

# Ramsay Health Care

## Annual Report 2002



BROUGHT TO YOU BY THE RAMSAY HEALTH CARE GROUP

## Our Commitment

# Contents

<b>1</b>	Highlights
<b>4</b>	Chairman's Report
<b>8</b>	Managing Director's Report
<b>12</b>	Review of Operations
<b>18</b>	Board of Directors
<b>22</b>	Corporate Governance
<b>25</b>	Financial Statements

## 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 NSW 2000 on Tuesday the 19th of November 2002 at 10.30am.

A digital copy of the Ramsay Annual Report can be downloaded from:  
[www.ramsayhealth.com.au](http://www.ramsayhealth.com.au)

# Highlights 2002

- A record net profit of \$31.1 million, up 94% from previous year and a 42% rise in revenue to \$549.8 million.
- The integration of the eight Alpha Healthcare Hospitals was successfully completed and exceeded expectations, delivering significant synergy benefits and competitive advantage to Ramsay Health Care.
- Ramsay Health Care's commitment to strong partnerships with doctors and our relationship management practices contributes to sustainable profit and business growth.
- Acquisition of Lake Macquarie Private Hospital in Newcastle which has boosted the Company's New South Wales presence.
- In October 2002, the Company executed an agreement to acquire the 141 bed Calvary Cairns Private Hospital.
- The dividend for the financial year increased to 11¢ from 8.5¢ the previous year.

Financial Highlights	Year ended 30 June 2002	Year ended 30 June 2001
Operating revenue	\$549.8 m	\$387.9 m
Earnings before interest & tax	\$58.4 m	\$39.6 m
Net profit after income tax	\$31.1 m	\$16.0 m
Earnings per share	24.5¢	14.2¢
Dividends per share	11¢	8.5¢

“In the 2002 financial year, Ramsay Health Care further enhanced its position as the **most experienced & respected operator** in the private hospital industry.”

- Paul Ramsay AO

## Our Commitment

YOUR HEALTH, YOUR COMMUNITY, YOUR CAREER, YOUR INDUSTRY, YOUR INVESTMENT...**OUR COMMITMENT**



# Your Health Our Commitment

Ramsay Health Care is committed to ongoing improvement of patient care in all areas. While we have an excellent record in quality patient care and risk management, the Company continues to focus on improvements in these areas. We have recently introduced resources and expertise aimed at developing and expanding innovative comprehensive clinical risk management systems and processes in all our hospitals.

As evidence of the Company's commitment to risk management, clinical excellence and continuous quality improvement, all of the Ramsay Health Care hospitals have achieved full accreditation status with the Australian Council on Healthcare Standards.

**“Ramsay Health Care is committed to ongoing improvement of patient care in all areas.”**

As the premier private healthcare organisation in Australia, Ramsay Health Care will continue to improve patient safety by examining and supporting the development of clinical risk mediation strategies.

Ramsay Health Care is the dominant private provider of services for the veteran community. A major capacity expansion of the Company's veteran hospitals, Hollywood Private in Perth and Greenslopes Private in Brisbane, has been undertaken which will assist in meeting the needs of both the veteran and private patient communities into the future.

In addition, the Company maintains its position as the pre-eminent provider of private psychiatric health care in Australia. The Company has an unparalleled reputation in this area for care and innovation, with many of our Clinics containing specialist units considered leaders in their field.



# Your Health

**YOUR HEALTH, YOUR COMMUNITY, YOUR CAREER, YOUR INDUSTRY, YOUR INVESTMENT...OUR COMMITMENT**



# Chairman's Report

In the 2002 financial year, Ramsay Health Care further enhanced its position as the most experienced and respected operator in the private hospital industry. Staying close to our core competencies and making acquisitions only in areas that add value has paid dividends. The latest results demonstrate the strength and potential of all our hospitals, including those acquired last year.

Our strong financial performance can be attributed to the continued strength and expertise of our management, as well as improved health fund reimbursement rates. This has been achieved because of the consistent quality of care provided by Ramsay Health Care hospitals.

The 2002 financial year was another year of growth for private hospitals as a strong private health insurance market continues to buoy the sector. With 12 month waiting periods now over for those people who joined during the Federal Government's lifetime health cover campaign, the level of demand for private hospital services remains at historically high levels. Ramsay's strong relationships with the health funds and the strategic profile of our hospital portfolio will position the Company well to continue to capitalize on the improved environment in the private hospital sector.

The integration of Alpha Healthcare hospitals proceeded well during the year. Revenue and earnings outcomes from these hospitals have exceeded our expectations due to the synergies, benefits and savings achieved post-acquisition. We are very pleased that these acquisitions have proven to be very successful additions to, and a good fit with, our existing operations. The purchase and redevelopment of Lake Macquarie Private Hospital in New South Wales will also contribute to the Company's results in future years.

This year, the Company focused on growing the business through expansions at our existing hospitals. Significant capacity expansion projects are underway at our major medical/surgical facilities to cope with the growing demand for beds and operating theatre time. These expansion projects will suitably position these hospitals, particularly our veteran hospitals, into the future. Within these developments, suitable growth for areas such as day surgery have been factored into the planning. By 2003, both Hollywood and Greenslopes Private Hospitals will be among the largest private hospitals in the nation.

At Ramsay we have always believed that the strength of key relationships with doctors and staff contributes to sustainable profit and business growth. Ramsay Health Care recognizes the importance of maintaining strong relationships with our medical practitioners and will continue to foster these relationships into the future. To this end, we continue to focus on teaching and research to ensure our hospitals remain at the forefront of medical and surgical expertise.

"The Ramsay Way" culture remains the essence of Ramsay Health Care and continues to assist us in achieving our goal to be an employer of choice. Our focus on employee benefits and staff development has ensured that we continue to be a sought after employer for nursing and other hospital staff.

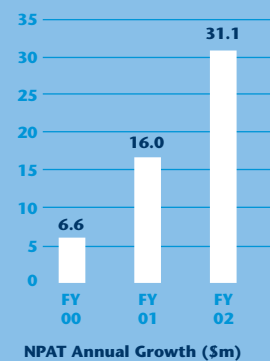
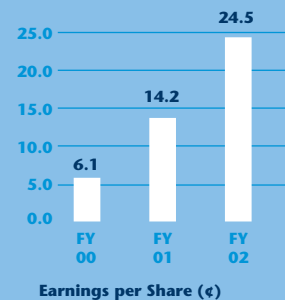
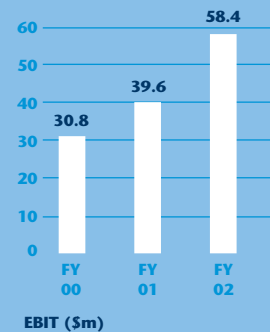
Our commitment to the veteran community, and ensuring that we provide the highest levels of service to this community, is unparalleled in the private health care sector. We are engaged in active consultation with the veteran community through our ex-service advisory groups at both Hollywood and Greenslopes Private Hospitals and continue to expand services at these facilities in order to meet their needs and demands. In addition, we continue to provide value-added services at these hospitals, tailored particularly for the health care needs of the veteran community.

