

annual report

ramsay health care limited

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2001



RAMSAY
HEALTH CARE

'01 contents

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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 Quay West Sydney, 98 Gloucester Street, The Rocks, Sydney New South Wales 2000 on Tuesday 20 November 2001 at 2.30 pm.

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

Diagnosis 2001

- ✓ A record increase in annual net profit of 142% from \$6.6 million to \$16 million, and an 18% increase in operating revenue to \$387.9 million.
- ✓ The strategic acquisition of Alpha Healthcare delivering a competitive advantage in the New South Wales private hospital market through head office cost savings and other synergies.
- ✓ The successful raising of \$31 million through a private placement to institutional investors, and the refinancing of existing debt arrangements to provide flexibility, certainty of funding over the next five years and scope to pursue growth opportunities.
- ✓ The Mildura Base Hospital successfully commissioned in September 2000 and broke even for the year.
- ✓ The sale of Flinders Private Hospital completed in November 2000, removing a barrier to improving Company profitability.
- ✓ An increase in the total dividend paid for the financial year of 15% to 8.5 cents per share.

Financial highlights

	Year ended 30 June 2001 (\$ million)	Year ended 30 June 2000 (\$ million)
Operating revenue	387.9	328.2
EBIT	39.6	30.8
Net Profit before unusual items and income tax	22.4	9.9
Net profit after unusual items and income tax	16.0	6.6
	(cents/share)	(cents/share)
Earnings per share	14.2¢	6.1¢
Dividends per share	8.5¢	7.4¢

'01 chairman's report



Paul Ramsay

The 2001 financial year was an important and successful year for Ramsay Health Care. Our profit increased by 142% to a record level, our share price rose to record highs, and reflecting our improved earnings performance, the Board has increased the annual dividend payment by 15%.

The Australian private health care sector experienced significant growth in the past year. Private health care membership has risen significantly, demand for private hospitals has increased and health fund reimbursement rates have improved.

In this environment, the Company's strategy to focus on its core hospital management expertise has delivered substantial operational and financial improvements.

One of the highlights of the year, was the successful purchase of Alpha Healthcare. This acquisition was driven by our strategy to pursue growth opportunities that meet our investment criteria, and acquisitions that will be value accretive. Alpha brings to the Company a significant increase in our market share, improved bargaining and purchasing power, and it offers us the opportunity to enhance earnings through rationalisation of head office activities and the application of Ramsay's hospital management skills.


During the year, as part of our capital management strategy, we strengthened our balance sheet through a successful capital raising of \$31 million and a reduction in debt that reduced our gearing. This equity raising and the subsequent re-rating of our shares confirms the market's confidence in the Company's earnings and growth potential, as well as reflecting the generally improved outlook for the healthcare sector.

Of course, it is our human resources that make the Company the success it is today. The marketplace regards Ramsay Health Care's management as the leaders in the industry and this is due to the commitment and dedication of all Ramsay employees, not just at managerial level, but throughout our hospitals at all levels. The Board pays tribute to all of them.

During the year it was our pleasure to sponsor a visit for three veterans, to the battlefields of Europe. It was an emotional experience for all those involved. Given our relationship with the RSL, we appreciated the opportunity to participate in this visit to thank those who defended our country in time of war. Our veterans' hospitals, Greenslopes and Hollywood, continue the provision of high quality healthcare to the veteran community and reflect our commitment to Australia's war veterans.

Other highlights of the year have been the opening of the Mildura Base Hospital, the finalisation of the sale of the underperforming Flinders Private Hospital, increases to capacity at our existing hospitals, and refinancing of existing debt facilities.

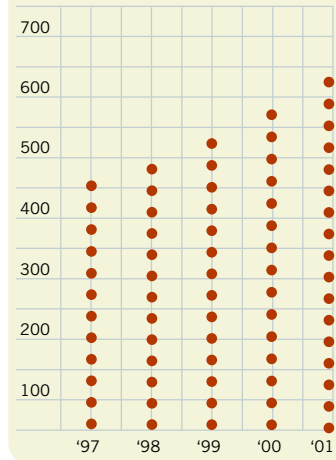
We believe the private healthcare sector will develop further and continue to experience significant growth in the year ahead as the effects of the Government initiatives to increase health fund membership continue to flow through. We look forward to another successful year for the Company and to maximising profitability for the benefit of all our shareholders.



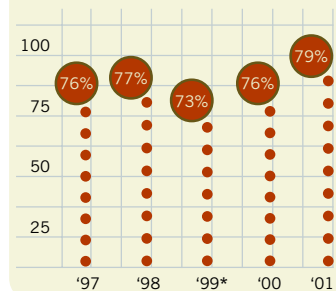
Paul Ramsay, Chairman



**Net patient revenue
per patient day (\$)**

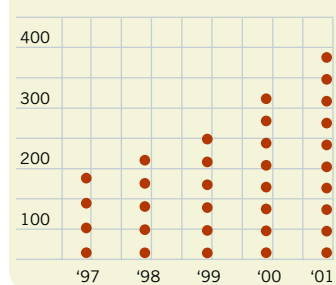


**Inpatient
occupancy (%)**



* Start-up phase
for North Shore &
Flinders Private
Hospital

**Operating revenue
(\$ million)**



'01 managing director's report



Pat Grier

In our 2000 Annual Report, we promised for the coming financial year to consolidate our place as one of the premier operators of private hospitals in Australia; to achieve optimal results and significant increases in profitability. I am happy to report that we achieved all this in the last financial year.

Record profit

For the 2001 financial year, Ramsay Health Care reported a record increase in annual net profit of 142% – up from \$6.6 million to \$16 million – and an 18% increase in group revenue to \$387.9 million. Operating profit before tax and unusual items also rose significantly, up from \$9.9 million to \$22.4 million. Our performance on the share market during the last year has also been strong – a reflection of the Company's growth and wellbeing and the market's assessment.

Buoyed by a substantial increase in private health insurance membership, Ramsay Health Care focused last year on increasing profitability in its existing hospitals through improved productivity, cost containment and the development of new businesses within these hospitals. In particular, the Company focused on negotiating improved reimbursements from the private health funds, to better reflect the high quality of care provided by our hospitals.

Alpha acquisition

As part of our strategy to pursue growth opportunities, Ramsay Health Care enhanced its position in the New South Wales private hospital market through the acquisition of Alpha Healthcare. This acquisition adds eight hospitals and 650 beds to Ramsay Health Care's portfolio of hospitals. The strategic fit of the Alpha's hospitals has delivered a competitive advantage to the Company in New South Wales, through head office cost savings and other synergies.

Rationalisation of the industry over the past year has also resulted in the Company having greater influence and success in negotiating higher reimbursement from the health funds.

The acquisition of Alpha Healthcare fits with Ramsay's strategy to acquire hospitals where we can add value and which meet our investment criteria. Alpha Healthcare is expected to be earnings per share positive for Ramsay Health Care in the current year. Its full potential however, is not expected to materialise until the second year after acquisition, and going forward, as the benefits of additional capacity, reduced running costs through integration with Ramsay Health Care, improved health fund rebates and Ramsay's hospital management expertise will flow through to Alpha Healthcare.

Operations

The sale of the collocated Flinders Private Hospital was finalised in November 2000. The sale followed Ramsay's assessment that profitability at the hospital had not emerged as quickly as anticipated and returns were not meeting Ramsay's hurdle rates. As a result of the Directors' decision to devalue Flinders in the preceding financial year, there was no material impact on Ramsay's accounts from the sale of this Hospital.

Elsewhere, Mildura Base Hospital was successfully commissioned during the year following the signing of a management contract with the Victorian Government to run the Hospital. The Company has focused on providing the best possible health care services in Mildura, which have been welcomed by the Mildura community.

Our collocated hospital, in Sydney, North Shore Private Hospital, achieved significant operational improvements. Occupancy rates, revenue per patient day and profitability all increased substantially in the past year. Management at North Shore Private have concentrated on expanding its services for the exclusive northern Sydney market and the hospital is now well-positioned to become the State's premier private hospital. Health funds have recognised this potential, as well as the quality of services provided by North Shore Private and have responded with improved reimbursement rates.

Ramsay's relationship with the Department of Veterans' Affairs, particularly through Greenslopes and Hollywood Private Hospitals, continues to be strong. On the basis of this excellent relationship and our demonstrated ability to provide quality patient care to the veteran and war widow community, Albury Wodonga, Baringa, Tamara and North Shore Private Hospitals were all awarded Tier I veteran admission status in 2001. We are already experiencing growth in veteran patient numbers at each of these hospitals and expect this to impact positively not only on the profitability of these hospitals but also on our ability to provide services which are specifically targeted to the needs of veterans and war widows. We will be seeking to extend our knowledge and ability to provide quality veteran services to those former Alpha Healthcare hospitals which have traditionally provided services to this market.

It is very pleasing to be able to reflect on such a successful year and Ramsay is very aware that this only comes through the efforts of all our staff. We congratulate them all for their contribution to making this such a strong and successful year for Ramsay Health Care.

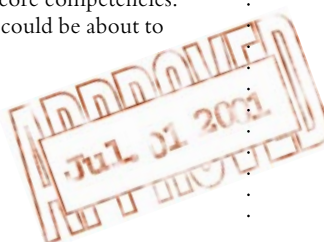
Outlook

Importantly, looking to the future, Ramsay expects ongoing growth in profitability due to the strength of our underlying business, the strong demand for private health care facilities and our good relationship with the health funds and the Department of Veterans' Affairs.

In addition, demand for private hospital beds remains strong and is likely to outpace supply in the near future. To meet this rising demand, Ramsay has embarked on a program to expand capacity at Greenslopes, Hollywood, North Shore and Albury Wodonga private hospitals. In particular, we see significant growth potential for Westmead Private Hospital, which is still in start-up phase.

We are optimistic about the outlook for the coming year based upon the strong demand for private health care facilities, the strength of the underlying business and our good relationship with the health funds. In the next few years, Ramsay Health Care will continue its strategy of adding capacity to existing hospitals and improving our return on investment at these sites. Due to the problems previously experienced with commissioning and absorbing the start-up costs of new hospitals, we are unlikely to consider building new hospitals in the near future. We will also investigate growth opportunities in areas outside of hospital management but which remain close to our core competencies. One such area is the aged care sector, which could be about to enter a period of rationalisation.

