committee is to:

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

GST Steering Committee

This Committee was established to co-ordinate and monitor the company's preparations for the introduction 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.

corporate directory

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
 Website: www.ramsayhealth.com.au

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 2000

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directors' report

Your Directors submit their report for the year ended 30 June 2000.

DIRECTORS

The names of the Directors of the Company in office during the financial year and until 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

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 Board of Directors section (page 12) 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	30,000	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 \$6,616,000 (1999: profit of \$5,964,000). The operating profit before tax and abnormal items was \$9,962,000 (1999: \$12,755,000).

Earnings per Share

Basic earnings per share	6.1 cents	(1999: 5.5 cents)
Diluted earnings per share	6.1 cents	(1999: 5.5 cents)

Dividends

Dividends paid or recommended for payment are as follows:

Final dividend recommended @ 4.4 cents per share	\$4,786,490	(1999: \$4,786,490)
Interim dividend paid during the year @ 3 cents per share	\$3,263,516	(1999: \$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 2,680,000 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	2,307,500	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
Lapsed	230,000	

The options were issued under the following exercise conditions:

- o The expiry date of the options is five years after the date of issue as shown above;
- o None of the options can be exercised within two years of the issue date;
- o 40% of 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.
- o The options can not be exercised unless the market price of the Company's shares exceeds \$2.20 .
- o The exercise price is \$1.85 .

directors' report continued

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 20 September 2000 Ramsay Health Care Limited exchanged contracts with Adelaide Community Health Care Alliance Inc. for the sale of Flinders Private Hospital. The contract for sale is conditional, requiring the approval of regulatory bodies, financiers and other parties.

As a consequence of the decision to devalue Flinders Private Hospital at 30 June 2000 there will be no material profit or loss on the sale of the Hospital.

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 health care group, while maintaining appropriate returns, in a difficult health care 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 below.

Emoluments of the directors of the Company are shown on the following page. 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	-	5,250
M.S. Siddle	60,000	-	4,200
M.L. Brislee	60,000	-	-
A.J. Clark	60,000	-	4,200
P.J. Evans	60,000	-	4,200
I.P.S. Grier	475,400	20,000	7,067
R.H. McGeoch	60,000	-	4,200
K.C.D. Roxburgh	60,000	-	4,200
B.R. Soden	278,076	25,000	7,067

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	292,680	40,000	7,067
C. McNally	271,234	12,000	7,067
R. Glynn	261,052	8,000	7,067
P. Doust	205,312	-	7,067
K. Cass-Ryall	203,055	15,000	7,067

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

directors' report continued

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

	Directors' Meetings		Meetings of Committees		
	Scheduled	Procedural	Audit	Remuneration	Quality Improvement
Number of Meetings held:	11	4	6	2	10
Number of Meetings attended:					
P.J. Ramsay	11	4			
M.S. Siddle	11	4		2	
M.L. Brislee	10	4			10
A.J. Clark	11	4	4		
P.J. Evans	11	4	6	2	
I.P.S. Grier	11	4	5		8
R.H. McGeoch	11	3		2	
K.C.D. Roxburgh	10	3	6		
B.R. Soden	11	4	6		

COMMITTEES

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

Committee	Members
Audit Committee	Messrs Evans, Roxburgh, Clark, Grier (ex-officio), Soden (ex-officio)
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 Section (page 14) 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 (page 14) of the Annual Report.

Signed in accordance with a resolution of the Directors.



B.R. SODEN

Director

Sydney, 29 September 2000

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 2000, as set out on pages 25 to 54, 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 2000 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 handwritten signature in dark ink, appearing to read 'Ernst & Young'.

Ernst & Young

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

Neil Wykes

Partner

Sydney, 29 September 2000

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 2000 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, 29 September 2000

profit and loss statement

for the year ended 30 June 2000

	Notes	Consolidated		Ramsay Health Care Limited	
		2000 \$ '000	1999 \$ '000	2000 \$ '000	1999 \$ '000
Total revenue	2	330,258	289,944	3,143	12,969
Operating profit before abnormal items and income tax	2	9,962	12,755	2,500	12,263
Loss on abnormal items before income tax	3	(2,277)	(6,998)	-	-
Operating profit after abnormal items before income tax		7,685	5,757	2,500	12,263
Income tax (expense)/benefit attributable to operating profit	4	(1,069)	207	(945)	(4,371)
Operating profit after income tax		6,616	5,964	1,555	7,892
Retained profits at the beginning of the financial year		27,613	29,699	47,616	47,774
Total available for appropriation		34,229	35,663	49,171	55,666
Dividends paid and proposed	5	(8,050)	(8,050)	(8,050)	(8,050)
Retained profits at the end of the financial year		26,179	27,613	41,121	47,616