Based on the strength of our hospitals and added capacity coming onstream over the next few years, we see solid profit growth continuing over the medium term. The Company will continue to investigate growth and acquisition opportunities in the private hospital sector, as well as actively investigating ways to leverage our management expertise in related markets within the wider health care environment. To this end, our interest in the aged care market is firming and we are actively seeking opportunities in this area.

I would like to take this opportunity to thank both our staff and medical practitioners for their outstanding contributions throughout the year.



**Paul Ramsay AO**  
Chairman



“Significant capacity expansion projects are underway at our major medical/surgical facilities to cope with the growing demand for beds & operating theatre time.”

# Your Community

## Our Commitment

Ramsay Health Care has a long and highly respected commitment to the community through the promotion and funding of medical teaching and scientific research. Our Company is the leader in teaching and research in the private hospital industry. Many of our hospitals are affiliated with local university medical centres and public teaching hospitals. Greenslopes Private Hospital in Brisbane is the only private teaching hospital in Australia and the only private hospital to be accredited for basic physician training. Hollywood Private Hospital in Perth has recently established the most advanced human cartilage growing facility of its type within Australia and South East Asia, preventing the need for patient cells to be flown to Europe. Our psychiatric facilities are also the training ground for many of our future psychiatrists. As a result of our focus on teaching and research, our medical and surgical staff remain at the forefront of medical expertise, allowing us to provide the highest standards of care to the community.

“Ramsay Health Care has a long & highly respected commitment to the community...”

Within their local communities, our hospitals provide unparalleled support to community projects and events through ongoing assistance and sponsorship. Sponsorships such as “Giant Steps” - an educational and therapy centre for children with autism located in Gladesville, Sydney - not only recognizes the importance of community projects such as this but assists to position our hospitals as key identities in the local community.



A woman with short brown hair and blue eyes, wearing a light green sweater, is looking up and to the side with a slight smile. She is holding a blue folder and a pen. The background is blurred, showing other people in a meeting setting.

# Your Community

YOUR HEALTH, **YOUR COMMUNITY**, YOUR CAREER, YOUR INDUSTRY, YOUR INVESTMENT...**OUR COMMITMENT**



# Managing Director's Report

Ramsay Health Care achieved further significant profit and operational milestones in the 2002 financial year.

Net profit in the year rose 94% to a record \$31.1 million for the 2002 financial year, building on the more than doubling in profit recorded in the 2001 financial year. The latest profit rise came on a 42% rise in revenue to \$549.8 million. Earnings before interest and tax (EBIT) rose 48% to \$58.4 million and the EBIT margin improved to 10.6% from 10.2%.

The strong 2002 profit result highlights the ability of Ramsay Health Care management to maximise returns from the continuing strength in the private hospital sector, as well as managing challenges as they come along. It also demonstrates the quality and strategic positioning of the Group's portfolio of hospitals.

The directors of Ramsay Health Care have declared a final dividend of 6.5 cents a share, unfranked, up from 5.0 cents for the previous corresponding half, taking the full year dividend to 11 cents, unfranked, from 8.5 cents the previous year.

It is pleasing to note that the first full year of results from Alpha Healthcare, acquired in 2001, has exceeded our expectations and proved the strategic value of this acquisition. Significant synergy benefits and competitive advantage have been achieved from the Alpha integration. In addition, the existing Ramsay hospitals also performed strongly during the year, with margins improving despite higher costs. Organic growth from the existing Ramsay hospitals, as evidenced by a 21% rise in EBIT for the year, shows the strength of the underlying business.

The results endorse Ramsay's management model and the priority we give to maintaining strong staff and doctor relationships. Ramsay Health Care management is focused on continuing to carefully manage costs, whilst still growing our business.

All of Ramsay's hospitals contributed to the 48% rise in EBIT during the year. This is a pleasing and significant outcome. It emphasises the quality of the assets and revenue mix which continue to deliver higher earnings and potential for further organic growth.

## GROWTH INITIATIVES

Ramsay Health Care continues to expand through strategic acquisitions, finalising the purchase of the Lake Macquarie Private Hospital in April 2002.

The acquisition of the 76 bed private hospital, which specialises in cardio-thoracic and vascular surgery and interventional cardiology, gives Ramsay Health Care access to the Newcastle/Hunter region of New South Wales and brings the total number of facilities in the Company's portfolio to 24.

The Company has recently announced the purchase of the 141 bed Calvary Cairns Private Hospital from the Catholic Diocese of Cairns. Contracts for the sale of the Hospital were executed in October 2002 and the change of ownership is expected to take place in November. The acquisition of this Hospital is in line with our strategy of continuing to add assets which will contribute positively to the Company's performance and enhance the quality of Ramsay's portfolio of hospitals.

Apart from acquisitions, Ramsay Health Care is undertaking a capacity expansion program to meet the continuing strength in demand.

Ramsay's \$75 million expansion program at existing hospital facilities, funded from strong cash flows, is proceeding well and on schedule, enabling the Group to capitalise on the increased demand for private hospital beds. Expansion projects are currently taking place at Hollywood, Greenslopes, Albury Wodonga and Lake Macquarie Private Hospitals.

This program is in line with Ramsay's strategy to give priority to adding capacity at existing hospitals which provides the opportunity for higher returns in a shorter period of time.

#### OUTLOOK

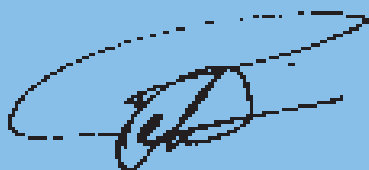
Ramsay Health Care is actively investigating further hospital acquisitions, as well as other opportunities closely allied to the private hospital sector. We have undertaken considerable work evaluating the aged care sector and our commitment to investing in this related industry is imminent. For any investment decision we make in aged care or other acquisitions we will be diligent in applying investment hurdles and will only invest in those facilities that have a strategic fit and where we can add value.

We expect conditions to remain strong in the private hospital sector, particularly for the high quality service and facilities that the Ramsay Group provides. We are cautiously optimistic for this financial year and expect to achieve further organic growth of the existing business and continue to pursue sustainable cost controls.

Health fund reimbursement rates are expected to continue to improve based on our quality of assets and the strong demand for our well-positioned hospitals.

Looking further out, the year after will be boosted by the benefits of the extra capacity coming on-stream. We believe Ramsay Health Care has the management and processes in place to meet any challenges while capitalising on opportunities in the private hospital sector and beyond.

"The strong 2002 profit result highlights the ability of Ramsay Health Care management to maximise returns from the continuing strength in the private hospital sector..."



**Pat Grier**  
Managing Director

# Your Career

## Our Commitment

Ramsay Health Care differentiates itself from other hospital operators through decentralised management and our excellent relationship with staff and doctors. Our hospitals are led by competent and experienced managers renowned for having an “open door” policy and providing staff at all levels with career expansion, training and development opportunities.