Pat Grier, Managing Director



1 Brisbane

- ⚙ Greenslopes Private Hospital
- ⊙ New Farm Clinic

2 Rural New South Wales

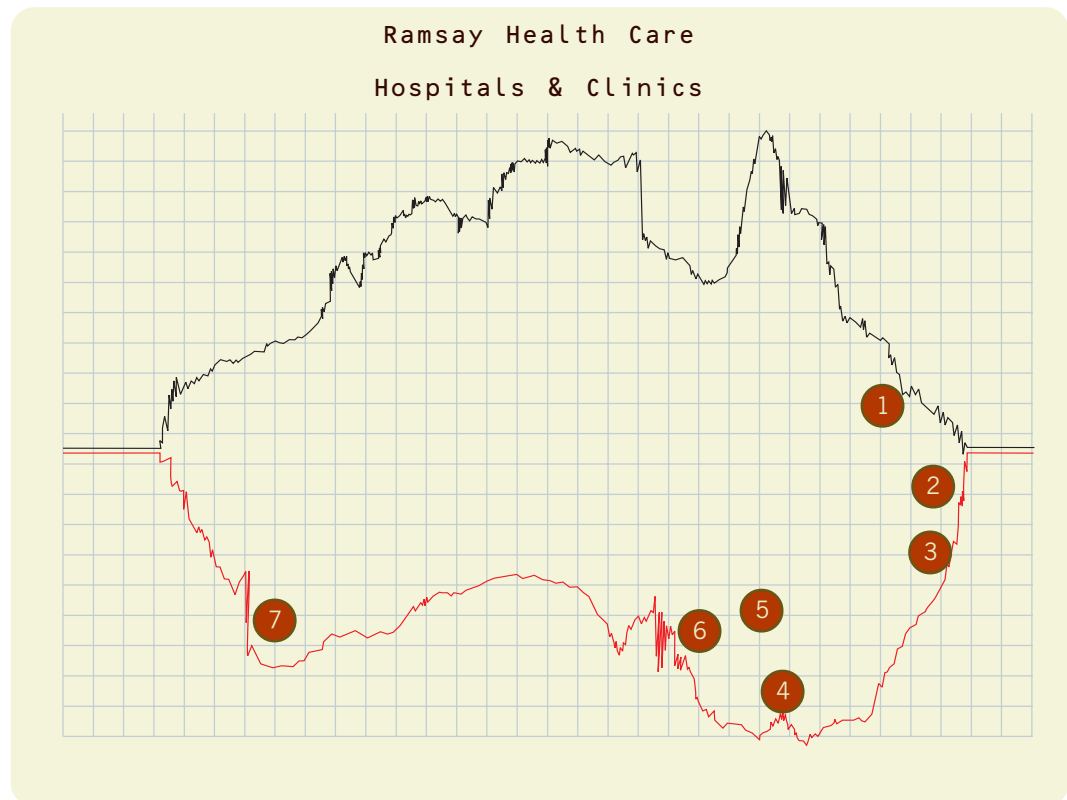
- Albury Wodonga Private Hospital
- Baringa Private Hospital
- Coffs Harbour Day Surgery
- Tamara Private Hospital

4 Melbourne

- ⊙ Albert Road Clinic

5 Rural Victoria

- Mildura Base Hospital

**3 Sydney region**

- Berkeley Vale Private Hospital
- ⊙ Evesham Clinic
- Hunters Hill Private Hospital
- Illawarra Private Hospital
- Lawrence Hargrave Private Hospital
- Mt Wilga Private Hospital
- ⌘ North Shore Private Hospital
- ⊙ Northside Clinic
- Southern Highlands Private Hospital
- Wentworth Private Clinic
- Westmead Private Hospital

6 Adelaide

- ⊙ Adelaide Clinic
- ⊙ Fullarton Private Hospital
- ⊙ Kahlyn Private Hospital

7 Perth

- ⚙ Hollywood Private Hospital

LOCATION OF GROUP HOSPITALS

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

- ⚙ Veterans' hospitals
- ⊙ Psychiatric hospitals
- Rural medical-surgical hospitals
- ⌘ Collocated hospitals
- Former Alpha Healthcare owned hospitals

Veterans' Hospitals

Hollywood Private Hospital in Perth and Greenslopes Private Hospital in Brisbane produced excellent results during the past year due to the consolidation of the additional facilities developed at these hospitals, the increased Veteran demand for services and the continuation of robust cost management.

Both hospitals continued to focus on providing care primarily for the Veteran community but with a planned increase in non-Veteran admissions. In order to ensure the hospitals positioning over the next few years, further developments were either planned or commenced during the year.

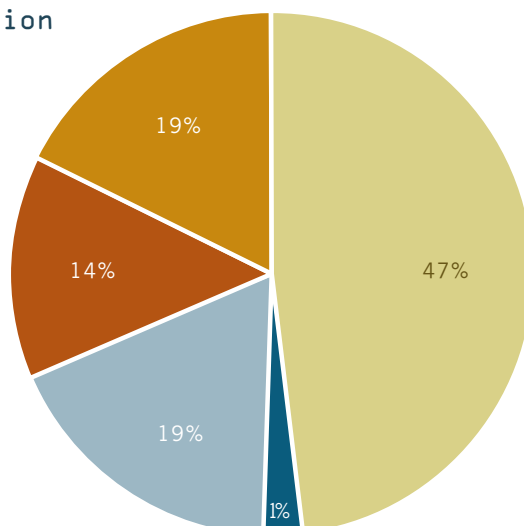
At Hollywood, construction of two new 30 bed wards is under way with planning for an additional 4 operating theatres, a new Intensive Care Unit, an additional cardiac catheterisation laboratory and 10 extra psychiatric beds well advanced.

At Greenslopes, an additional 32 beds have been constructed with a further 90 beds, 4 new operating theatres and a medical consulting suite building due to commence construction in late 2001. This will make Greenslopes Private Hospital, at 527 beds, the largest private hospital in Australia by some margin.

To improve access to services for the Veteran community a number of outreach community services have been developed including, in Brisbane, a private transport system for patients' relatives. These initiatives will be expanded over the coming year.

In May 2001, Ramsay Health Care along with Johnson and Johnson Medical sponsored a pilgrimage of the Queensland RSL to the 60th Anniversary of the Battle of Crete and to the World War I battlefields in Belgium and France.

Operating revenue by operating division



review of operations

'01



Rural Medical Surgical Hospitals

The three rural medical surgical hospitals at Coffs Harbour, Albury and Tamworth had a good year with substantially improved performances on the previous year. This was achieved despite the increasing difficulty of attracting and retaining doctors to rural/regional locations.

The recently acquired Day Surgery at Coffs Harbour performed above expectations and continues to grow.

In order to provide services demanded at Albury, an additional 10 beds are being constructed as well as an expanded operating theatre suite, critical care unit and day surgery facilities.

Mildura Private Hospital, a privatised Base Hospital in rural Victoria, opened on schedule in September 2000. The Hospital provides a wide range of services to the Sunraysia community including surgical, medical, obstetrics, aged care, rehabilitation, mental health, diagnostics, emergency and palliative care.

The transition to the new Hospital was achieved seamlessly and the Hospital has functioned well from its opening.

By the conclusion of the financial year Mildura Private Hospital had achieved its projected breakeven position.

Psychiatric Hospitals

This division continued to grow during the year producing an excellent result ahead of both expectations and the previous year's performance.

All the divisions' hospitals, Albert Road Clinic in Melbourne, New Farm Clinic in Brisbane, Northside and Evesham Clinics in Sydney and The Adelaide Clinic, Kahlyn Private Hospital and Fullarton Private Hospital in Adelaide improved their results and KPIs on the previous year.

The operating environment for psychiatry continues to develop with a continued increase in the recognition of the extent of mental illness and the need for high quality services being available, developing at all levels.

The ongoing trends of shorter lengths of inpatient stays and increased day and community care have been embraced and enhanced by Ramsay Health Care which is driving these changes through the industry.

Ramsay Health Care remains the leader and pioneer in private psychiatry and will continue to pursue excellence in this area.

Collocated Hospitals

The sale of Flinders Private Hospital was finalised in November 2000. The decision to sell Flinders was based upon the fact that profitability had not emerged as expected and it would take an unacceptably long time for the Hospital to reach the level of profitability consistent with the Company's return on investment criteria.

In the meantime, North Shore Private Hospital has continued to build on its solid base of activity across all fronts to set new records in performance.

In order to be able to service the increased demand at North Shore Private Hospital, an additional 12 beds and increased day surgery capacity are being constructed and will be open in January 2002.

The Acquisition of Alpha Healthcare

Ramsay Health Care successfully acquired Alpha Healthcare in August 2001, confirming its position as one of the country's largest private hospital operators. The acquisition adds 650 beds and eight hospitals to the Ramsay Health Care portfolio.

The acquisition of Alpha Healthcare provides Ramsay Health Care with added value through additional economies of scale and synergies which reduce corporate overheads. In addition, the operational relationships which can be developed between existing Ramsay Health Care facilities and Alpha Healthcare facilities is extremely encouraging. The Alpha Healthcare acquisition has expanded Ramsay Health Care's presence in New South Wales in its acute surgical and psychiatric services and has provided it with a strong rehabilitation network.

The Alpha hospitals include:

- **Berkeley Vale Private**
- (80 beds) - a surgical, medical and rehabilitation facility
- **Hunters Hill Private**
- (70 beds) - a surgical, medical and rehabilitation facility
- **Illawarra Private**
- (101 beds) - a surgical, medical and obstetrics facility
- **Lawrence Hargrave Private**
- (42 beds) - a specialist rehabilitation facility with expertise in the treatment of neurological disease, stroke, brain injury and orthopaedic rehabilitation
- **Mt Wilga Private**
- (89 beds) - a specialist rehabilitation facility
- **Southern Highlands Private**
- (64 beds) - a medical, surgical, post-natal and rehabilitation facility collocated with the local public and district hospital
- **Wentworth Private Clinic**
- (68 beds) - a specialist psychiatric facility with a focus on providing therapy for psychiatric and dependency disorders
- **Westmead Private**
- (136 beds) - a collocated medical/surgical facility providing tertiary level services including cardiac surgery

board of directors

'01

**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 and Cumnock Coal Limited, Deputy Chairman of Australian Tourist Commission,



and a Director of Telstra Corporation Limited, Carlton Investments Limited and Amalgamated Holdings Limited Group. In 1995 Mr Clark was awarded membership of the Order of Australia for services to Business, Commerce and Community.