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

balance sheet

as at 30 June 2000

		Consolidated		Ramsay Health Care Limited	
	Notes	2000 \$ '000	1999 \$ '000	2000 \$ '000	1999 \$ '000
CURRENT ASSETS					
Cash		12,030	13,327	3,069	3,021
Receivables	6	36,004	33,433	7	12
Inventories	7	4,516	4,730	-	-
Total current assets		52,550	51,490	3,076	3,033
NON CURRENT ASSETS					
Receivables	8	-	2,924	74,792	85,917
Investments	9	411	297	149,997	149,997
Property, plant & equipment	10	391,783	444,341	-	-
Other	11	22,696	22,380	2	22
Total non current assets		414,890	469,942	224,791	235,936
TOTAL ASSETS		467,440	521,432	227,867	238,969
CURRENT LIABILITIES					
Accounts payable	12	37,417	35,006	8	33
Borrowings	13	13,675	13,574	-	-
Provisions	14	15,712	16,480	4,786	6,906
Total current liabilities		66,804	65,060	4,794	6,939
NON CURRENT LIABILITIES					
Accounts payable	15	163	262	-	-
Borrowings	16	214,698	227,200	101,238	103,706
Provisions	17	24,460	25,433	10	4
Total non current liabilities		239,321	252,895	101,248	103,710
TOTAL LIABILITIES		306,125	317,955	106,042	110,649
NET ASSETS		161,315	203,477	121,825	128,320
SHAREHOLDERS' EQUITY					
Share capital	18	80,704	80,704	80,704	80,704
Reserves	19	54,432	95,160	-	-
Retained profits		26,179	27,613	41,121	47,616
Total shareholders' equity		161,315	203,477	121,825	128,320

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

statement of cash flows

for the year ended 30 June 2000

		Consolidated		Ramsay Health Care Limited	
	Notes	2000 \$ '000	1999 \$ '000	2000 \$ '000	1999 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		328,372	248,703	-	-
Payments to suppliers & employees		(272,692)	(221,354)	(873)	(675)
Income tax paid		(2,154)	(3,678)	(2,154)	(3,681)
Borrowing costs paid		(21,678)	(14,472)	-	-
Interest received		812	408	-	-
Net cash flows from/(used in) Operating activities	21(a)	32,660	9,607	(3,027)	(4,356)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash paid for purchases of property, plant and equipment		(9,705)	(88,694)	-	-
Loan to director related entity		(432)	(2,897)	-	-
Repaid loan to subsidiary		-	-	-	74,997
Cash paid for investments		-	(76)	-	(74,997)
Cash paid for purchase of business		(3,409)	-	-	-
Cash proceeds from sale of property, plant and equipment		1,227	29,695	-	-
Net cash flows used in Investing activities		(12,319)	(61,972)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(8,050)	(8,050)	(8,050)	(8,050)
Finance lease repayments		(53)	(37)	-	-
Borrowings – receipts other		9,332	78,783	11,125	15,427
Borrowings – repayment other		(22,867)	(24,868)	-	-
Net cash flows used in – from Financing activities		(21,638)	45,828	3,075	7,377
Net (decrease)/increase in cash held		(1,297)	(6,537)	48	3,021
Add opening cash brought forward		13,327	19,864	3,021	-
Closing cash carried forward	21(b)	12,030	13,327	3,069	3,021

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

notes to the financial statements

for the year ended 30 June 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention, except for property and certain plant and equipment, measured at revalued amounts.

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) Principles of Consolidation

The consolidated financial statements are those of the economic entity, comprising Ramsay Health Care Limited (the parent entity) and all entities which Ramsay Health Care Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(c) 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.

(d) 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.

(e) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Interest is taken up as income on an accrual basis.

(f) 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.

(g) Investments

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

notes to the financial statements continued

for the year ended 30 June 2000

(h) 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 been discounted to their present value.

(i) Property, Plant and Equipment

Cost and valuation

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

The cost of property, plant and equipment constructed within the Group includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overhead. Interest payable and related borrowing costs are capitalised on projects having a total value in excess of \$100,000, subject to the overall effect of such capitalisation not being to overstate the recoverable amount of such asset. Costs related to development projects are capitalised from the time the Company becomes the successful tenderer.

All property, plant and equipment including capitalised leasehold assets, but excluding freehold land 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:

- | | |
|---------------------------------------------------------------|------------------------------------------|
| o Buildings and integral plant | - 40 years |
| o Leasehold improvements | - over lease term |
| o Plant and equipment, other than plant integral to buildings | - various periods not exceeding 10 years |

There has been no change in the depreciation periods from prior year.

(j) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principle amount. Interest when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(k) Loans and Borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(l) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term (5 years).

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to profit and loss.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(m) Employee Entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities, which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements expenses and revenues arising in respect of the following categories:

- o wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- o other types of employee entitlements;

are charged against profits on a net basis in their respective categories.

(n) 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.

Rental revenue

Rental income is recognised on an accruals basis.

notes to the financial statements continued

for the year ended 30 June 2000

(o) Income Tax

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

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

The income tax expense for the year is calculated using the 36% tax rate, however the deferred tax balances have been adjusted for the decreased corporate tax rate of 30% for the tax year 2001-02. The adjustment recognises that reversal of timing differences will occur within the 2001-02 or later income tax year, at which time tax will be attributed at a lower rate. The corresponding adjustment has been charged to income tax expense.