Our staff work in an environment that is receptive and flexible and they have the opportunity to shape the standards and quality of care. The Company is recognized for its commitment to staff through the fostering and development of a special culture known as “The Ramsay Way”.

“The Company is recognized for its  
commitment to staff...”

“The Ramsay Way” recognizes that staff are an integral part of the Organisation and seeks to provide staff with benefits, recognition and ongoing communication. In the last year, various policies and programs such as an organization-wide parental leave policy, recognition of portability of entitlements, employment of a national staff development coordinator and the development of a national middle management training program, have been adopted by the Company in recognition of our most important resource - staff. All these strategies are seen to improve recruitment and retention of staff to the Company.

A close-up portrait of a woman with a warm smile, wearing a light blue surgical cap and matching scrubs over a white shirt. She is positioned on the right side of the frame, looking towards the camera. The background is a blurred clinical setting with medical equipment and orange tubing visible on the left.

# Your Career

YOUR HEALTH, YOUR COMMUNITY, **YOUR CAREER**, YOUR INDUSTRY, YOUR INVESTMENT, **YOUR COMMITMENT**

# Review of Operations

In the 2002 financial year, management at Ramsay Health Care facilities took advantage of the positive private health insurance environment to maximize profits and improve efficiencies. The market demand ensured strong occupancy at all hospitals was maintained and the quality and strategic position of our hospitals allowed constructive negotiations with health funds and improved reimbursement rates.

We continue to focus on a sustainable cost containment strategy, at the same time recognizing the need to provide greater emphasis in the key areas of risk management, nurse recruitment and retention, and staff development.

All of Ramsay's five operating divisions (Veteran, Regional Medical/Surgical, Collocated, Psychiatric and Rehabilitation) performed well in the 2002 financial year and contributed to the 48% rise in earning before interest and tax (EBIT). Importantly, organic growth from the existing Ramsay hospitals, not including the Alpha Healthcare hospitals acquired in 2001, achieved a 21% rise in EBIT, demonstrating the strength and growth potential of the underlying business.





From far left:

- North Shore Private Hospital entrance
- Lake Macquarie Private Hospital reception
- Albury Wodonga Private Hospital Day Centre
- Westmead Private Hospital entrance
- Mildura Base Hospital courtyard



### INTEGRATION OF ALPHA

The integration of Alpha Healthcare has been achieved seamlessly and Alpha hospitals are making a significant contribution to group profits. The conversion of Alpha's operating systems to that of Ramsay Health Care took place without problems and in a timely fashion. All projected cost efficiencies were achieved in addition to the standardisation of pricing across the whole group.

### VETERANS' HOSPITALS

Hollywood Private Hospital in Perth and Greenslopes Private Hospital in Brisbane produced solid results during the past year due to the continuation of strong Veteran activity and emerging health insurance activity.

Both hospitals continued to focus on providing care primarily for the Veteran community but with a planned increase in non-Veteran admissions.

At Hollywood, construction of two new 30 bed wards has been completed with the wards opening in May 2002. An additional cardiac catheterisation laboratory and 10 extra psychiatric beds opened in May 2002 and July 2002 respectively. Four operating theatres and a new Intensive Care Unit are currently being constructed.

At Greenslopes, an additional 32 beds opened in August 2001 with a further 90 beds, 4 new operating theatres and a medical consulting suite complex currently being constructed and due to open in March 2003. This will make Greenslopes Private Hospital at 527 beds, the largest private hospital in Australia by some margin. It also provides the physical plank to effect the ongoing transition to non-Veteran admissions by creating extra capacity.

### COLLOCATED HOSPITALS

2002 was an impressive year for this Division. North Shore Private Hospital strengthened its leading position as the hospital of choice on Sydney's north shore. The Hospital set several new records in terms of activity and increased its EBIT performance markedly over the previous year. In March 2002, an additional 12 new beds were opened to cater for the continued increase in demand.

The newly acquired Westmead Private Hospital also recorded a robust year achieving activity levels and EBIT performance substantially ahead of forecast. The Hospital has moved more quickly along its growth curve than anticipated and has become a central player in the west of Sydney. In order to service increasing surgical demand, an additional operating theatre has been developed and will open in November 2002.

Southern Highlands Private Hospital in Bowral also surpassed expectations in the year.



Top & above: Southern Highlands Private Hospital

### REGIONAL MEDICAL SURGICAL HOSPITALS

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

The Day Surgery at Coffs Harbour performed above expectations and continues to demonstrate growth.

At Albury Wodonga Private Hospital, an additional 10 beds were constructed and became operational in July 2002. An expanded operating theatre suite, critical care unit and day surgery facilities will open in November 2002.

Mildura Base Hospital had a better than anticipated year. 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.

All the medical/surgical hospitals acquired in the Alpha purchase recorded outstanding results. Of particular note were Illawarra and Berkeley Vale Private Hospitals, which experienced substantial increases in activity across the board and, with this, a commensurate increase in bottom line performance.

In April 2002, Ramsay Health Care acquired Lake Macquarie Private Hospital. Currently a 76 bed medical surgical hospital focusing on cardiac, cardiology and vascular services, an additional 44 beds, 2 operating theatres, an expanded day surgery and medical suites are being added which will cement its position as the premier private hospital facility in the Newcastle area.



## PSYCHIATRIC HOSPITALS

The Psychiatric 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; Evesham and Northside in Sydney; and The Adelaide Clinic, Kahlyn Private Hospital and Fullarton Private Hospital in Adelaide, recorded improved results on the previous year.

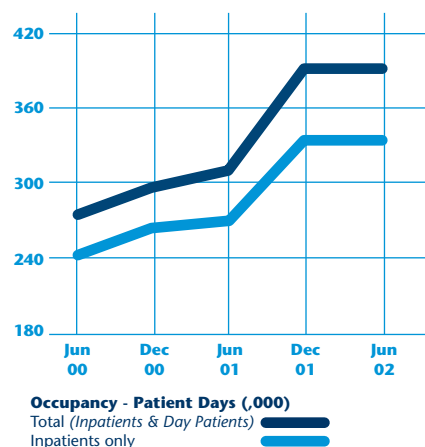
The newly acquired Alpha Hospital - Wentworth Clinic - had an excellent year developing a series of new programs around its existing drug and alcohol (treatment) base.

The operating environment for psychiatry continues to develop due to the growing awareness and recognition of the extent of mental illness and the need for high quality, accessible services.

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

## REHABILITATION HOSPITALS

Both Lawrence Hargrave Private Hospital and Mount Wilga Private Hospital recorded strong results substantially ahead of forecast. Both of these hospitals experienced solid referral bases and enhanced reputations in their area.



Hospital Division	Number	Licensed Beds
Veteran	2	787
Collocated	3	376
Regional Medical/Surgical	8	705
Psychiatric	8	552
Rehabilitation	2	119
<b>Total</b>	<b>23</b>	<b>2539</b>

### Hospital Portfolio

Coffs Harbour Day Surgery & Cairns Private Hospital not included.