**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 Pty Limited and Deputy Chairman of Australia Pacific Airports. He is Chairman of Telecom Corporation of New Zealand Australia Pty Limited and a director of Telecom Corporation of New Zealand Limited, 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.



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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 a non-executive Chairman. Prior to this appointment he was an Executive Director of Hongkong Bank Australia where, for 10 years, he held various positions including Head of Corporate Finance and Executive Chairman of the Group's stockbroker. Until 1986 Mr Roxburgh was in practice for 20 years as a chartered accountant during which time he was Chairman of the Sydney practice of Mann Judd. He is also Chairman of Asian Express Airlines Pty Limited.

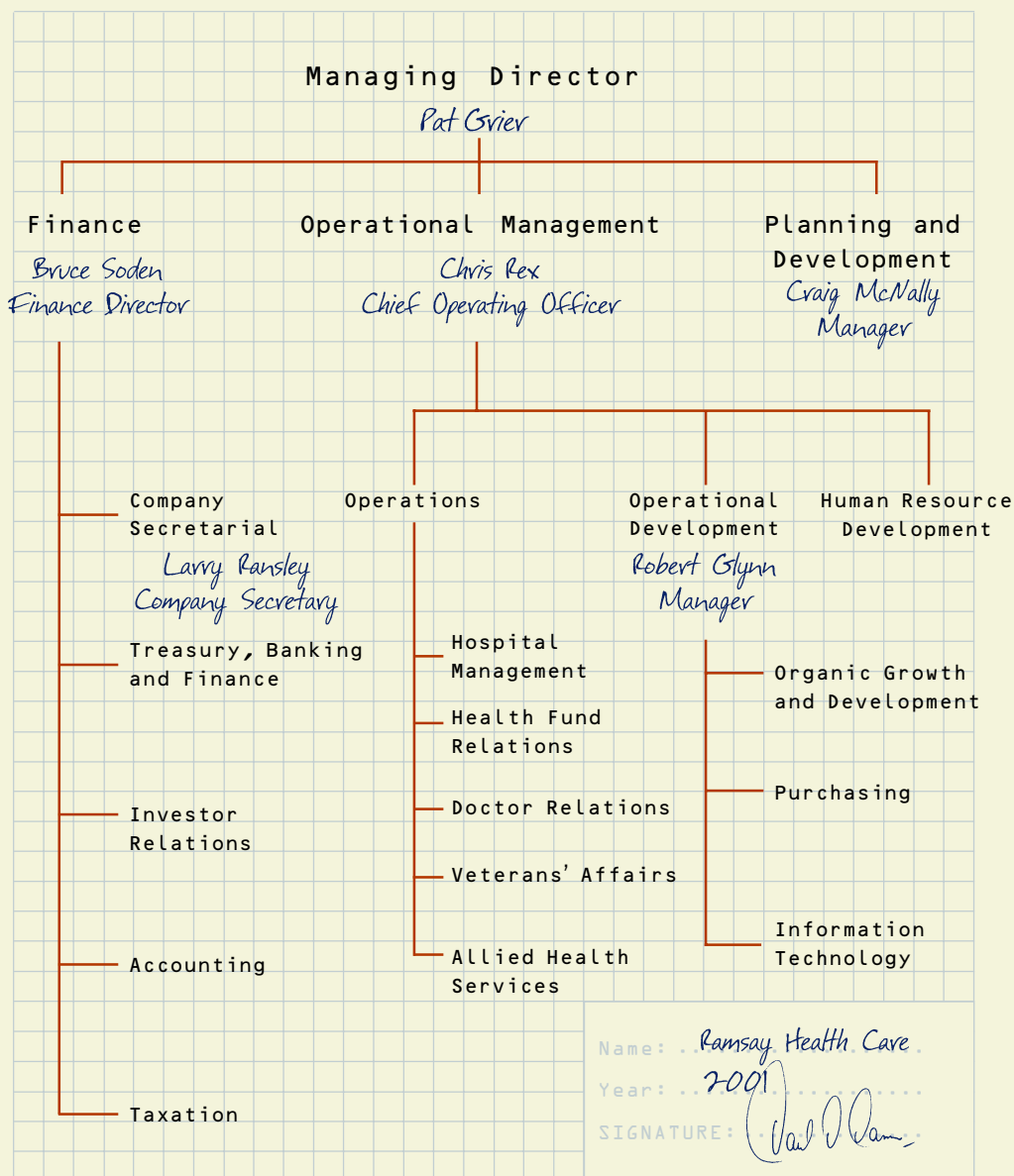
B R Soden

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.

Ramsay Health Care Organisational Structure



RHC Organisational Structure 2001

Previous Page:

Board of Directors (top to bottom)
Paul Ramsay, Michael Siddle,
Marjorie Brislee, Tony Clark,
Peter Evans, Pat Grier,
Rod McGeoch, Kerry Roxburgh,
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 regularly review their corporate governance responsibilities.

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.

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.



corporate governance

'01

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;
 - 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 Investor Services
Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Mail Address: GPO Box 7045
Sydney NSW 1115
Website: www.cshare.com.au

for the year ended 30 June 2001

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Your Directors submit their report for the year ended 30 June 2001.

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

The Directors were in office for the entire period unless otherwise stated.

Particulars in respect of each Director's experience and qualifications are set out in the Directors Qualifications section (page 10) 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	66,334,939	-
M.S. Siddle	10,000	55,000
M.L. Brislee	10,000	55,000
A.J. Clark	50,000	70,000
P.J. Evans	5,000	55,000
I.P.S. Grier	124,600	330,000
R.H. McGeoch	98,000	22,000
K.C.D. Roxburgh	80,000	70,000
B.R. Soden	5,387	235,000

Mr Paul Ramsay has a relevant interest in 66,334,939 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 was a profit of \$16,004,000 (2000: profit of \$6,616,000). The operating profit before tax was \$17,712,000 (2000: \$7,685,000).

Earnings per Share

Basic earnings per share	14.2 cents	(2000: 6.1 cents)
Diluted earnings per share	13.9 cents	(2000: 6.1 cents)

Dividends

Dividends paid or recommended for payment are as follows:

Final dividend recommended @ 5 cents per share	\$6,263,171	(2000: \$4,786,490)
Interim dividend paid during the year @ 3.5 cents per share	\$3,807,436	(2000: \$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 (page 2) and Managing Director's Report (page 4).

EMPLOYEES

The consolidated entity employed 7,018 employees as at 30 June 2001 (2000: 5,009).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Acquisition of Alpha Healthcare Limited

On 31 May 2001 Ramsay acquired a controlling interest in Alpha. On 9 July 2001 Ramsay reached 90% of the voting share capital of Alpha and commenced compulsory acquisition for the remaining Alpha shares. At the date of this report Ramsay owned 99% of the voting share capital of Alpha.

Sale of Flinders Private Hospital

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

SHARE OPTIONS

At the date of this report, there were 2,396,050 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#	1,119,700	Five years from date of issue, i.e. 17 September 2002
23 September 1997#	20,000	Five years from date of issue, i.e. 23 September 2002
15 December 1998#	113,500	Five years from date of issue, i.e. 15 December 2003
11 October 2000 *	1,142,850	Three years from date of issue, i.e. 11 October 2003
Exercised during the current period to 30 June 2001	119,500 29,500	At \$1.85 exercise price At \$1.50 exercise price
Lapsed during the current period to 30 June 2001	238,000	Five year options at various expiry dates
Exercised post 30 June 2001	961,800 82,650	At \$1.85 exercise price At \$1.50 exercise price
Lapsed post 30 June 2001	77,500	Five year options at various expiry dates

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 three months before the anniversary date of the issue in each of the subsequent three years, or at any time up and until the fifth anniversary date of the issue.
- 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 .

* On 11 October 2000 a total of 1,255,000 options were issued to executive and senior management employees under the following exercise conditions. The total number of these options exercised to the date of this report was 112,150:

- o The expiry date of the options is three years after the date of issue as shown above;
- o 25% of the options can be exercised six months after the date of issue with a further 25% exercisable after each subsequent six monthly period, or at anytime thereafter, up and until the third anniversary date of the issue;
- o The exercise price is \$1.50 .

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Refinancing

During September 2001 the Ramsay group signed a new facility agreement for \$250 million. The existing bank loans (see notes 29 and 33(c)(ii)), with the exception of the ANZ facility to Alpha Westmead Private Hospital Pty Limited of \$35.4 million will be replaced by the new group facility. The term of the facility is 5 years expiring in September 2006.

Ramsay Health Care Limited and each of its controlling entities (other than companies in the Alpha Healthcare Limited group):

- Will provide cross guarantees to ensure full payment, on a timely basis, of the facility; and
- Will be subject to a negative pledge and certain financial undertakings in connection with the facility.

North Shore Private Hospital Pty Limited will give a fixed and floating charge (debenture trust deed) over all its assets to secure the facility.

Ramsay Hospital Holdings Pty Limited (RHH) and Ramsay Hospital Holdings (Queensland) Pty Limited (RHHQ) will each give a fixed and floating charge over all its assets and a mortgage of its hospital land to secure the facility.

Ramsay Health Care Limited and Ramsay Health Care Investments Pty Limited, as shareholders in RHH and RHHQ, will mortgage their shares in RHH and RHHQ to secure the facility.

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 Act 2001. 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 on the following pages.