(p) Earnings per Share

Basic earnings per share is determined by dividing the operating profit after tax and after preference dividends by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by dividing the operating profit after tax and after preference dividends adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year.

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$ '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:				
- Goodwill	141	-	-	-
- Leasehold improvements	54	38	-	-
- Capitalised leased assets	31	41	-	-
- Project development costs	593	92	-	-
	819	171	-	-
Depreciation of non-current assets:				
- Plant and equipment	14,329	10,783	-	-
- Buildings	5,471	3,986	-	-
	19,800	14,769	-	-
Bad and doubtful debts:				
- Trade debtors	633	246	-	-
	633	246	-	-
Borrowing costs:				
- Interest expense				
Other persons/corporations	21,526	14,418	-	-
- Finance charges - lease liability	-	1	-	-
- Other borrowing costs				
Other persons/corporations	154	61	-	-
	21,680	14,480	-	-
Net loss/(profit) on disposal of property, plant and equipment	140	(392)	-	-
Rental - operating leases	2,206	877	-	-
Net foreign currency (gains)/losses	(3)	(7)	-	-
Provision for employee entitlements	14,977	10,884	-	-
Contributions to defined contribution superannuation funds	8,810	7,681	-	-
Borrowing costs capitalised	-	80	-	-

notes to the financial statements continued

for the year ended 30 June 2000

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$ '000	\$ '000	\$ '000	\$ '000
2. OPERATING PROFIT (continued)				
Included in the operating profit before abnormal items and income tax are the following items of operating revenue:				
Sales revenue	318,163	249,676	-	-
Other operating revenue:				
- Management fees				
Director related entities	-	2	-	-
Controlled entities (fully owned)	-	-	490	475
Other persons/corporations	134	176	-	-
- Rental income				
Other persons/corporations	4,771	4,851	-	-
Director and director related entities	110	110	-	-
- Guarantee fee				
Controlled entities (fully owned)	-	-	2,500	2,500
- Bad debts recovered	25	38	-	-
- Income from ancillary services	5,016	4,988	-	-
Total operating revenue	328,219	259,841	2,990	2,975
- Interest				
Other related parties				
Controlled entities (fully owned)	-	-	153	9,994
Other persons/corporations	812	408	-	-
Total interest income	812	408	153	9,994
- Proceeds on sale of non-current assets	1,227	29,695	-	-
Total revenue	330,258	289,944	3,143	12,969

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$ '000	\$ '000	\$ '000	\$ '000
3. ABNORMAL ITEMS				
Write-off of discontinued projects	(2,894)	(1,630)	-	-
Applicable income tax	689	101	-	-
	(2,205)	(1,529)	-	-
Reversal of surplus property provision	617	-	-	-
Applicable income tax	(222)	-	-	-
	395	-	-	-
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)	-	-
Total (loss)/profit on abnormal items before income tax	(2,277)	(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	7,685	5,757	2,500	12,263
Prima facie tax payable/(tax benefit) on operating profit at 36%	2,767	2,073	900	4,415
Tax effect of permanent differences:				
- allowable deductions	(1,459)	(1,386)	-	5
- tax effect of prior year timing differences and tax losses brought to account	-	(894)	44	-
Tax losses transferred for nil consideration	-	-	-	(49)
Net (loss) / profit attributable to change in income tax rate	(239)	-	1	-
Income tax expense/(benefit) attributable to operating profit	1,069	(207)	945	4,371
The directors estimate that the potential future income tax benefit in respect of income tax losses not brought to account is	3,892	3,892	-	-

This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by the tax legislation continue to be complied with; and
- 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 2000

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$ '000	\$ '000	\$ '000	\$ '000
5. DIVIDENDS PAID AND PROPOSED				
Dividends proposed:				
- Franked dividends - ordinary (80% franked)	-	3,829	-	3,829
- Unfranked dividends - ordinary	4,786	957	4,786	957
	4,786	4,786	4,786	4,786
Dividend paid during the year				
<i>Previous year final dividend paid</i>				
- 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
<i>Interim dividend paid</i>				
- Franked dividends - ordinary (80% franked)	-	2,611	-	2,611
- Unfranked dividends - ordinary	3,264	653	3,264	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 Nil (1999: 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)	-	(124)
- franking credits that will arise from the payment of income tax during the next financial year	-	3,953	-	3,953
- franking debits that will arise from the payment of dividends as at the end of the financial year	-	(3,829)	-	(3,829)
	-	-	-	-