## Capacity expansions across the Company

### Greenslopes Private Hospital

- 90 bed development, 4 theatres, medical centre complex (Completion by late second half of 2003 financial year)

### Hollywood Private Hospital

- 70 bed development, 4 theatres, a second catheterisation laboratory & new ICU - (Phased completion by June 2003)

### Albury Wodonga Private Hospital

- 10 bed development, theatre & day surgery expansion (Complete in first half of 2003 financial year)

### North Shore Private Hospital

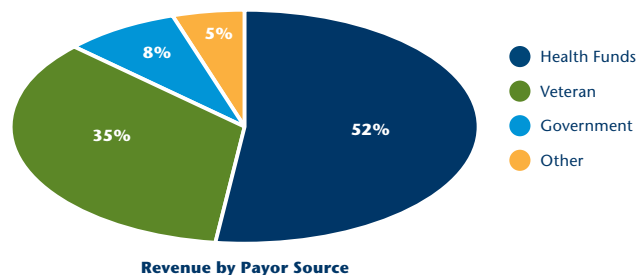
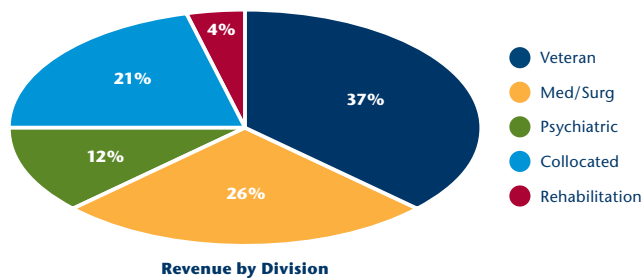
- 14 bed development (completed March 2002)

### Westmead Private Hospital

- Additional theatre capacity (Complete in first half of 2003 financial year)

### Lake Macquarie Private Hospital

- 48 bed development, theatre & day surgery expansion, medical centre complex (Complete in second half of 2004 financial year)



# Your Industry

## Our Commitment

Well respected as the leader in the private hospital community, Ramsay Health Care is at the forefront of industry issues, debate and forecasts. The Company is well-represented on key industry groups such as the Australian Private Hospitals Association, and maintains strong relationships with the medical profession, health funds, government and other stakeholders.

The Ramsay Health Care culture promotes partnering with the medical profession to achieve high standards and innovative, customer-focused care. To this end, we promote the collocation of specialist suites and medical centres of excellence within our hospitals and are currently building new specialist suites at some of our key hospitals. In partnering with doctors, we are able to achieve significant benefits for patients, our hospitals, the community and the Company as a whole.

**“We maintain strong relationships with the medical profession, health funds & government.”**

The outlook for the industry is excellent, with high rates of health fund membership expected to continue. The Company supports the model of a balanced health care system in Australia between the public and private sector and, to this end, maintains close working relationships with the health funds, government and industry stakeholders.



Your  
Industry

YOUR HEALTH, YOUR COMMUNITY, YOUR CAREER, **YOUR INDUSTRY**, YOUR INVESTMENT...**OUR COMMITMENT**

# Board of Directors



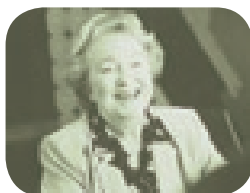
**P J Ramsay AO**  
Non-Executive Chairman  
*Appointed 26/05/75*

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. In the June 2002, Queen's Birthday Honours List, Mr Ramsay was conferred an Officer of the Order of Australia for services to the community through the establishment of private health care facilities, expanding regional television services and as a benefactor to a range of educational, cultural, artistic and sporting organizations.



**M S Siddle**  
Non-Executive  
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.



**I P S Grier**  
Managing Director  
*Appointed 25/06/97*

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



**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 and until 1991, he was Chief Financial Officer of the Ramsay Health Care Group. 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.





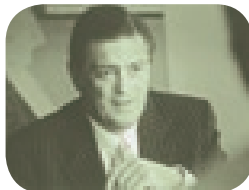
**P J Evans FCA**  
Non-Executive Director  
Appointed 25/06/90

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



**A J Clark AM FCA**  
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.



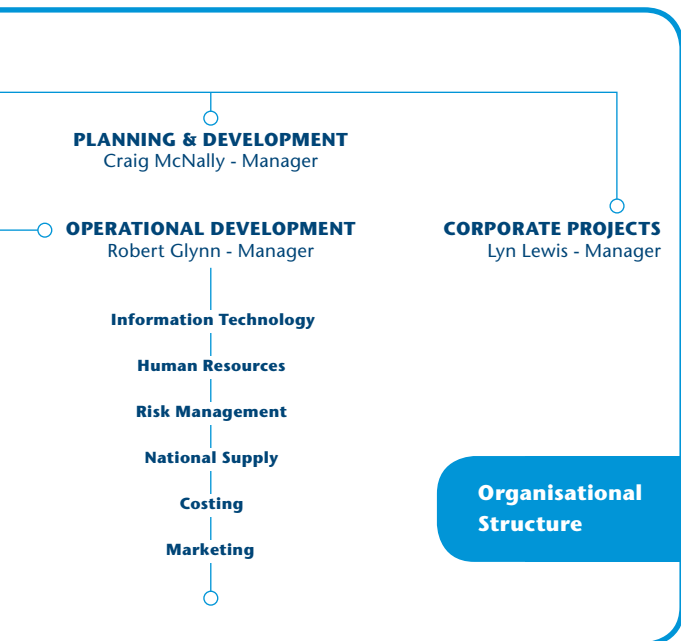
**R H McGeoch AM LLB**  
Non-Executive Director  
Appointed 03/07/97

Mr Rod McGeoch, is Chairman Emeritus 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 Deputy Chairman of Australia Pacific Airports Corporations Limited. He is Chairman of Telecom Corporation of New Zealand Australia Pty Limited and a director of Telecom Corporation of New Zealand Limited. He is Chairman of Sporting Frontiers (Australia) Pty Limited and a director of Sporting Frontiers PLC. He is a director of Sky City Entertainment Group 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.



**K C D Roxburgh**  
B.Comm, MBA, SDIAM  
Non-Executive Director  
Appointed 03/07/97

Mr Kerry Roxburgh is a SDIA Practitioner Member - Stockbroking and has recently completed a two year term as CEO of E\*Trade Australia Limited where he is currently 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, James Capel Australia. 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 and he has been a non-executive director of a number of listed companies including J. Boag & Son and Climax Mining.



# Your Investment

## Our Commitment

Over the last decade Ramsay Health Care has developed a high quality portfolio of strategically located assets, which has helped to ensure excellent returns on investment. Each of our hospital divisions - psychiatric, veteran, rehabilitation, regional medical/surgical and collocated - are leaders in their field and the differentiation of each ensures diversification of revenue.

In the last few years, the Company has concentrated on giving priority to adding capacity at existing hospitals, which ensures lower risk and provides the opportunity for higher returns in a shorter period of time. At the same time, Ramsay Health Care continues to seek opportunities for asset acquisition.