Emoluments of the directors of the company are shown on the following pages. 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	Options Granted*	Superannuation
	\$	\$	Number	\$
P.J. Ramsay	75,000	-	-	6,000
M.S. Siddle	60,000	-	-	4,800
M.L. Brislee	60,000	-	-	-
A.J. Clark	60,000	-	-	4,800
P.J. Evans	60,000	-	-	4,800
I.P.S. Grier #	536,838	100,000	250,000	8,416
R.H. McGeoch	60,000	-	-	4,800
K.C.D. Roxburgh	60,000	-	-	4,800
B.R. Soden #	301,831	37,000	100,000	8,416

Emoluments of the five most highly paid executive officers (including executive directors marked #) of the Company and the consolidated entity are:

	Annual Emoluments		Long Term Emoluments	
	Total salary and Other Benefits (excluding Bonuses and Superannuation)	Bonus	Options Granted*	Superannuation
	\$	\$	Number	\$
C. Rex	337,717	72,500	100,000	8,416
C. McNally	278,352	25,000	65,000	8,416
R. Glynn	275,341	10,000	85,000	8,416

* On 11 October 2000 options were issued to executive and senior management under the following exercise conditions:

- o The expiry date of the options is three years after the date of issue as shown above;
- o 25% of the options can be exercised six months after the date of issue with a further 25% exercisable after each subsequent six monthly period, or at anytime thereafter, up and until the third anniversary date of the issue;
- o The exercise price is \$1.50 .

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	2	6	2	9
Number of Meetings attended:					
P.J. Ramsay	9	2			
M.S. Siddle	11	2		2	
M.L. Brislee	9	2			9
A.J. Clark	10	2	6		
P.J. Evans	10	2	6	2	
I.P.S. Grier	11	2	6		9
R.H. McGeoch	9	2		2	
K.C.D. Roxburgh	11	2	6		
B.R. Soden	11	2	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 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 12) of the Annual Report.

Signed in accordance with a resolution of the Directors.



B.R. SODEN

Director

Sydney, 27 September 2001



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 2001, as set out on pages 23 to 58, 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 in Australia, 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 Act 2001 including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.


Ernst & Young



Neil Wykes
Partner

Sydney, 27 September 2001

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 Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; 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, 27 September 2001

for the year ended 30 June 2001

		Consolidated		Ramsay Health Care Limited	
	Notes	2001 \$ '000	2000 \$ '000	2001 \$ '000	2000 \$ '000
Revenues:					
Operating revenue		387,926	328,219	2,994	2,990
Interest income		722	812	66	153
Net proceeds on sale of Flinders Private Hospital		41,700	-	-	-
Proceeds on sale of assets		719	1,227	-	-
Total revenue from ordinary activities	2	431,067	330,258	3,060	3,143
Details of Expenditure:					
Personnel costs		208,093	171,672	4	-
Occupancy costs		16,849	14,925	-	-
Cost of services		104,025	91,238	696	643
Depreciation and amortisation	3 (a)	19,806	20,619	-	-
Borrowing cost expense (excluding borrowing costs associated with refinancing)	3 (a)	17,839	21,842	-	-
Carrying value of Flinders assets sold Significant Items (expenses previously shown as abnormal)		42,043	-	23	-
- Borrowing costs associated with refinancing	3 (c)	4,700	-	-	-
- Write off of discontinued projects	3 (c)	-	2,894	-	-
- Reversal of surplus lease provision	3 (c)	-	(617)	-	-
		413,355	322,573	723	643
Profit from ordinary activities before income tax		17,712	7,685	2,337	2,500
Income tax expense relating to ordinary activities	3 (c) & 4	(1,708)	(1,069)	(796)	(945)
Profit from ordinary activities after income tax		16,004	6,616	1,541	1,555
Net profit attributable to members of Ramsay Health Care Limited		16,004	6,616	1,541	1,555
Net (decrease) in asset revaluation reserve		-	(40,728)	-	-
Total revenue, expenses and valuation adjustment recognised directly in equity		-	(40,728)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		16,004	(34,112)	1,541	1,555
Basic earnings per share (cents per share)		14.2 cents	6.1 cents		
Diluted earnings per share (cents per share)		13.9 cents	6.1 cents		
Unfranked dividends per share (cents per share)		8.5 cents	7.4 cents		

as at 30 June 2001

		Consolidated		Ramsay Health Care Limited	
		2001	2000	2001	2000
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
CURRENT ASSETS					
Cash		10,298	12,030	265	3,069
Receivables	6	50,815	33,901	-	-
Inventories	7	6,434	4,516	-	-
Other	8	3,835	2,103	-	7
Total current assets		71,382	52,550	265	3,076
NON-CURRENT ASSETS					
Receivables	9	-	-	4,062	74,792
Other financial assets	10	269	411	149,997	149,997
Property, plant & equipment	11	407,884	391,783	-	-
Goodwill	12	10,552	3,268	-	-
Future income tax benefit	13	20,348	19,169	2	2
Other	14	225	259	-	-
Total non-current assets		439,278	414,890	154,061	224,791
TOTAL ASSETS		510,660	467,440	154,326	227,867
CURRENT LIABILITIES					
Accounts payable	15	57,739	37,417	6	8
Borrowings	16	19,137	13,675	-	-
Provisions	17	36,007	15,712	6,263	4,786
Total current liabilities		112,883	66,804	6,269	4,794
NON-CURRENT LIABILITIES					
Accounts payable	18	-	163	-	-
Borrowings	19	158,376	214,698	-	101,238
Provisions	20	17,614	6,588	-	-
Deferred income tax liability	21	20,581	17,872	804	10
Total non-current liabilities		196,571	239,321	804	101,248
TOTAL LIABILITIES		309,454	306,125	7,073	106,042
NET ASSETS		201,206	161,315	147,253	121,825
SHAREHOLDERS' EQUITY					
Share capital	22	114,662	80,704	114,662	80,704
Reserves	23	54,432	54,432	-	-
Retained profits	23	32,112	26,179	32,591	41,121
TOTAL SHAREHOLDERS' EQUITY		201,206	161,315	147,253	121,825

for the year ended 30 June 2001

		Consolidated		Ramsay Health Care Limited	
		2001	2000	2001	2000
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		385,972	328,372	2,207	-
Payments to suppliers & employees		(326,897)	(272,692)	-	(873)
Income tax paid		-	(2,154)	-	(2,154)
Borrowing costs paid		(16,266)	(21,678)	-	-
Interest received		873	812	66	-
GST received		12,936	-	-	-
GST paid		(4,378)	-	-	-
Net cash flows from/(used in)					
Operating activities	25 (a)	52,240	32,660	2,273	(3,027)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(13,030)	(9,705)	-	-
Purchase of business		(426)	(3,409)	-	-
Proceeds from sale of property, plant and equipment		719	1,227	-	-
Acquisition of subsidiary	25 (e)	(17,361)	-	-	-
Net cash flows from / (used in)					
Investing activities		(30,098)	(11,887)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		31,765	-	31,765	-
Payment of share issue costs		(662)	-	(662)	-
Dividends paid		(5,739)	(8,050)	(5,739)	(8,050)
Finance lease repayments		(18)	(53)	-	-
Borrowings - receipts other		-	9,332	70,796	11,125
Borrowings - repayment other		(54,592)	(31,377)	(101,237)	-
Net cash flows from / (used in)					
financing activities		(29,246)	(30,148)	(5,077)	3,075
Net (decrease)/increase in cash held		(7,104)	(9,375)	(2,804)	48
Add opening cash brought forward		12,030	13,327	3,069	3,021
CLOSING CASH CARRIED FORWARD					
	25 (b)	4,926	3,952	265	3,069

for the year ended 30 June 2001

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 fair value.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

(b) Changes in Accounting Policy

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to revaluation of non-current assets.

In accordance with S334(5) of the Corporations Act 2001, the directors of Ramsay Health Care Limited have elected to early adopt the revised AASB 1041 Revaluation of Non-Current Assets (as issued in July 2001) in the preparation of the financial statements.

The consolidated entity has adopted Accounting Standards AASB 1041 "Revaluation of Non-Current Assets" and the revised AASB 1010 "Recoverable Amount of Non-Current Assets". Under the transitional provisions of these standards, the directors have made the following election:

- o Land and buildings of licensed private hospitals will continue to be measured at fair value.

Independent valuations of licensed private hospitals are obtained at intervals of not more than three years. Such valuations are reflected in the financial statements of Ramsay Health Care Limited. Notwithstanding, the directors of Ramsay Health Care Limited assess the carrying value at each reporting period to ensure carrying values do not materially differ from fair values. Where carrying values differ from the fair value, those assets are adjusted to their fair value. In determining fair value, the expected net cash flows have been discounted to their present value using a market risk adjusted discount rate.

A revaluation increment is credited directly to the asset revaluation reserve, unless it reverses a previous revaluation decrement charged as an expense in determining operating profit in respect of that same class of asset, in which case the increment is credited to operating profit.

(c) 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 including Alpha Healthcare Limited 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.

(d) 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.

for the year ended 30 June 2001

(e) 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.

(f) 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.

(g) 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.

(h) Investments

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

(i) 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, using a market determined risk adjusted discount rate.

(j) Property, Plant and Equipment

Cost and valuation

Property, plant and equipment, including land and buildings of licensed private hospitals are recognised at fair value. 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 fair value.

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 qualifying assets 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 fair value 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.

(k) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight line basis over the period during which benefits are expected to be received. These periods range between 10 and 20 years.

(l) 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.

(m) Loans and Borrowings

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

(n) 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

Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

Leases which effectively transfer substantially all of 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 the statement of financial performance.

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.

(o) 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.

for the year ended 30 June 2001

The chief entity and controlled entities contribute to industry and individual superannuation funds. The entity contributes to the funds at various agreed contribution levels, which are not less than the statutory minimum.

The value of the employee share option scheme described in note 22 is not being charged as an employee entitlement expense.

(p) 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 services is recognised on the date on which the 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.

(q) 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 34% 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.

(r) Earnings per Share

Basic earnings per share is determined by dividing the operating profit after tax 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 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.

(s) Provisions

Dividends payable are recognised when a legal or constructive obligation to pay the dividend arises, typically following approval of the dividend at a meeting of directors.