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$ '000	\$ '000	\$ '000	\$ '000
6. RECEIVABLES (CURRENT)				
Trade debtors	28,357	27,051	-	-
Less: Provision for doubtful debts	(902)	(443)	-	-
	27,455	26,608	-	-
Other debtors and prepayments	9,196	7,517	7	12
Less: Provision for doubtful debts	(661)	(705)	-	-
	8,535	6,812	7	12
Loan to other related party	14	13	-	-
	14	13	-	-
	36,004	33,433	7	12
Movement in provision for doubtful debts:				
- balance at beginning of year	(1,148)	(913)	-	-
- bad debts previously provided for written-off during the year	218	11	-	-
- bad and doubtful debts provided for during the year	(633)	(246)	-	-
Balance at end of year	(1,563)	(1,148)	-	-

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 arise as follows:

	Consolidated maximum credit risk exposure			
	Percentage of total trade debtors (%)		\$ '000	
	2000	1999	2000	1999
Health funds	66	56	18,121	14,959
Government	24	33	6,589	8,685
Other	10	11	2,745	2,964
	100	100	27,455	26,608

notes to the financial statements continued

for the year ended 30 June 2000

	Consolidated		Ramsay Health Care Limited	
Notes	2000 \$ '000	1999 \$ '000	2000 \$ '000	1999 \$ '000

7. INVENTORIES

Amount of medical and food supplies to be consumed in providing future patient services – at cost

	4,516	4,730	-	-
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8. RECEIVABLES (NON-CURRENT)

Other receivables	-	2,924	-	-
Amounts receivable from controlled entities	-	-	74,792	85,917
	-	2,924	74,792	85,917

9. INVESTMENTS

Non-Current investments, at cost comprise:

Ordinary Shares:

- Listed on a prescribed stock exchange	6	6	-	-
- Other	220	106	-	-
	226	112	-	-

Units in unit trust:

- Listed on a prescribed stock exchange	120	120	-	-
- Unsecured notes – unlisted	65	65	-	-
	185	185	-	-
	411	297	-	-

Investment in controlled entities:

- Unlisted shares and units	9 (a)	-	-	149,997	149,997
		411	297	149,997	149,997

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		
		2000 %	1999 %	2000 \$ '000	1999 \$ '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 Limited	Australia	100	100	*	*
RHC Developments Pty Limited and its controlled entities:	Australia	100	100	139,997	139,997
Health Care Development Unit Trust	-	100	100		
Ramsay Bedford Park Pty Limited	Australia	100	100	*	*
Ramsay Health Care Investments Pty Limited and its controlled entities:	Australia	100	100	*	*
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	*	*
Berwick Community Hospital Pty Limited	Australia	100	-		
Ramsay Health Care Australia Pty Limited and its controlled entities:	Australia	100	100		
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		
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	100		
E Hospital Pty Limited	Australia	100	-		
RHC China Pty Limited	Australia	100	-		
Ramsay Health Care (Asia Pacific) Pty Limited and its controlled entities:	Australia	100	100		
P.T. Ramsay Health Care Asia Pacific #	Indonesia	100	100		
Ramsay Health and Management Services Sdn Bhd #	Malaysia	100	100		
				149,997	149,997

★ Denotes \$2

Audited by other member firms of Ernst & Young International

notes to the financial statements continued

for the year ended 30 June 2000

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$ '000	\$ '000	\$ '000	\$ '000
10. PROPERTY, PLANT AND EQUIPMENT				
Licensed private hospitals in the process of progressive revaluation				
- at directors' progressive valuation 30 June 2000	332,207	371,938	-	-
Leasehold improvements - at cost	7,507	7,346	-	-
Less: accumulated amortisation	(473)	(279)	-	-
	7,034	7,067	-	-
Total land and buildings	339,241	379,005	-	-
Plant and equipment				
Plant and equipment - at cost	103,780	102,912	-	-
Less: accumulated depreciation	(51,252)	(37,633)	-	-
	52,528	65,279	-	-
Plant and equipment under lease	92	114	-	-
Less: accumulated amortisation	(78)	(57)	-	-
	14	57	-	-
Total plant and equipment	52,542	65,336	-	-
Total property, plant and equipment	391,783	444,341	-	-

The Directors have obtained an independent valuation of certain hospitals as a guide. With the benefit of these independent valuations the Directors have valued each hospital at 30 June 2000. No hospital has been valued at an amount in excess of the independent valuation. The Directors' valuation (as was the independent valuation) was based on a "market value - existing use" basis. The independent valuation was performed by Colliers Jardine's Mr Graeme Martin - RDA Grad Dip MSc (Urban Land Appraisal) LFVLE, Registered Valuer NSW No. 3776.