### Strategic Directions

Guided by disciplined investment hurdles and with a focus on strategic fit, the Company is pursuing the following strategic directions:

- Target lower risk, higher returns through investing in and adding capacity to existing hospitals.
- Actively investigate further hospital acquisitions that offer opportunities for growth.
- Explore other opportunities outside of hospitals, close to core competencies, and where we can add value.

## “We have developed a high quality portfolio of strategically located assets...”

Utilising years of experience and expert management, we actively investigate further hospital acquisitions as well as other opportunities close to our core competencies. To this end, the Company has recently executed an agreement to purchase Calvary Cairns Private Hospital and our investment in the aged care sector is imminent. Through our commitment to our shareholders, we will be diligent in applying investment hurdles and only buying those facilities that have a strategic fit and where we can add value.

In the meantime, Ramsay Health Care has developed and acquired quality hospitals, which are assured of excellent occupancy rates due to their geographic location and their ability to offer high class health services. As a result of years of experience and expert management, we have also overcome recent issues of indemnity insurance and nurse shortages, positioning ourselves ahead of the rest of the industry in addressing these areas.

A medical syringe is shown at an angle, with the needle pointing towards the bottom right. The syringe's scale is visible, with numbers ranging from 0 to 100. A red line graph is superimposed over the syringe's scale, showing a fluctuating upward trend. The background is a soft, out-of-focus mix of green and blue.

# Your Investment

YOUR HEALTH, YOUR COMMUNITY, YOUR CAREER, YOUR INDUSTRY, **YOUR INVESTMENT...OUR COMMITMENT**



# Corporate Governance Statement

The purpose of this statement is to outline Ramsay Health Care's main corporate governance practices that were in place during the financial year ended 30 June 2002. Unless otherwise stated, the practices set out below were in place throughout the financial year.

## BOARD OF DIRECTORS

In recognition of its responsibility to Company shareholders for the creation of shareholder value and the safeguarding of shareholders' funds, the Board of Ramsay Health Care has adopted the following principles in defining their corporate governance role:

- (a) Setting the strategic direction for the Company;
- (b) Providing the leadership necessary to put strategic plans into effect;
- (c) Supervising the management of the Company's business;
- (d) Identifying areas of significant business risk; *and*
- (e) Ensuring that appropriately skilled management is employed to implement the Board's instructions.

To ensure the highest standard of performance and accountability the Directors regularly review their corporate governance responsibilities.

## BOARD & BOARD COMMITTEE MEETINGS

The Board normally holds ten scheduled meetings in each financial year, with one scheduled meeting dedicated to an annual review with senior management of the Company's strategic direction.

The Board may also meet on other occasions between scheduled meetings to deal with specific matters as the need arises.

Meetings of the various Board Committees are scheduled regularly throughout the financial year.

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

Currently, the Board is made up of nine Directors, comprising a majority of seven non-executive Directors, including the Chairman, and two executive Directors. The non-executive Directors have 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 this annual report.

The appointment and removal of Directors is governed by the Company's Constitution. The Board is responsible for selecting and approving its own candidates to fill any casual vacancies that may arise on the Board. Directors who have been appointed to fill casual vacancies must offer themselves for re-election at the next annual general meeting of the Company. In addition at each annual general meeting, one third of the 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.

## 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 with, and the approval of, the Chairman.

## BOARD COMMITTEES

The following Committees operate under terms of reference approved by the Board:

- Audit Committee;
- Remuneration Committee;
- Risk Management Committee (formerly the Quality Improvement Sub-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 during the financial year were:

Peter Evans (*non-executive Chairman*)  
Tony Clark (*non-executive*)  
Kerry Roxburgh (*non-executive*)

The Managing Director, Pat Grier and the Finance Director, Bruce Soden were ex-officio members of the Committee during the financial year.



The following changes to the Audit Committee have been determined by the Board with effect from 1 September 2002:

- The Audit Committee will be comprised of non-executive Directors only;
- The Managing Director, Pat Grier and the Finance Director, Bruce Soden, who were ex-officio members, will no longer be members of the Audit Committee;
- The Managing Director and the Finance Director will attend meetings of the Audit Committee along with other members of the executive team and the external auditor by invitation only;

The external auditors have a standing invitation to meet with the Audit Committee or the Chairman of the Audit Committee, at any time, without the presence of the executive Directors or management.

The Committee's responsibilities are to:

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

The duties of the Committee also include reviewing the nomination and performance of the Company's external auditors, and approving the external audit plan and fees in respect of the external audit.

### Audit Independence

The Committee acknowledges that a high quality, independent statutory audit, is essential to the maintenance of the highest standards in financial reporting. To ensure that the statutory auditor is at all times independent, as well as seen to be independent, the Committee has adopted a Charter of Audit Independence.

Under the terms of the Charter, the statutory auditor is prohibited from providing non-audit services, which would or may affect the actual or perceived independence of the auditor's ongoing engagement.

In addition, no employee or former employee of the statutory auditor will be permitted to serve as a Director or senior executive of Ramsay Health Care

unless a minimum period of two years has passed since leaving the employment of the statutory auditor.

The statutory auditor is also required to:

- i) Commit to the rotation of the senior partner in charge of the audit every five years;
- ii) Confirm on an annual basis that:
  - the statutory auditor has complied with all legislation as well as professional regulations or guidance issued by the Australian Accounting Profession relating to Audit Independence;
  - the statutory auditor, its partners or the service team do not have any financial or business interests in Ramsay Health Care;
  - superannuation funds of the statutory auditor's partners or staff do not have a direct financial interest in Ramsay Health Care; *and*
  - total fees received from Ramsay Health Care do not have a material impact on the statutory auditor's operations or financial condition.

### Remuneration Committee

Members of this Committee during the financial year were:

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.

The Remuneration Committee also makes recommendations to the Board, on the allocation of share options under the Ramsay Health Care Limited Executive Share Option Scheme. In accordance with the Listing Rules of the Australian Stock Exchange, options issued to 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. Any increase in the maximum aggregate quantum of Directors' fees is subject to the approval of shareholders in general meeting.

### Risk Management Committee

This Committee was previously known as the Quality Improvement Sub-Committee. As from 1 September 2002, the Board resolved to expand the role of the Quality Improvement Sub-Committee to include all aspects of risk management, including clinical, medical, occupational health and safety and financial. The name of the Committee was subsequently changed to the Risk Management Committee. The Committee continues to be responsible for 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 the Company's facilities, and receives reports from each hospital's medical advisory board. This process minimises the risk of malpractice.

Members of this Committee during the financial year were:

Marjorie Brislee (*non-executive*)  
Peter Evans (*non-executive*)  
Rod McGeoch (*non-executive, alternate*)  
Pat Grier (*executive Managing Director*)

On being renamed the Risk Management Committee, senior executives including the Chief Operating Officer, the Manager for Clinical Risk, the Manager Human Resources, the Manager Occupational Health and Safety, and the Financial Controller have also been seconded to the Committee.