	Consolidated		Ramsay Health Care Limited	
	2001 \$ '000	2000 \$ '000	2001 \$ '000	2000 \$ '000
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities:				
Revenue from services	377,012	318,163	-	-
Total revenue from operating activities	377,012	318,163	-	-
Revenue from non-operating activities:				
Management fees				
Controlled entities (fully owned)	-	-	494	490
Other persons/corporations	44	134	-	-
Rental income				
Other persons/corporations	4,842	4,771	-	-
Director and director related entities	-	110	-	-
Guarantee fee				
Controlled entities (fully owned)	-	-	2,500	2,500
Bad debts recovered	381	25	-	-
Income from ancillary services	5,647	5,016	-	-
Interest				
Other related parties				
Controlled entities (fully owned)	-	-	66	153
Other persons/corporations	722	812	-	-
Proceeds on sale of property, plant and equipment	719	1,227	-	-
Proceeds on sale of Flinders Private Hospital	41,700	-	-	-
Total revenue from outside the operating activities	54,055	12,095	3,060	3,143
Total revenues from ordinary activities	431,067	330,258	3,060	3,143

for the year ended 30 June 2001

	Consolidated		Ramsay Health Care Limited	
	2001	2000	2001	2000
	\$ '000	\$ '000	\$ '000	\$ '000
3. EXPENSES AND LOSSES / (GAINS)				
(a) Expenses				
Amortisation of non-current assets:				
- Goodwill	312	141	-	-
- Leasehold improvements	172	54	-	-
- Capitalised leased assets	22	31	-	-
- Project development costs	1,250	593	-	-
	1,756	819	-	-
Depreciation of non-current assets:				
- Plant and equipment	13,151	14,329	-	-
- Buildings	4,899	5,471	-	-
	18,050	19,800	-	-
Total depreciation and amortisation	19,806	20,619	-	-
Bad and doubtful debts:				
- Trade debtors	938	633	-	-
Rental - operating leases	2,251	2,206	-	-
Contributions to superannuation funds	11,771	8,810	-	-
Borrowing costs:				
- Interest expense				
Other persons/corporations	17,823	21,526	-	-
- Finance charges - lease liability	16	-	-	-
- Other borrowing costs				
Other persons/corporations	-	154	-	-
Borrowing costs associated with refinancing	4,700	-	-	-
	22,539	21,680	-	-
(b) Losses / (Gains)				
Net loss on disposal of property, plant and equipment	249	140	-	-
Net foreign currency (gains)	-	(3)	-	-
(c) Significant Items				
Write-off of discontinued projects	-	2,894	-	-
Applicable income tax	-	(689)	-	-
	-	2,205	-	-
Reversal of surplus property provision	-	(617)	-	-
Applicable income tax	-	222	-	-
	-	(395)	-	-
Borrowing costs associated with refinancing	4,700	-	-	-
Applicable income tax	(1,598)	-	-	-
	3,102	-	-	-
Tax credit on losses not previously brought to account	(2,640)	-	-	-
Net proceeds on sale of Flinders Private Hospital	(41,700)	-	-	-
Carrying value of Flinders assets sold	42,043	-	-	-
Loss on sale of Flinders assets	343	-	-	-
Applicable income tax	(117)	-	-	-
	226	-	-	-
Total loss on significant items after income tax	688	1,810	-	-

	Notes	Consolidated		Ramsay Health Care Limited	
		2001 \$ '000	2000 \$ '000	2001 \$ '000	2000 \$ '000
4. INCOME TAX					
The prima facie income tax on operating profit is reconciled to the income tax expense shown in the accounts as follows:					
Profit from ordinary activities before income tax		17,712	7,685	2,337	2,500
Prima facie tax on profit from ordinary activities at 34% (2000: 36%)		6,022	2,767	795	900
Tax effect of permanent differences:					
- Allowable deductions		(1,590)	(1,459)	-	-
- Tax effect of prior year timing differences and tax losses not previously brought to account		(2,640)	-	-	44
Net (loss) / profit attributable to change in income tax rate		(84)	(239)	1	1
Income tax expense attributable					
Ordinary activities		1,708	1,069	796	945

Deferred tax assets and liabilities:

Current tax payable		-	-	-	-
Provision for deferred income tax					
- current		-	-	-	-
Provision for deferred income tax					
- non-current	21	20,581	17,872	804	10
Future income tax benefit - non-current	13	20,348	19,169	2	2

Income tax losses:

Future income tax benefit arising from tax losses of a controlled entity not brought to account at balance date as realisation of the benefit is not regarded as virtually certain		-	3,892	-	-
Future income tax benefit carried forward as an asset that is attributable to tax losses		13,495	16,734	-	-

This future income tax benefit will only be obtained if:

- (a) future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by the tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the economic entity in realising the benefit.

for the year ended 30 June 2001

	Consolidated		Ramsay Health Care Limited	
	2001	2000	2001	2000
	\$ '000	\$ '000	\$ '000	\$ '000
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES				
(a) Dividends proposed:				
- Unfranked dividends - ordinary (5.0 cents per share) (2000: 4.4 cents)	6,263	4,786	6,263	4,786
	6,263	4,786	6,263	4,786
(b) Dividend paid during the year:				
<i>Interim dividend paid</i>				
- Unfranked dividends - ordinary (3.5 cents per share) (2000: 4.4 cents)	3,808	3,264	3,808	3,264
	3,808	3,264	3,808	3,264
	10,071	8,050	10,071	8,050
<i>Previous year final dividend paid</i>				
- Dividend is franked to 80%	-	4,786	-	4,786
- Unfranked dividends - ordinary (4.4 cents per share) (2000: 4.4 cents)	4,786	-	4,786	-
	4,786	4,786	4,786	4,786

The tax rate at which dividends have or will be franked is Nil (2000: Nil)

The interim dividend is unfranked and the final dividend is unlikely to be franked as it is unlikely there will be any franking credits available.

	Consolidated		Ramsay Health Care Limited	
	2001 \$ '000	2000 \$ '000	2001 \$ '000	2000 \$ '000
6. RECEIVABLES (CURRENT)				
Trade debtors	43,469	28,357	-	-
Less: Provision for doubtful debts	(2,688)	(902)	-	-
	40,781	27,455	-	-
Other debtors	10,313	7,093	-	-
Less: Provision for doubtful debts	(279)	(661)	-	-
	10,034	6,432	-	-
Loan to other related party	-	14	-	-
	-	14	-	-
	50,815	33,901	-	-
Movement in provision for doubtful debts:				
- Balance at beginning of year	(1,563)	(1,148)	-	-
- Provision for bad and doubtful debts on acquisition of entities / operations	(1,268)	-	-	-
- Bad debts previously provided for written-off during the year	802	218	-	-
- Bad and doubtful debts provided for during the year	(938)	(633)	-	-
Balance at end of year	(2,967)	(1,563)	-	-

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 34.

Operating Leases:

Certain assets under operating leases have been sub-let to third parties. The total of future minimum lease payments to be received at the reporting date is \$1,427,664 (2000: \$1,260,542).

	2001 \$ '000	2000 \$ '000
Current	604	658
Non-Current	824	603
	1,428	1,261

for the year ended 30 June 2001

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	
	2001	2000	2001	2000
Health funds	65	66	26,362	18,121
Government	27	24	11,032	6,589
Other	8	10	3,387	2,745
	100	100	40,781	27,455

	Consolidated		Ramsay Health Care Limited	
	2001 \$ '000	2000 \$ '000	2001 \$ '000	2000 \$ '000

7. INVENTORIES (CURRENT)

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

	6,434	4,516	-	-
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8. OTHER CURRENT ASSETS

Prepayments	3,835	2,103	-	7
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9. RECEIVABLES (NON CURRENT)

Amount receivable from controlled entities	-	-	4,062	74,792
	-	-	4,062	74,792

Refer to note 6 for non-current operating lease receivable.

		Consolidated		Ramsay Health Care Limited	
		2001	2000	2001	2000
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
10.OTHER FINANCIAL ASSETS					
(Non-Current)					
Non-Current Investments, at cost comprise:					
Ordinary Shares:					
- Listed on a prescribed stock exchange		8	6	-	-
- Other		136	220	-	-
		144	226	-	-
Units in unit trust:					
- Listed on a prescribed stock exchange		60	120	-	-
- Unsecured notes - unlisted		65	65	-	-
		125	185	-	-
		269	411	-	-
Investment in controlled entities:					
- Unlisted shares and units	10 (a)	-	-	149,997	149,997
		269	411	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.

for the year ended 30 June 2001

	Country of Incorporation	Beneficial Percentage	Held	Ramsay Health Care Limited	
		2001 %	2000 %	2001 \$ '000	2000 \$ '000
10.OTHER FINANCIAL ASSETS (Non-Current)					
10(a) Investment 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	Australia	100	100	139,997	139,997
and its controlled entities:					
Health Care Development Unit Trust	-	100	100		
Ramsay Bedford Park Pty Limited	Australia	100	100	★	★
Ramsay Health Care Investments Pty Limited	Australia	100	100	★	★
and its controlled entities:					
Ramsay Health Care #	Republic of Mauritius	100	100		
RHC Australia #	Republic of Mauritius	100	100		
RHC Diagnostics #	Republic of Mauritius	100	100		
Ramsay Hospital Holdings Pty Limited	Australia	100	100	★	★
Ramsay Hospital Holdings (Queensland) Pty Limited	Australia	100	100	★	★
Berwick Community Hospital Pty Limited	Australia	100	100		
Ramsay Centauri Pty Limited					
and its controlled entities:					
Alpha Healthcare Limited	Australia	100	-		
ADL Unit Trust	Australia	100	-		
Admed Pty Limited	Australia	100	-		
Alpha Imaging Unit Trust	Australia	100	-		
Alpha MBH Pty Limited	Australia	100	-		
Alpha Pacific Hospitals Pty Limited	Australia	100	-		
Alpha Westmead Private Hospital Pty Limited	Australia	100	-		
APL Hospital Holdings Pty Ltd	Australia	100	-		
Bowral Management Company Pty Limited	Australia	100	-		
Health Care Corporation Pty Limited	Australia	100	-		
Herglen Pty Limited	Australia	100	-		
Illawarra Private Hospital Holdings Pty Limited	Australia	100	-		
Imaging Unit Trust	Australia	100	-		
Karia Services Pty Limited	Australia	100	-		
LDH (North Turrumurra) Pty Limited	Australia	100	-		
Mt Wilga Pty Limited	Australia	100	-		
Navjot Pty Limited	Australia	100	-		
Northern Private Hospital Pty Limited	Australia	100	-		
Ragan Pty Limited					
(formerly Alpha Imaging Group Pty Limited)	Australia	100	-		
Sibdeal Pty Limited	Australia	100	-		
Simpac Services Pty Limited	Australia	100	-		
The M.A.R.C. 1 Unit Trust	Australia	100	-		
Westmead Private Hospital Pty Limited	Australia	100	-		
Workright Pty Limited	Australia	100	-		
Balance carried forward				149,997	149,997