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
Notes	\$ '000	\$ '000	\$ '000	\$ '000
11. OTHER NON-CURRENT ASSETS				
Project development	783	1,323	-	-
Less: accumulated amortisation	(524)	(416)	-	-
	259	907	-	-
Goodwill	3,409	-	-	-
Less: accumulated amortisation	(141)	-	-	-
	3,268	-	-	-
Future income tax benefit	19,169	21,473	2	22
	22,696	22,380	2	22

12. ACCOUNTS PAYABLE (CURRENT)

Unsecured liabilities:

- Accounts payable		17,760	14,987	-	33
- Sundry creditors and accrued expenses		18,818	17,899	8	-
		36,578	32,886	8	33

Secured liabilities:

- Lease liability - finance lease	29	18	4	-	-
- Loan - insurance funding	29	821	2,116	-	-
		839	2,120	-	-
		37,417	35,006	8	33

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	13,254	13,153	-	-
- Other loans		421	421	-	-
		13,675	13,574	-	-

notes to the financial statements continued

for the year ended 30 June 2000

		Consolidated		Ramsay Health Care Limited	
		2000	1999	2000	1999
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
14. PROVISIONS (CURRENT)					
Dividend		4,786	4,786	4,786	4,786
Taxation		-	2,171	-	2,120
Employee entitlements	20	10,625	9,174	-	-
Other		301	349	-	-
		15,712	16,480	4,786	6,906

Dividends payable: Dividends payable are recognised when recommended by the Directors. Dividend payable represents a final dividend of 4.4 cents per ordinary share for the financial year ended 30 June 2000. 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.

15. ACCOUNTS PAYABLE (NON-CURRENT)

Unsecured:

- Accrued expenses		163	196	-	-
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Secured:

- Lease liability - finance lease	29	-	66	-	-
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		163	262	-	-
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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		-	-	101,238	103,706
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Secured liabilities:

- Bank loans	29	209,667	221,819	-	-
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- Other loans		5,031	5,381	-	-
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		214,698	227,200	101,238	103,706
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17. PROVISIONS (NON-CURRENT)

Employee entitlements	20	5,339	4,529	-	-
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Other - surplus lease expense		1,249	1,813	-	-
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Deferred income tax liability		17,872	19,091	10	4
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		24,460	25,433	10	4
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Consolidated		Ramsay Health Care Limited	
2000	1999	2000	1999
\$ '000	\$ '000	\$ '000	\$ '000

18. SHARE CAPITAL

Issued and paid up capital

108,783,866 ordinary shares fully paid

(1999: 108,783,866 ordinary shares fully paid)	80,704	80,704	80,704	80,704
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Share Options:

At the end of the year there were 2,680,000 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	2,307,500	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
Lapsed	230,000	

At the date of this report there was a total of 2,185,000 options on issue to 47 executive and senior management employees of the company.

The options were issued under the following exercise conditions:

- o The expiry date of the options is five years after the date of issue as shown above;
- o None of the options can be exercised within two years of the issue date;
- o 40% of 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;
- o The options can not be exercised unless the market price of the Company's shares exceeds \$2.20; and
- o The exercise price is \$1.85 .

Consolidated		Ramsay Health Care Limited	
2000	1999	2000	1999
\$ '000	\$ '000	\$ '000	\$ '000

19. RESERVES

Assets revaluation	54,432	95,160	-	-
	54,432	95,160	-	-
Asset revaluation reserve				
Balance at beginning of year	95,160	95,160	-	-
Revaluation increments/(decrements)				
on revaluation of:				
- Licensed Private Hospitals	(40,728)	-	-	-
Balance at end of year	54,432	95,160	-	-

20. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability is comprised of:

- Provisions (current)	10,625	9,174	-	-
- Provisions (non-current)	5,339	4,529	-	-
Balance at end of year	15,964	13,703	-	-

notes to the financial statements continued

for the year ended 30 June 2000

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$ '000	\$ '000	\$ '000	\$ '000
21. STATEMENT OF CASH FLOWS				
(a) Reconciliation of the operating profit after tax to the net cash flows from operations				
Operating profit after tax	6,616	5,964	1,555	7,892
Interest received (related entity)	-	-	(153)	(9,994)
Amortisation and depreciation	20,619	14,939	-	-
(Profit) / Loss on sale of non current assets	140	(392)	-	-
Loss on write-off of investment	281	-	-	-
Changes in assets and liabilities				
Future income tax benefit	2,305	(8,904)	19	(22)
Receivables	785	(11,138)	4	(12)
Receivable-related companies	-	-	(3,569)	(2,963)
Creditors	2,829	4,282	-	32
Deferred income tax	(1,219)	4,309	6	4
Provision for employee entitlements	2,261	2,138	-	-
Inventory	214	(2,301)	-	-
Tax provisions	(2,171)	710	(889)	707
Net cash flow from/(used in) operating activities	32,660	9,607	(3,027)	(4,356)
(b) Reconciliation of cash				
Cash balances comprise:				
Cash on hand	19	18	-	-
Cash at bank and on deposit	12,011	13,309	3,069	3,021
Closing cash balance	12,030	13,327	3,069	3,021

(c) Bank facilities

The economic entity has bank borrowing facilities available to the extent of \$256,961,430 (1999: \$248,286,534). At 30 June 2000 these facilities have been drawn down to \$223,116,153 (1999: \$234,972,049). In addition, a further \$2,000,000 (1999: \$3,000,000) of bank guarantees have been issued under these facilities.