The Risk Management Committee is responsible for the ongoing management of risk and reports to the Board via the Audit Committee.

In addition to the Risk Management Committee, the Board continues to manage and monitor ongoing 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;
  - risk management; and
  - planning and development.
- (b) the 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;
- (f) oversight of professional and medical conduct, via the Risk Management Committee; and
- (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; and
- (f) Equal employment opportunity.

## Corporate Directory

### Non Executive Directors

Paul Ramsay - Chairman  
Michael Siddle - Deputy Chairman  
Marjorie Brislee  
Anthony 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](mailto:enquiry@ramsayhealth.com.au)  
Website: [www.ramsayhealth.com.au](http://www.ramsayhealth.com.au)

### Share Registry

Computershare Investor Services Pty Ltd  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
Mail Address: GPO Box 7045  
Sydney NSW 1115  
Website: [www.computershare.com.au](http://www.computershare.com.au)  
Investor inquiries at: 1300 855 080

# Ramsay Health Care Limited And Controlled Entities A.B.N. 57 001 288 768 Financial Report For the year ended 30 June 2002

<b>CONTENTS</b>	<b>PAGE</b>
Directors' Report	26 - 33
Independent Audit Report	34
Directors' Declaration	35
Statement of Financial Performance	36
Statement of Financial Position	37
Statement of Cash Flows	38
Notes to the Financial Statements	39 - 80
Supplementary Information	81 - 82

# Ramsay Health Care Limited

## Directors' Report

Your Directors submit their report for the year ended 30 June 2002.

### 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 AO** - Non-Executive Chairman  
**M.S. Siddle** - Non-Executive Deputy Chairman  
**I.P.S. Grier** - Managing Director  
**B.R. Soden** - Finance Director  
**M.L. Brislee** - Non-Executive Director  
**A.J. Clark AM** - Non-Executive Director  
**P.J. Evans** - Non-Executive Director  
**R.H. McGeoch AM** - Non-Executive Director  
**K.C.D. Roxburgh** - Non-Executive Director

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

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

#### Interests in the Shares of the Company and Related Bodies Corporate

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

Director	Ramsay Health Care Limited	
	Ordinary Shares	Options
P.J. Ramsay	66,334,939	-
M.S. Siddle	25,000	-
M.L. Brislee	21,000	-
A.J. Clark	50,000	45,000
P.J. Evans	16,000	-
I.P.S. Grier	4,600	250,000
R.H. McGeoch	120,000	-
K.C.D. Roxburgh	75,000	-
B.R. Soden	5,387	-

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 \$31,071,000 (2001: profit of \$16,004,000). The operating profit before tax was \$43,555,000 (2001: \$17,712,000).

### Earnings per Share

Basic earnings per share	24.5 cents (2001: 14.2 cents)
Diluted earnings per share	24.3 cents (2001: 13.9 cents)

### Dividends

Dividends paid or recommended for payment are as follows:

Final dividend recommended @ 6.5 cents per share	\$8,327,979 (2001: \$6,263,171)
Interim dividend paid during the year @ 4.5 cents per share	\$5,801,119 (2001: \$3,807,436)

## REVIEW OF OPERATIONS

All hospital operating divisions (Veteran, Regional Medical/Surgical, Co-located, Psychiatric and Rehabilitation) performed strongly for the year and contributed to the record result.

The Alpha hospitals acquired last year all performed above expectations, delivering significant synergy benefits as well as a competitive advantage in the key New South Wales private hospital sector.

Westmead Private Hospital has performed strongly and continues to experience high demand. Additional capacity is currently being added to the hospital's operating theatres to address the higher demand.

The profitability at North Shore Private Hospital continues to improve significantly. During the year additional obstetric beds were added to the hospital's operating theatres to address the higher demand.

Cash flows from operating activities continued to strengthen in the year. Net operating cash inflow was up 25% to \$65million in the year, highlighting the company's ability to maximise returns from its portfolio.

## CORPORATE INFORMATION

Ramsay Health Care Limited is a company limited by shares that is incorporated and domiciled in Australia. Its ultimate parent entity is Paul Ramsay Holdings Pty Limited. The registered office is 9th Floor, 154 Pacific Highway, St. Leonards NSW 2065.

## EMPLOYEES

The consolidated entity employed 7,159 employees as at 30 June 2002 (2001: 7,018).

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

### Acquisition of Lake Macquarie Private Hospital

On 14 April 2002, Ramsay Health Care Limited purchased Lake Macquarie Private Hospital from the Medical Benefits Fund of Australia Limited. The 76 bed private hospital specialising in cardio-thoracic and vascular surgery and interventional cardiology is located at Gateshead in New South Wales.

## SHARE OPTIONS

At the date of this report, there were 756,000 unissued Ordinary Shares under share options issued to directors, executives and senior management. These options were issued on the following dates:

Date Issued	Number of Options	Expiry Date
15 December 1998 #	72,000	Five years from date of issue, i.e. 15 December 2003
11 October 2000 *	684,000	Three years from date of issue, i.e. 11 October 2003
Total outstanding options at 30 September 2002	<u>756,000</u>	
Exercised during the current period to 30 June 2002	1,540,000 420,500	At \$1.85 exercise price At \$1.50 exercise price
Lapsed during the current period to 30 June 2002	185,000	Five year options at various expiry dates
Exercised post 30 June 2002	495,500 121,000	At \$1.85 exercise price At \$1.50 exercise price

# The options issued on 15 December 1998 were issued under the following exercise conditions:

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

\* Options issued on 11 October 2000 were issued under the following exercise conditions:

- The expiry date of the options is three years after the date of issue as shown above;
- 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
- The exercise price is \$1.50.

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

There have been no significant events after the balance date that may significantly effect the entity's operations in future years, the results of those operations in future years or the entity's state of affairs in future years.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Directors and management of the consolidated entity will continue to seek growth in health care operations and to seek further cost efficiencies so as to optimise the returns to shareholders from existing hospitals. Directors and management are continuing to pursue opportunities, including expansion of existing facilities, further hospital acquisitions as well as other opportunities closely allied to the private hospital sector which are within the company's core competencies and investment criteria.