	Country of Incorporation	Beneficial Percentage	Held	Ramsay Health Care Limited	
		2001 %	2000 %	2001 \$ '000	2000 \$ '000
10.OTHER FINANCIAL ASSETS					
(Non-Current) - continued					
10(a) Investment in controlled entities comprise:					
(continued)					
Balance carried forward				149,997	149,997
Ramsay Health Care Australia Pty Limited	Australia	100	100		
and its controlled entities:					
Ramsay Professional Services Pty Limited	Australia	100	100		
Phiroan Pty Limited	Australia	100	100		
New Farm Hospitals Pty Limited	Australia	100	100		
Ramsay Health Care (Victoria) Pty Limited	Australia	100	100		
Adelaide Clinic Holdings Pty Limited	Australia	100	100		
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	100		
RHC China Pty Limited	Australia	100	100		
Ramsay Health Care (Asia Pacific) Pty Limited					
and its controlled entities:					
P.T. Ramsay Health Care Asia Pacific #	Indonesia	100	100		
Ramsay Health and Management Services Sdn Bhd #	Malaysia	100	100		
				149,997	149,997

* Denotes \$2

Audited by other member firms of Ernst & Young International

10(b) Acquisition of Alpha Healthcare Limited

On 31 May 2001 Ramsay Health Care Limited through its wholly owned subsidiary Ramsay Centauri Pty Ltd acquired a controlling interest in Alpha Healthcare Limited for \$19.4 million. Alpha Healthcare has eight hospitals based in New South Wales. In addition Ramsay acquired debt owed by the Alpha Group with a book value of approximately \$28 million for \$8 million of which \$7 million has subsequently been repaid.

At 30 June 2001 Ramsay owned 89% of the voting share capital of Alpha. At the date of this report Ramsay owned 99% of the voting share capital. At 30 June 2001 100% of Alpha has been consolidated. Included in the consolidated accounts are restructuring provisions amounting to \$14.2 million. (current: \$6.8 million, non-current \$7.4 million).

for the year ended 30 June 2001

	Consolidated		Ramsay Health Care Limited	
	2001 \$ '000	2000 \$ '000	2001 \$ '000	2000 \$ '000
11. PROPERTY, PLANT AND EQUIPMENT				
Licensed private hospitals at fair value (a)	337,484	332,207	-	-
	337,484	332,207	-	-
Leasehold improvements - at cost	7,896	7,507	-	-
Less: accumulated amortisation	(715)	(473)	-	-
	7,181	7,034	-	-
Total land and buildings	344,665	339,241	-	-
Plant and equipment				
Plant and equipment - at cost	129,298	103,780	-	-
Less: accumulated depreciation	(72,799)	(51,252)	-	-
	56,499	52,528	-	-
Plant and equipment under lease	10,018	92	-	-
Less: accumulated amortisation	(3,298)	(78)	-	-
	6,720	14	-	-
Total plant and equipment	63,219	52,542	-	-
Total property, plant and equipment	407,884	391,783	-	-

(a) Valuations

The fair values of hospital assets have been determined by reference to director valuations, based upon independent valuations previously obtained. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

(b) Assets pledged as security

Refer to note 29 Contingent Liabilities.

(c) Reconciliation

Reconciliations of the carrying amounts of Hospital land and buildings and plant and equipment at the beginning and end of the current financial year:

	Consolidated	Ramsay Health Care Limited
	2001	2001
	\$ '000	\$ '000
11. PROPERTY, PLANT AND EQUIPMENT (Continued)		
Licensed private hospitals		
Carrying amount at beginning	332,207	-
Additions	6,426	-
Disposals	(608)	-
Additions through acquisition of entities / operations	38,428	-
Disposals through sale of entities / operations	(32,798)	-
Depreciation expense	(6,171)	-
	337,484	-
Leasehold improvements		
Carrying amount at beginning	7,034	-
Additions	15	-
Disposals	-	-
Additions through acquisition of entities / operations	444	-
Disposals through sale of entities / operations	(140)	-
Depreciation expense	(172)	-
	7,181	-
Plant and equipment at cost		
Carrying amount at beginning	52,528	-
Additions	6,507	-
Disposals	(361)	-
Additions through acquisition of entities / operations	19,363	-
Disposals through sale of entities / operations	(8,409)	-
Depreciation expense	(13,129)	-
	56,499	-
Plant and equipment under lease		
Carrying amount at beginning	14	-
Additions	82	-
Disposals	-	-
Additions through acquisition of entities / operations	6,645	-
Disposals through sale of entities / operations	(1)	-
Depreciation expense	(22)	-
	6,718	-
Total property, plant and equipment	407,882	-

for the year ended 30 June 2001

Notes	Consolidated		Ramsay Health Care Limited	
	2001 \$ '000	2000 \$ '000	2001 \$ '000	2000 \$ '000
12. GOODWILL				
Goodwill	10,864	3,409	-	-
Less: accumulated amortisation	(312)	(141)	-	-
	10,552	3,268	-	-
13. FUTURE INCOME TAX BENEFIT				
Future Income tax benefit	20,348	19,169	2	2
14. OTHER				
Project development	1,453	783	-	-
Less: accumulated amortisation	(1,228)	(524)	-	-
	225	259	-	-
15. ACCOUNTS PAYABLE (CURRENT)				
Unsecured liabilities:				
- Accounts payable	24,820	17,760	-	-
- Sundry creditors and accrued expenses	31,311	18,818	6	8
	56,131	36,578	6	8
Secured liabilities:				
- Lease liability - finance lease 29	-	18	-	-
- Loan - insurance funding 29	1,608	821	-	-
	1,608	839	-	-
	57,739	37,417	6	8
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.				
16. BORROWINGS (CURRENT)				
Secured:				
- Bank loans 29	14,678	13,254	-	-
- Lease liabilities (a)	2,765	-	-	-
- Bank overdraft	1,150	-	-	-
- Other loans	-	421	-	-
	18,593	13,675	-	-
Unsecured:				
- Loans	528	-	-	-
- Bank overdraft	16	-	-	-
	19,137	13,675	-	-

(a) Lease liabilities are effectively secured by the leased asset.

Further information on the bank loans and bank overdraft are set out in notes 33 and 36.

	Notes	Consolidated		Ramsay Health Care Limited	
		2001 \$ '000	2000 \$ '000	2001 \$ '000	2000 \$ '000
17. PROVISIONS (CURRENT)					
Dividend		6,263	4,786	6,263	4,786
Employee entitlements	24	16,948	10,625	-	-
Restructuring		6,820	-	-	-
Other		5,976	301	-	-
		36,007	15,712	6,263	4,786

Dividends payable: Dividends payable are recognised when recommended by the Directors. Dividend payable represents a final dividend of 5 cents per ordinary share for the financial year ended 30 June 2001. 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.

Restructuring provisions relate to the amounts provided for in determining the fair value of assets and liabilities of Alpha Healthcare Ltd at the date of acquisition and to bring Alpha accounting treatment in line with Ramsay.

18. ACCOUNTS PAYABLE (NON-CURRENT)

Unsecured:

- Accrued expenses	-	163	-	-
	-	163	-	-

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.

19. BORROWINGS (NON-CURRENT)

Unsecured:

- Other loans - related party	-	-	-	101,238
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Secured liabilities:

- Bank loans	33	149,715	209,667	-	-
- Lease liabilities		3,131	-	-	-
- Other loans		5,530	5,031	-	-
		158,376	214,698	-	101,238

Further information on borrowings are set out in note 29 and 32

20. PROVISIONS (NON-CURRENT)

Employee entitlements	24	8,840	5,339	-	-
Restructuring		7,428	-	-	-
Other - surplus lease expense		1,346	1,249	-	-
		17,614	6,588	-	-

Restructuring provisions relate to the amounts provided for in determining the fair value of assets and liabilities of Alpha Healthcare Ltd at the date of acquisition and to bring Alpha accounting treatment in line with Ramsay.

21. DEFERRED INCOME TAX LIABILITY

Deferred income tax liability		20,581	17,872	804	10
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for the year ended 30 June 2001

Consolidated		Ramsay Health Care Limited	
2001	2000	2001	2000
\$ '000	\$ '000	\$ '000	\$ '000

22. SHARE CAPITAL

(a) Issued and paid up capital

125,263,423 ordinary shares fully paid

(2000: 108,783,866 ordinary shares fully paid)

114,662 80,704 114,662 80,704

	2001		2000	
	Number of Shares	\$000	Number of Shares	\$000
(b) Movements in share issue:				
Beginning of financial year	108,783,866	80,704	108,783,866	80,704
Issued during the year:				
- private placement	15,000,000	31,500	-	-
Less transaction costs	-	(662)	-	-
- dividend reinvestment	1,330,557	2,855	-	-
- exercise of options	149,000	265	-	-
End of financial year	125,263,423	114,662	108,783,866	80,704

(c) Terms and conditions of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

22. SHARE CAPITAL (continued)

Share Options:

At the end of the year there were 3,518,000 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 #	2,125,000	Five years from date of issue, i.e. 17 September 2002
23 September 1997 #	20,000	Five years from date of issue, i.e. 23 September 2002
15 December 1998 #	147,500	Five years from date of issue, i.e. 15 December 2003
11 October 2000 *	1,225,500	Three years from date of issue, i.e. 11 October 2003
Exercised during the current period	119,500	at \$1.85 exercise price
	29,500	at \$1.50 exercise price
Lapsed during the current period	238,000	Five year options with various expiry dates.

At the date of this report there was a total of 2,501,750 options on issue to 40 executive and senior management employees of the company.

An employee incentive scheme has been established where directors, executives and certain members of staff of the consolidated entity are issued with options over the ordinary shares of Ramsay Health Care Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the directors of Ramsay Health Care Limited. The options can not be transferred, give no voting rights, and will not be quoted on the ASX. There are currently 46 executives and staff eligible for this scheme.

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% becoming exercisable three months before the anniversary date of the issue in each of the subsequent three years or at any time thereafter up until the fifth anniversary date of the issue;
- 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.

* On 11 October 2000 a total of 1,255,000 options were issued to executive and senior management employees under the following exercise conditions. The total number of options exercised as at 30 June 2001 was 29,500.