(d) Restricted cash balances

Of the amount of \$12,011,000 (1999: \$13,309,000) shown as cash at bank and on deposit, the amount of \$8,078,000 (1999: \$8,084,817) is held in restricted accounts.

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$ '000	\$ '000	\$ '000	\$ '000
22. EXPENDITURE COMMITMENTS				
(a) Finance leases:				
- not later than one year	18	54	-	-
- later than one year but not later than five years	-	19	-	-
- later than five years	-	-	-	-
- total minimum lease payments	18	73	-	-
- future finance charges	-	(3)	-	-
- lease liability	18	70	-	-
- current liability	18	51	-	-
- non-current liability	-	19	-	-
	18	70	-	-
Total lease liability accrued for:				
Current				
- finance leases	18	51	-	-
	18	51	-	-
Non-current				
- finance leases	-	19	-	-
	-	19	-	-
	18	70	-	-

Finance lease liability: The lease liability is accounted for in accordance with AASB 1008. As at balance date, the economic entity had finance leases with an average lease term of 2 years. The average discount rate implicit in the leases is 8.5%. The security over finance leases is disclosed in note 29.

notes to the financial statements continued

for the year ended 30 June 2000

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$ '000	\$ '000	\$ '000	\$ '000

22. EXPENDITURE COMMITMENTS (continued)

(b) Lease expenditure commitments

Operating leases (non-cancellable)

Minimum lease payments:

- not later than one year	2,261	2,346	-	-
- later than one year but not later than five years	8,810	8,811	-	-
- later than five years	6,258	3,581	-	-

Aggregate lease expenditure contracted for at balance date	17,329	14,738	-	-
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Aggregate expenditure commitments comprise

Amounts provided for:

- surplus lease space (i)				
- current	166	349	-	-
- non-current	1,249	1,813	-	-
	1,415	2,162	-	-

Amounts not provided for:

- rental commitments	15,914	12,576	-	-
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Aggregate lease expenditure contracted for at balance date	17,329	14,738	-	-
-------------------------------------------------------------------	---------------	---------------	----------	----------

(i) These commitments represent payments due for vacant leased premises under a non-cancellable operating lease, and have been recognised as a liability in the current financial year, as the remaining payments for the premises will provide no further benefits to the consolidated entity. The payments have been discounted at the rate implicit in the lease.

(ii) Operating leases have an average lease term of 5 years and an average implicit interest rate of 9%. Assets which are the subject of operating leases include motor vehicles and items of medical equipment.

Certain assets under operating leases have been sub-let to third parties. The total of future minimum lease payments expected to be received at the reporting date is \$1,260,542.

(c) Capital expenditure commitments

Estimated capital expenditure contracted for at balance date but not provided for:

- payable not later than one year	2,172	11,033	-	-
- payable later than one year but not later than two years	596	2,000	-	-
Contracted for on private hospitals	2,768	13,033	-	-

(d) Commitment to manage and operate the Mildura Base Hospital:

(i) Ramsay Health Care Pty Limited has a 15 year agreement with Mildura Base Hospital Pty Limited to manage and operate the Mildura Base Hospital, in accordance with the Hospital Service Agreement between Mildura Base Hospital Pty Limited and the State of Victoria. Under this agreement Ramsay Health Care Australia Pty Limited takes full operator risk. The Hospital was opened on 19 September 2000.

(ii) The consolidated entity has an obligation to provide the funds for any overruns above the agreed project cost to get the hospital open and running. At the date of this report no overruns have occurred and the directors do not anticipate any material cost overruns on the project.

23. SEGMENTAL INFORMATION

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

24. SUPERANNUATION COMMITMENTS

The chief entity and controlled entities contribute to industry and individual superannuation funds established for the provision of benefits to employees of entities within the economic entity on retirement, death or disability. Benefits provided under these plans are based on contributions for each employee and for retirement are equivalent to accumulated contributions and earnings. All death and disability benefits are insured with various life assurance companies. The entity contributes to the funds at various agreed contribution levels, which are not less than the statutory minimum.

25. CONTINGENT LIABILITIES

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

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

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

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

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 \$2.0 million at 30 June 2000.

notes to the financial statements continued

for the year ended 30 June 2000

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$	\$	\$	\$

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

1,316,171 1,271,789

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

1,316,171 1,271,789

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

	2000	1999	2000	1999
\$ 40,000 - \$ 49,999	-	1	-	1
\$ 60,000 - \$ 69,999	6	5	6	5
\$ 80,000 - \$ 89,999	1	1	1	1
\$ 300,000 - \$309,999	-	1	-	1
\$ 320,000 - \$329,999	1	-	1	-
\$ 510,000 - \$519,999	-	1	-	1
\$ 530,000 - \$539,999	1	-	1	-

Consolidated		Ramsay Health Care Limited	
2000	1999	2000	1999
\$	\$	\$	\$

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

5,969,950 4,750,476

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

854,921 827,319

The number of executives of the economic entity and the Company whose remuneration falls within the following bands:

	2000	1999	2000	1999
\$100,000 - \$109,999	2	3	-	-
\$110,000 - \$119,999	5	6	-	-
\$120,000 - \$129,999	1	2	-	-
\$130,000 - \$139,999	4	2	-	-
\$140,000 - \$149,999	1	4	-	-
\$150,000 - \$159,999	2	2	-	-
\$160,000 - \$169,999	2	-	-	-
\$170,000 - \$179,999	3	1	-	-
\$180,000 - \$189,999	1	2	-	-
\$190,000 - \$199,999	2	-	-	-
\$200,000 - \$209,999	2	1	-	-
\$210,000 - \$219,999	1	-	-	-
\$220,000 - \$229,999	1	-	-	-
\$230,000 - \$239,999	-	2	-	-
\$270,000 - \$279,999	1	-	-	-
\$280,000 - \$289,999	-	1	-	-
\$290,000 - \$299,999	1	-	-	-
\$300,000 - \$309,999	-	1	-	1
\$310,000 - \$319,999	1	-	1	-
\$330,000 - \$339,999	1	-	-	-
\$500,000 - \$509,999	1	-	1	-
\$510,000 - \$519,999	-	1	-	1

notes to the financial statements continued

for the year ended 30 June 2000

	Consolidated		Ramsay Health Care Limited	
	2000	1999	2000	1999
	\$	\$	\$	\$
28. AUDITORS' REMUNERATION				
Amounts received or due and Receivable by the auditors for:				
- auditing the accounts	304,000	285,000	-	-
- other services	496,710	294,910	-	-
	800,710	579,910	-	-

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 Overdraft:

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:

\$121,765,921 (1999: \$113,286,534) of bank loans at 30 June 2000 are amortising and will be repaid over the period July 2000 to January 2010; \$61,154,723 (1999: \$81,685,515) is repayable September 2002; \$20,000,000 (1999: \$20,000,000) is renewable annually up until September 2002; and \$20,000,000 (1999: \$20,000,000) is repayable January 2010. The effective rate of interest on these borrowings is 9.07% (1999: 9.12%).

(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 \$36,136,957 (1999: \$40,721,854) 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 \$1,827,706 (1999: \$3,334,987) are secured by a mortgage over land.

Loans of \$37,838,396 (1999: \$42,601,439) 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 \$45,962,862 (1999: \$46,628,254) are secured by way of a 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 \$101,154,723 (1999: \$101,685,515) 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 2000 were:

- o P.J. Ramsay
- o M.S. Siddle
- o M.L. Brislee
- o A.J. Clark
- o P.J. Evans
- o I.P.S. Grier
- o B.R. Soden
- o R.H. McGeoch
- o 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	
	2000	1999	2000	1999
P.J. Ramsay	65,270,320	65,270,320	–	–
M.S. Siddle	10,000	10,000	55,000	55,000
M.L. Brislee	10,000	10,000	55,000	55,000
A.J. Clark	30,000	25,000	110,000	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
	65,405,220	65,400,220	1,030,000	1,030,000

During the year A.J. Clark purchased 5,000 shares at arms length.

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

notes to the financial statements continued

for the year ended 30 June 2000

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

- o 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 \$260,888 (1999: \$340,264).

- o 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 2000 is \$14,000 (1999: \$13,000).

During the year consulting fees, for an executive member of Paul Ramsay Holdings Pty Limited who was not a director of Ramsay Health Care Limited, and other costs charged by Paul Ramsay Holdings Pty Limited, for services rendered to the Group amounted to \$189,798 (1999: \$111,553).

Transactions with related parties in wholly owned group.

	2000 \$ '000	1999 \$ '000
Loans from Subsidiaries:		
- interest free	101,238	103,706
Loans to Subsidiaries:		
- interest bearing	-	75,094
- interest free	74,792	10,823
	74,792	85,917

Interest is charged at commercial rates.

A guarantee fee of \$2,500,000 (1999: \$2,500,000) is charged by Ramsay Health Care Limited to a subsidiary company for the provision of bank guarantees.

	2000	1999
31. EARNINGS PER SHARE		
(a) Basic earnings per share (cents per share)	6.1	5.5
(b) Diluted earnings per share (cents per share)	6.1	5.5
(c) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	108,783,866	108,783,866

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 to 5 years	More than 5 years		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	%
(i) Financial Assets:						
Cash at bank and on deposit						
2000	12,011				12,011	
1999	13,309				13,309	4.51
Total Financial Assets						
2000	12,011				12,011	
1999	13,309				13,309	
(ii) Financial Liabilities:						
Bank loans						
2000	21,028	11,426	146,995	43,667	223,116	9.07
1999	14,235	9,818	147,727	63,192	234,972	9.12
Other loans						
2000	-	421	1,683	3,348	5,452	1.2
1999	-	421	1,683	3,698	5,802	1.2
Loan - insurance funding						
2000	-	821	-	-	821	2.12
1999	-	2,116	-	-	2,116	1.99
Finance lease liability						
2000	-	18	-	-	18	8.50
1999	-	52	18	-	70	8.50
Total Financial Liabilities						
2000	21,028	11,865	148,678	47,015	228,586	
1999	14,235	10,291	149,428	66,890	240,844	

All other financial instruments are non interest bearing.

notes to the financial statements continued

for the year ended 30 June 2000

32. FINANCIAL INSTRUMENTS (continued)

(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 2000.