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

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

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

Emoluments of the directors of the Company are shown below. 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	
	<b>Total Salary and Other Benefits (excluding Bonuses, Superannuation and Director's Retirement Benefits)</b>	<b>Bonus</b>	<b>Options Granted</b>	<b>Superannuation</b>
	\$	\$	Number	\$
P.J. Ramsay	120,000	-	-	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	469,098	110,000	-	8,803
R.H. McGeoch	60,000	-	-	4,800
K.C.D. Roxburgh	60,000	-	-	4,800
B.R. Soden	309,034	25,000	-	8,803



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

	Annual Emoluments		Long Term Emoluments	
	Total Salary and Other Benefits (excluding Bonuses and Superannuation) \$	Bonus \$	Options Granted Number	Superannuation \$
C. Rex	337,177	70,000	-	8,803
R. Glynn	267,021	-	-	8,803
C. McNally	243,919	15,000	-	8,803
K. Chant	202,533	8,000	-	8,803
A. Tarazi	164,426	-	-	8,803

## DIRECTOR'S RETIREMENT BENEFITS

Director's Retirement Benefits have been provided for non-executive Directors. Non-executive Directors are entitled to retirement benefits after serving a minimum service period of three years with the Company. The amount of the retirement benefit will not exceed the maximum limit of three years remuneration, as set out in Section 200 G of the Corporations Act 2001. The entitlement to retirement benefits will accrue on a pro-rata basis, over a period of nine years, commencing after the minimum service period of three years. The minimum service period will commence from, either the date of the Company's public listing in September 1997, or the date of the Director's appointment, whichever is the later. In the current year the Board resolved to provide for non-executive director's retirement benefit entitlements. Consequently, an amount of \$620,000 (2001: Nil) has been provided and expensed in the current year.

## DIRECTORS' MEETINGS

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

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration	Quality Improvement Committee
Number of Meetings held:	10	9	2	10
Number of Meetings attended:				
P.J. Ramsay	8			
M.S. Siddle	10		2	
M.L. Brislee	9			10
A.J. Clark	10	8		
P.J. Evans	10	9	2	
I.P.S. Grier	9	8		4
R.H. McGeoch	10		2	
K.C.D. Roxburgh	10	9		
B.R. Soden	9	9		

## COMMITTEES

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

Committee	Members
Audit Committee	Messrs Evans, Roxburgh, Clark
Remuneration Committee	Messrs Evans, McGeoch, Siddle
Risk Management Committee (formerly Quality Improvement) - subsequent to year end the role of the Quality Improvement Sub-Committee was expanded to encompass all aspects of risk management.	Mrs Brislee, Messrs, Evans, McGeoch (alternate), Grier

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

## ROUNDING

The amounts contained in this report and in the financial reports 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.


## ENVIRONMENTAL REQUIREMENTS

The consolidated entity holds licences from the Environment Protection Regulatory Bodies applicable to Hospitals for the maintenance of a safe environment. The Directors are not aware of any breaches of these licences.

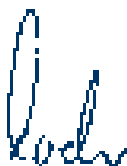
## CORPORATE GOVERNANCE

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.

Signed in accordance with a resolution of the Directors.



**I.P.S GRIER**  
Director



**B.R. SODEN**  
Director

Sydney, 30 September 2002

# Independent Audit Report



To the members of Ramsay Health Care Limited

## Scope

We have audited the financial report of Ramsay Health Care Limited for the financial year ended 30 June 2002, as set out on pages 35 to 80, 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 2002 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 in Australia.

## Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of Ramsay Health Care Limited for the year ended 30 June 2002 included on the Ramsay Health Care Limited web site. The company's directors are responsible for the integrity of the Ramsay Health Care Limited web site. We have not been engaged to report on the integrity of the Ramsay Health Care Limited web site. The audit report refers only to the statements named above. It does not provide an opinion on any other information that may have been hyper linked to/from these statements. If users of this report are concerned with the inherent risk arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the financial report presented on this web site.

Ernst & Young

Neil Wykes  
Partner  
Sydney

Date: 30 September 2002

# Ramsay Health Care Limited

## Directors' Declaration

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

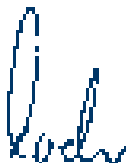
In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 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



**I.P.S. GRIER**  
**Director**



**B.R. SODEN**  
**Director**

Sydney, 30 September 2002

# Ramsay Health Care Limited and Controlled Entities

## Statement of Financial Performance

### For the year ended 30 June 2002

	Notes	Consolidated		Ramsay Health Care Limited	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Revenues:					
Operating revenue		549,792	387,926	2,369	2,994
Interest income		2,629	722	10	66
Proceeds on sale of Flinders Private Hospital		-	41,700	-	-
Proceeds on sale of assets		4,392	719	-	-
Total revenue from ordinary activities	2	556,813	431,067	2,379	3,060
Details of Expenditure:					
Personnel costs		286,119	208,093	946	4
Occupancy costs		25,538	16,849	-	-
Medical consumables and supplies		116,310	72,098	-	-
Cost of services		40,992	31,927	716	696
Depreciation and amortisation	3 (a)	22,889	19,806	-	-
Borrowing cost expense (excluding borrowing costs associated with refinancing)	3 (a) & 3 (c)	17,437	22,539	-	-
Carrying value of assets sold		3,973	42,043	-	23
Total expenses from ordinary activities		513,258	413,355	1,662	723
<b>Profit from ordinary activities before income tax</b>		43,555	17,712	717	2,337
<b>Income tax expense relating to ordinary activities</b>	3 (c) & 4	(12,484)	(1,708)	(215)	(796)
<b>Profit from ordinary activities after income tax</b>		31,071	16,004	502	1,541
<b>Net profit attributable to members of Ramsay Health Care Limited</b>	23	31,071	16,004	502	1,541
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		31,071	16,004	502	1,541
Basic earnings per share (cents)	35	24.5 cents	14.2 cents		
Diluted earnings per share (cents)	35	24.3 cents	13.9 cents		
Unfranked dividends per share (cents)	5	11.0 cents	8.5 cents		

# Ramsay Health Care Limited and Controlled Entities

## Statement of Financial Position

### As at 30 June 2002

		Consolidated		Ramsay Health Care Limited	
	Notes	2002 \$000	2001 \$000	2002 \$000	2001 \$000
<b>CURRENT ASSETS</b>					
Cash assets		5,287	10,298	15	265
Receivables	6	55,727	50,815	-	-
Inventories	7	9,646	6,434	-	-
Other	8	3,688	3,835	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>74,348</b>	<b>71,382</b>	<b>15</b>	<b>265</b>
<b>NON CURRENT ASSETS</b>					
Receivables	9	-	-	-	4,062
Other financial assets	10	245	269	149,997	149,997
Property, plant & equipment	11	439,623	407,884	-	-
Goodwill	12	7,111	10,552	-	-
Deferred tax assets	13	20,049	20,348	-	2
Other	14	3,830	225	-	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>470,858</b>	<b>439,278</b>	<b>149,997</b>	<b>154,061</b>
<b>TOTAL ASSETS</b>		<b>545,206</b>	<b>510,660</b>	<b>150,012</b>	<b>154,326</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable	15	72,520	57,739	12	6
Interest – bearing liabilities	16	22,697	19,137	-	-
Provisions	17	30,523	35,932	9,267	6,263
<b>TOTAL CURRENT LIABILITIES</b>		<b>125,740</b>	<b>112,808</b>	<b>9,279</b>	<b>6,269</b>
<b>NON CURRENT LIABILITIES</b>					
Accounts payable	18	3,500	-	1,258	-
Interest – bearing liabilities	19	143,961	158,376	-	-
Provisions	20	21,258	17,689	-	-
Deferred tax liabilities	21	27,671	20,581	921	804
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>196,390</b>	<b>196,646</b>	<b>2,179</b>	<b>804</b>
<b>TOTAL LIABILITIES</b>		<b>322,130</b>	<b>309,454</b>	<b>11,458</b>	<b>7,073</b>
<b>NET ASSETS</b>		<b>223,076</b>	<b>201,206</b>	<b>138,554</b>	<b>147,253</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	22	119,590	114,662	119,590	114,662
Reserves	23	54,432	54,432	-	-
Retained profits	23	49,054	32,112	18,964	32,591
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>223,076</b>	<b>201,206</b>	<b>138,554</b>	<b>147,253</b>