- o The expiry date of the options is three years after the date of issue as shown above;
- o 25% of the options can be exercised six months after the date of issue with a further 25% exercisable after each subsequent six monthly period, or at anytime thereafter, up and until the third anniversary date of the issue; and
- o The exercise price is \$1.50.

for the year ended 30 June 2001

		Consolidated		Ramsay Health Care Limited	
		2001	2000	2001	2000
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
23. RESERVES AND RETAINED PROFITS					
Assets revaluation	23(a)	54,432	54,432	-	-
		54,432	54,432	-	-
Retained profits	23(b)	32,112	26,179	32,591	41,121
Balance at end of year		32,112	26,179	32,591	41,121
(a) Reserves					
Assets revaluation		54,432	54,432	-	-
		54,432	54,432	-	-

(i) Nature and purpose of reserves:

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.
The reserve can only be used to pay dividends in limited circumstances.

(ii) Movements in reserve:

Balance at beginning of year	54,432	95,160	-	-
Revaluation (decrements)				
On revaluation of:				
- Licensed Private Hospitals	-	(40,728)	-	-
Balance at end of year	54,432	54,432	-	-
(b) Retained profits				
Balance at the beginning of year	26,179	27,613	41,121	47,616
Net profit attributable to members of Ramsay Health Care Limited	16,004	6,616	1,541	1,555
Total available for appropriation	42,183	34,229	42,662	49,171
Dividends paid for	(10,071)	(8,050)	(10,071)	(8,050)
Balance at end of year	32,112	26,179	32,591	41,121

24. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability is comprised of:

- Provisions (current)	16,948	10,625	-	-
- Provisions (non-current)	8,840	5,339	-	-
- Accrued salaries, wages and on costs	7,782	4,050	-	-
Balance at end of year	33,570	20,014	-	-

	Consolidated		Ramsay Health Care Limited	
	2001 \$ '000	2000 \$ '000	2001 \$ '000	2000 \$ '000
25. STATEMENT OF CASH FLOWS				
(a) Reconciliation of the operating profit after tax to the net cash flows from operations				
Profit from ordinary activities after tax	16,004	6,616	1,541	1,555
Non cash items				
Interest received (related entity)	-	-	(66)	(153)
Amortisation and depreciation	19,806	20,619	-	-
(Profit) / Loss on sale of non current assets	249	140	-	-
Net loss on disposal of Flinders Private Hospital	343	281	-	-
Changes in assets and liabilities				
Future income tax benefit	(1,179)	2,305	-	19
Receivables	(18,822)	785	7	4
Receivable-related companies	-	-	-	(3,569)
Creditors	25,225	2,829	(4)	-
Deferred income tax	(2,708)	(1,219)	796	6
Provision for employee entitlements	9,824	2,261	-	-
Inventory	(1,918)	214	-	-
Tax provisions	-	(2,171)	(1)	(889)
Net cash flow from/(used in) operating activities	52,240	32,660	(2,273)	(3,027)
(b) Reconciliation of cash				
Cash balances comprise:				
Cash on hand	26	19	-	-
Cash at bank and on deposit	10,272	12,011	265	3,069
Bank overdraft	(1,150)	-	-	-
Restricted cash balances	(4,222)	(8,078)	-	-
Closing cash balance	4,926	3,952	265	3,069

(c) Bank facilities

The economic entity has bank borrowing facilities available to the extent of \$226,090,752 (2000: \$256,961,430). At 30 June 2001 these facilities have been drawn down to \$165,560,000 (2000: \$223,116,153). Subsequent to 30 June 2001 a new banking facility has been negotiated. Refer to note 37, Subsequent Events.

(d) Restricted cash balances

Of the amount of \$10,272,000 (2000: \$12,011,000) shown as cash at bank and on deposit, the amount of \$4,222,000 (2000: \$8,078,000) is held in restricted accounts.

for the year ended 30 June 2001

(e) Acquisition of Controlled Entity

On 31 May 2001, Ramsay Health Care Australia Limited acquired control over the voting share capital of Alpha Healthcare Limited, a listed Australian company specialising in operating and managing private hospitals. The components of the acquisition are:

	2001 \$ '000
Consideration	
- Cash paid	19,444
	19,444
Net Assets of Alpha Healthcare Limited at 31 May 2001	
Current assets	
- Cash	2,083
- Receivables	20,996
- Inventories	1,902
Non-current assets	
- Investments	8
- Property, plant and equipment	64,880
Current liabilities	
- Loans	* (12,107)
- Trade creditors	(10,026)
- Provisions	(10,899)
Non-current liabilities	
- Borrowings	* (36,286)
- Provisions	(8,595)
Fair value of net tangible assets	11,956
Goodwill arising on acquisition	7,488
	19,444
Net cash effect:	
- Cash consideration paid	19,444
- Cash included in net assets acquired	(2,083)
Cash paid for purchase of controlled entity as reflected in the consolidated financial report	17,361

* Stated at the amounts that the economic entity paid to acquire the receivables.

(f) Non-cash financing and investing activities

Dividend Reinvestment Plan

Under the terms of the dividend reinvestment plan, \$2,855,077 of the dividends were paid via the issue of 1,330,557 shares.

Finance Lease Transactions

During the financial year the consolidated entity acquired plant and equipment with an aggregate fair value of \$6,645,000 by means of finance leases.

	Consolidated		Ramsay Health Care Limited	
	2001 \$ '000	2000 \$ '000	2001 \$ '000	2000 \$ '000
26. EXPENDITURE COMMITMENTS				
(a) Finance leases				
- not later than one year	3,034	18	-	-
- later than one year but not later than five years	3,040	-	-	-
- later than five years	530	-	-	-
- total minimum lease payments	6,604	18	-	-
- future finance charges	(708)	-	-	-
- lease liability	5,896	18	-	-
- current liability	2,765	18	-	-
- non-current liability	3,131	-	-	-
	5,896	18	-	-
Total lease liability accrued for:				
<i>Current</i>				
- Surplus lease space (operating lease)(i)	103	166	-	-
- Finance leases	2,765	18	-	-
	2,868	184	-	-
<i>Non-current</i>				
- Surplus lease space (operating lease)(i)	1,346	1,249	-	-
- Finance leases	3,131	-	-	-
	4,477	1,249	-	-
	7,345	1,433	-	-

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 8.4%. The security over finance leases is disclosed in note 33.

- (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.

for the year ended 30 June 2001

	Consolidated		Ramsay Health Care Limited	
	2001	2000	2001	2000
	\$ '000	\$ '000	\$ '000	\$ '000
26. EXPENDITURE COMMITMENTS (continued)				
(b) Lease expenditure commitments:				
Operating leases (non-cancellable):				
Minimum lease payments				
- not later than one year	5,077	2,261	-	-
- later than one year but not later than five years	16,730	8,810	-	-
- later than five years	31,231	6,258	-	-
Aggregate lease expenditure contracted for at balance date	53,038	17,329	-	-
Amounts not provided for:				
- rental commitments	51,589	15,914	-	-
(i) 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 \$1,427,664 (2000: \$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	7,770	2,172	-	-
- payable later than one year but not later than two years	-	596	-	-
Contracted for on private hospitals	7,770	2,768	-	-

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

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.

27. SEGMENTAL INFORMATION

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

28. 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.

29. CONTINGENT LIABILITIES

Ramsay Health Care Limited and each of its controlled entities (other than companies in the Alpha Healthcare Limited group) have provided cross guarantees to ensure full payment on a timely basis, of facilities 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 facilities.

Ramsay Health Care Australia Pty Limited and each of its controlled entities (other than companies in the Alpha Healthcare Limited group) are subject to a negative pledge and certain financial undertakings in connection with facilities provided by the lenders to Ramsay Health Care Australia Pty Limited.

Ramsay Hospital Holdings (Queensland) Pty Limited and Ramsay Hospital Holdings Pty Limited have given fixed and floating charges over all their assets and mortgages of all their land to secure all their borrowings.

for the year ended 30 June 2001

	Consolidated		Ramsay Health Care Limited	
	2001	2000	2001	2000
	\$	\$	\$	\$

30. 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

1,457,501 1,316,171

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 Ramsay Health Care Limited or any related party

1,457,501 1,316,171

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

	2001	2000	2001	2000
\$ 60,000 - \$ 69,999	6	6	6	6
\$ 80,000 - \$ 89,999	1	1	1	1
\$ 320,000 - \$329,999	-	1	-	1
\$ 340,000 - \$349,999	1	-	1	-
\$ 530,000 - \$539,999	-	1	-	1
\$ 640,000 - \$649,999	1	-	1	-

	Consolidated		Ramsay Health Care Limited	
	2001	2000	2001	2000
	\$	\$	\$	\$

31. 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

6,251,631 5,969,950

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

992,501 854,921

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

	2001	2000	2001	2000
\$100,000 - \$109,999	2	2	-	-
\$110,000 - \$119,999	1	5	-	-
\$120,000 - \$129,999	3	1	-	-
\$130,000 - \$139,999	4	4	-	-
\$140,000 - \$149,999	2	1	-	-
\$150,000 - \$159,999	2	2	-	-
\$160,000 - \$169,999	2	2	-	-
\$170,000 - \$179,999	2	3	-	-
\$180,000 - \$189,999	3	1	-	-
\$190,000 - \$199,999	2	2	-	-
\$200,000 - \$209,999	-	2	-	-
\$210,000 - \$219,999	1	1	-	-
\$220,000 - \$229,999	1	1	-	-
\$230,000 - \$239,999	2	-	-	-
\$270,000 - \$279,999	-	1	-	-
\$280,000 - \$289,999	-	-	-	-
\$290,000 - \$299,999	1	1	-	-
\$300,000 - \$309,999	-	-	-	-
\$310,000 - \$319,999	1	1	-	1
\$330,000 - \$339,999	-	1	-	-
\$340,000 - \$349,999	1	-	1	-
\$450,000 - \$459,999	1	-	1	-
\$500,000 - \$509,999	-	1	-	1
\$640,000 - \$649,999	1	-	1	-

for the year ended 30 June 2001

	Consolidated		Ramsay Health Care Limited	
	2001	2000	2001	2000
	\$	\$	\$	\$
32. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors for:				
- Auditing the accounts	331,540	304,000	-	-
- Other non audit services	307,562	496,710	-	-
	639,102	800,710	-	-

33. 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 facility of \$5 million provided by St George Bank is guaranteed by Ramsay Health Care Limited and the controlled entities provide cross guarantees similar to that detailed at note 29.