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

Recognised financial instruments

Cash, cash equivalents and short-term investments:

The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and payables:

The carrying amount approximates fair value.

Dividends payable:

The carrying amount approximates fair value.

Short-term borrowings:

The carrying amount approximates fair value because of their short-term to maturity.

Long-term borrowings:

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

Non-current investments/securities:

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

33. SUBSEQUENT EVENTS

On 20 September 2000 Ramsay Health Care Limited exchanged contracts with Adelaide Community Health Care Alliance Inc. for the sale of Flinders Private Hospital. The contract for sale is conditional, requiring the approval of regulatory bodies, financiers and other parties.

As a consequence of the decision to devalue Flinders Private Hospital at 30 June 2000 no material impact to the carrying value of the hospital in the financial statements is anticipated as a result of the sale.

The financial effect of the above transaction has not been recognised.

supplementary information

for the year ended 30 June 2000

SHAREHOLDER INFORMATION

The following additional information required by the Australian Stock Exchange Ltd, was applicable as at 30 August 2000:

(a) Distribution of Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 - 1,000	336	289,621	.27
1,001 - 5,000	1,149	3,621,411	3.33
5,001 - 10,000	420	3,387,655	3.11
10,001 - 100,000	255	6,165,441	5.67
100,001 and over	21	95,319,738	87.62
Totals	2,181	108,783,866	100.00

(b) The number of shareholdings held in less than marketable parcels is 28.

(c) 20 Largest Shareholders - Ordinary Capital

Name	Number of fully paid Ordinary Shares	% of Issued Capital
1. Paul Ramsay Holding Pty Limited	43,686,320	40.16
2. Chase Manhattan Nominees Limited	25,573,560	23.51
3. Dervat Nominees Pty Limited	9,000,000	8.27
4. National Nominees Limited	6,806,703	6.26
5. GIO Personal Investment Services Limited	2,357,472	2.17
6. Westpac Custodian Nominees Limited	2,039,352	1.87
7. Queensland Investment Corporation	1,841,418	1.69
8. Questor Financial Services Limited	696,775	.64
9. AMP Life Limited	638,177	.59
10. Commonwealth Custodial Services Limited	475,000	.44
11. AMP Nominees Pty Limited	356,613	.33
12. Robhar Pty Limited	300,000	.28
13. Mr Anthony John Byrne	251,826	.23
14. Mercantile Mutual Life Insurance Company Limited	246,000	.23
15. Merrill Lynch (Australia) Nominees Pty Limited	234,300	.22
16. Perpetual Nominees Limited	179,926	.17
17. Snapco Pty Limited	160,000	.15
18. Permanent Trustee Company Limited	137,000	.13
19. Victorian Workcover Authority	120,632	.11
20. Mrs Rana Drentin	116,664	.11
Totals	95,217,738	87.56

supplementary information continued

for the year ended 30 June 2000

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 30 August 2000 are:

Shareholder	Number of fully paid Ordinary Shares
Paul Ramsay Holdings Pty Limited	65,270,320
Mercantile Mutual Holdings Limited	9,290,922
Morgan Stanley Dean Witter	6,683,306

(e) Voting Rights

In accordance with the Constitution each member present at a meeting 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.

Head Office

Ramsay Health Care

9th Floor, 154 Pacific Highway
St Leonards, New South Wales 2065

Adelaide

The Adelaide Clinic

33–36 Park Terrace
Gilberton, South Australia 5081

Flinders Private Hospital

Off Flinders Drive
Bedford Park, South Australia 5042

Fullarton Private Hospital

293–295 Fullarton Road
Parkside, South Australia 5063

Kahlyn Private Hospital

40 Briant Road
Magill, South Australia 5072

Brisbane

Greenslopes Private Hospital

Newdegate Street
Greenslopes, Queensland 4120

New Farm Clinic

22 Sargent Street
New Farm, Queensland 4004

Melbourne

Albert Road Clinic

31 Albert Road
Melbourne, Victoria 3004

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

Rural Victoria

Mildura Base Hospital

Ontario Avenue
Mildura, Victoria 3500

Mildura Private Hospital

Thirteenth Street
Mildura, Victoria 3500

Sydney

Evesham Clinic

1–3 Harrison Street
Cremorne, New South Wales 2090

North Shore Private Hospital

Westbourne Street
St Leonards, New South Wales 2065

Northside Clinic

2 Greenwich Road
St Leonards, New South Wales 2065

Ramsay Professional Services

9th Floor, 154 Pacific Highway
St Leonards, New South Wales 2065



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www.ramsayhealth.com.au