(ii) Bank Loans:

\$111,065,232 (2000: \$121,765,921) of bank loans at 30 June 2001 are amortising and will be repaid over the period July 2001 to September 2010. The effective rate of interest on these borrowings is 8.45% (2000: 9.07%). During September 2001 the Ramsay group signed a new facility agreement for \$250 million. Refer to note 37 Subsequent Events.

(c) Securities

(i) Lease Liability - Finance Leases:

Lease liabilities are effectively secured by the leased assets.

(ii) Secured Bank Loans:

Loans of \$31,303,019 (2000: \$36,136,957) 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 \$Nil (2000: \$1,827,706) are secured by a mortgage over land.

Loans of \$32,387,733 (2000: \$37,838,396) 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 \$65,896,000 (2000: \$101,154,723) 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.

34. RELATED PARTY TRANSACTIONS

Directors of Ramsay Health Care Limited at 30 June 2001 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	
	2001	2000	2001	2000
P.J. Ramsay	66,334,939	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	50,000	30,000	70,000	110,000
P.J. Evans	5,000	5,000	55,000	55,000
I.P.S. Grier	124,600	4,600	330,000	400,000
R.H. McGeoch	98,000	10,000	22,000	110,000
K.C.D. Roxburgh	80,000	60,000	70,000	110,000
B.R. Soden	5,387	5,300	235,000	135,000
	66,717,926	65,405,220	892,000	1,030,000

The terms and exercise conditions of these options are as disclosed in note 22.

for the year ended 30 June 2001

Mr Ramsay has a relevant interest in 66,334,939 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.

Movements in Directors' equity holdings

During the year:

- o Mr P.J. Ramsay acquired 1,064,619 shares through the dividend re-investment plan.
- o Mr B.R. Soden acquired 87 shares through the dividend re-investment plan.
- o Mr A.J. Clark acquired 40,000 shares through the exercise of options at an average price of \$1.85. Mr A.J. Clark sold 20,000 shares.

Since 30 June 2001:

- o Mr R.H. McGeoch acquired 88,000 shares through the exercise of options at an average price of \$1.85.
- o Mr K.C.D. Roxburgh acquired 40,000 shares through the exercise of options at an average price of \$1.85. Mr K.C.D. Roxburgh sold 20,000 shares.
- o Mr I.P.S. Grier acquired 320,000 shares through the exercise of options at an average price of \$1.85. Mr I.P.S. Grier sold 160,000 shares.

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 \$125,924 (2000: \$260,888).

- 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 2001 is \$13,700 (2000: \$14,000).

During the year costs charged by Paul Ramsay Holdings Pty Limited, for services rendered to the Group amounted to \$24,164 (2000: \$189,798).

Transactions with related parties in wholly owned group.

	2001 \$ '000	2000 \$ '000
Loans from Subsidiaries:		
- interest free	-	101,238
Loans to Subsidiaries:		
- interest free	4,062	74,792
	4,062	74,792

Interest is charged at commercial rates.

A guarantee fee of \$2,500,000 (2000: \$2,500,000) is charged by Ramsay Health Care Limited to a subsidiary company for the provision of bank guarantees.

35. EARNINGS PER SHARE

	2001	2000
(a) Basic earnings per share (cents per share)	14.2	6.1
(b) Diluted earnings per share (cents per share)	13.9	6.1
(c) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	113,094,689	108,783,866

Issues after 30 June 2001

Since the end of the financial year, 615,750 ordinary shares have been issued pursuant to the employee share option scheme. There have been no other issues of potential ordinary shares since the reporting date and before the completion of this financial report.

36. 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						
2001	10,272	-	-	-	10,272	4.68
2000	12,011	-	-	-	12,011	4.75
Total Financial Assets						
2001	10,272	-	-	-	10,272	-
2000	12,011	-	-	-	12,011	-
(ii) Financial Liabilities:						
Overdrafts						
2001	1,150	-	-	-	1,150	8.95
2000	-	-	-	-	-	-
Bank loans						
2001	-	14,678	125,219	24,496	164,393	8.45
2000	21,028	11,426	146,995	43,667	223,116	9.07
Other loans						
2001	-	528	5,530	-	6,058	1.3
2000	-	421	1,683	3,348	5,452	1.2
Loan - insurance funding						
2001	-	1,608	-	-	1,608	3.5
2000	-	821	-	-	821	2.12
Finance lease liability						
2001	-	2765	3,131	-	5,896	8.35
2000	-	18	-	-	18	8.50
Total Financial Liabilities						
2001	1,150	19,579	133,880	24,496	179,105	-
2000	21,028	12,686	148,678	47,015	229,407	-

All other financial instruments are non interest bearing.

for the year ended 30 June 2001

36. FINANCIAL INSTRUMENTS (continued)

(b) Net Fair Values

There is no significant difference between the aggregate net fair values of financial assets and financial liabilities and the value recognised in the Balance Sheet at 30 June 2001.

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.

37. SUBSEQUENT EVENTS

Refinancing

During September 2001 the Ramsay group signed a new facility agreement for \$250 million. The existing bank loans (see notes 29 and 33(c)(ii)), with the exception of the ANZ facility to Alpha Westmead Private Hospital Pty Limited of \$35.4 million will be replaced by the new group facility. The term of the facility is 5 years expiring in September 2006.

Ramsay Health Care Limited and each of its controlling entities (other than companies in the Alpha Healthcare Limited group):

- o Will provide cross guarantees to ensure full payment, on a timely basis, of the facility; and
- o Will be subject to a negative pledge and certain financial undertakings in connection with the facility.

North Shore Private Hospital Pty Limited will give a fixed and floating charge (debenture trust deed) over all its assets to secure the facility.

Ramsay Hospital Holdings Pty Limited (RHH) and Ramsay Hospital Holdings (Queensland) Pty Limited (RHHQ) will each give a fixed and floating charge over all its assets and a mortgage of its hospital land to secure the facility.

Ramsay Health Care Limited and Ramsay Health Care Investments Pty Limited, as shareholders in RHH and RHHQ, will mortgage their shares in RHH and RHHQ to secure the facility.

for the year ended 30 June 2001

SHAREHOLDER INFORMATION

The following additional information required by the Australian Stock Exchange Ltd, was applicable as at 30 August 2001:

(a) Distribution of Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 - 1,000	507	355,283	0.28
1,001 - 5,000	1,286	3,559,605	2.84
5,001 - 10,000	323	2,423,002	1.93
10,001 - 100,000	225	5,319,739	4.24
100,001 and over	32	113,739,794	90.71
Totals	2,373	125,397,423	100.00

(b) The number of shareholdings held in less than marketable parcels is 29.

(c) 20 Largest Shareholders - Ordinary Capital

Name	Number of fully paid Ordinary Shares	% of Issued Capital
1. Paul Ramsay Holding Pty Limited	39,317,330	31.35
2. Chase Manhattan Nominees Limited	31,221,849	24.90
3. Dervat Nominees Pty Limited	13,593,107	10.84
4. National Nominees Limited	6,161,458	4.91
5. Westpac Custodian Nominees Limited	5,510,135	4.39
6. AMP Life Limited	4,191,963	3.34
7. Queensland Investment Corporation	3,403,952	2.71
8. Perpetual Trustees Nominees Limited	1,538,771	1.23
9. Cognet Nominees Pty Limited	1,092,208	0.87
10. Commonwealth Custodial Services Limited (No. 4 A/C)	774,655	0.62
11. ANZ Nominees Limited	731,745	0.58
12. ECapital Nominees Pty Limited	569,653	0.45
13. Commonwealth Custodial Services Limited	560,044	0.45
14. Fortis Clearing Nominess Pty Limited	539,170	0.43
15. Guardian Trust Australia Limited	507,700	0.40
16. Victorian Workcover Authority	490,658	0.39
17. Commonwealth Custodial Services Limited (No. 100 A/C)	454,000	0.36
18. Questor Financial Services Limited	389,825	0.31
19. Permanent Trustee Company Limited	363,444	0.29
20.. Robhar Pty Limited	304,893	0.24
Totals	111,716,560	89.09

for the year ended 30 June 2001

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 30 August 2001 are:

Shareholder	Number of fully paid Ordinary Shares
Paul Ramsay Holdings Pty Limited	66,334,939
ING Australia Pty Limited	13,672,988
AMP Limited	7,026,861
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

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

Berkeley Vale Private Hospital*
Lorraine Avenue
Berkeley Vale, New South Wales 2261

Coffs Harbour Day Surgery
69 Albany Street
Coffs Harbour, New South Wales 2450

Evesham Clinic
1-3 Harrison Street
Cremorne, New South Wales 2090

Hunters Hill Private Hospital*
9 Mount Street
Hunters Hill, New South Wales 2110

Illawarra Private Hospital*
1 Suttor Place
Figtree, New South Wales 2525

Lawrence Hargrave Private Hospital*
72 Phillip Street
Thirroul, New South Wales 2515

Mt Wilga Private Hospital*
2 Manor Avenue
Hornsby, New South Wales 2077

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

Southern Highlands Private Hospital*
99 Bowral Street
Bowral, New South Wales 2576

Wentworth Private Clinic*
23-27 Lytton Street
Wentworthville, New South Wales 2145

Tamara Private Hospital
2-6 Dean Street
Tamworth, New South Wales 2340

Westmead Private Hospital*
Corner Mons and Darcy Road
Westmead, New South Wales 2145

Queensland

Greenslopes Private Hospital
Newdegate Street
Greenslopes, Queensland 4120

New Farm Clinic
22 Sargent Street
New Farm, Queensland 4005

South Australia

The Adelaide Clinic
33-36 Park Terrace
Gilberton, South Australia 5081

Fullarton Private Hospital
293-295 Fullarton Road
Parkside, South Australia 5063

Kahlyn Private Hospital
40 Briant Road
Magill, South Australia 5072

Victoria

Albert Road Clinic
31 Albert Road
Melbourne, Victoria 3004

Mildura Base Hospital
Ontario Avenue
Mildura, Victoria 3500

Western Australia

Hollywood Private Hospital
Monash Avenue
Nedlands, Western Australia 6009

* Recently acquired Hospitals
from Alpha Healthcare.



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