# Ramsay Health Care Limited and Controlled Entities

## Statement of Cash Flows

### For the year ended 30 June 2002

		Consolidated		Ramsay Health Care Limited	
	Notes	2002 \$000	2001 \$000	2002 \$000	2001 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		547,604	385,972	2,368	2,207
Payments to suppliers & employees		(474,627)	(326,897)	(840)	-
Income tax paid		(3,773)	-	-	-
Borrowing costs paid		(17,952)	(16,266)	-	-
Interest received		2,630	873	10	66
GST received		17,168	12,936	-	-
GST paid		(5,275)	(4,378)	-	-
Net cash flows from operating activities	25 (a)	65,775	52,240	1,538	2,273
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	11 (c)	(41,380)	(13,030)	-	-
Purchase of business		(11,085)	(426)	-	-
Proceeds from sale of property, plant and equipment		4,392	719	-	-
Acquisition of subsidiary	25 (e)	-	(17,361)	-	-
Expenditure on capitalised costs		(3,605)	-	-	-
Net cash flows used in investing activities		(51,678)	(30,098)	-	-
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>					
Proceeds from issue of ordinary shares		4,928	31,765	4,928	31,765
Payment of share issue costs		-	(662)	-	(662)
Dividends paid		(12,037)	(5,739)	(12,037)	(5,739)
Finance lease repayments		-	(18)	-	-
Borrowings - receipts other		-	-	5,321	70,796
Borrowings - repayment other		(11,999)	(54,592)	-	(101,237)
Net cash flows used in financing activities		(19,108)	(29,246)	(1,788)	(5,077)
Net decrease in cash held		(5,011)	(7,104)	(250)	(2,804)
Add opening cash brought forward		8,642	12,030	265	3,069
<b>CLOSING CASH CARRIED FORWARD</b>	25 (b)	3,631	4,926	15	265



# Ramsay Health Care Limited and Controlled Entities

## Notes to the Financial Statements

### For the year ended 30 June 2002

#### 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.

##### **(c) Principles of Consolidation**

The consolidated financial statements are those of the consolidated entity, comprising Ramsay Health Care Limited (the parent entity) and all entities that 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Property, Plant and Equipment (continued)

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:*

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

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

### (k) Goodwill

Purchased goodwill and goodwill arising on consolidation 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 principal amount. Interest when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the principal amount of the outstanding consideration payable on the acquisition of an asset.

### (m) Interest Bearing Liabilities

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Leases (continued)

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 and long service leave.

Liabilities arising in respect of wages and salaries, annual 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:

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

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

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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) Taxes

#### *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 30% tax rate.

#### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Taxes (continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (r) Earnings per Share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### (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.

### (t) Insurance

Insurance policies are entered into to cover the various insurable risks. These policies have varying levels of deductibles. A provision is made for the actuarially assessed liability.

Ramsay Health Care Limited and Controlled Entities  
Notes to the Financial Statements  
For the year ended 30 June 2002

## 2. REVENUE FROM ORDINARY ACTIVITIES

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Revenue from operating activities:				
Revenue from services	538,850	377,012	-	-
Management fees				
Controlled entities (fully owned)	-	-	494	494
Other persons/corporations	-	44	-	-
Rental income				
Other persons/corporations	5,291	4,842	-	-
Guarantee fee				
Controlled entities (fully owned)	-	-	1,875	2,500
Bad debts recovered	26	381	-	-
Income from ancillary services	5,625	5,647	-	-
Total revenue from operating activities	<u>549,792</u>	<u>387,926</u>	<u>2,369</u>	<u>2,994</u>
Revenue from non-operating activities:				
Interest				
Other persons/corporations	2,629	722	-	-
Controlled entities (fully owned)	-	-	10	66
Proceeds on sale of property, plant and equipment	4,392	719	-	-
Proceeds on sale of Flinders Private Hospital	-	41,700	-	-
Total revenue from outside the operating activities	<u>7,021</u>	<u>43,141</u>	<u>10</u>	<u>66</u>
Total revenues from ordinary activities	<u>556,813</u>	<u>431,067</u>	<u>2,379</u>	<u>3,060</u>

### 3. EXPENSES AND LOSSES / (GAINS)

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
<b>(a) Expenses</b>				
Amortisation of non-current assets:				
- Goodwill	573	312	-	-
- Leasehold improvements	282	172	-	-
- Capitalised leased assets	1,084	22	-	-
	1,939	506	-	-
Depreciation of non-current assets:				
- Plant and equipment	15,378	13,129	-	-
- Buildings	5,572	6,171	-	-
	20,950	19,300	-	-
Total depreciation and amortisation	22,889	19,806	-	-
Bad and doubtful debts:				
- Trade debtors	464	938	-	-
Rental - operating leases	6,747	2,251	-	-
Contributions to superannuation funds	16,226	11,771	-	-
Borrowing costs:				
- Interest expense				
Other persons/corporations	17,135	17,823	-	-
- Finance charges - lease liability	302	16	-	-
- Other borrowing costs				
Borrowing costs associated with refinancing	-	4,700	-	-
	17,437	22,539	-	-
<b>(b) Losses / (Gains)</b>				
Net (gain) / loss on disposal of property, plant and equipment	(418)	249	-	-



Ramsay Health Care Limited and Controlled Entities  
Notes to the Financial Statements  
For the year ended 30 June 2002

**3. EXPENSES AND LOSSES / (GAINS)** (CONTINUED)

	<b>Consolidated</b>		<b>Ramsay Health Care Limited</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>(c) Significant Items</b>				
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	-	-

#### 4. INCOME TAX

		Consolidated		Ramsay Health Care Limited	
	Notes	2002 \$000	2001 \$000	2002 \$000	2001 \$000
The prima facie income tax on ordinary activities is reconciled to the income tax expense shown in the accounts as follows:					
Profit from ordinary activities before income tax		43,555	17,712	717	2,337
Prima facie tax on profit from ordinary activities at 30% (2001: 34%)		13,067	6,022	215	795
Tax effect of permanent differences:					
- Allowable deductions		(583)	(1,590)	-	-
- Tax effect of prior year timing differences and tax losses not previously brought to account		-	(2,640)	-	-
Net loss attributable to change in income tax rate		-	(84)	-	1
Income tax expense attributable to ordinary activities		12,484	1,708	215	796
<b>Deferred tax assets and liabilities:</b>					
Current tax payable		-	-	-	-
Provision for deferred income tax - current		-	-	-	-
Provision for deferred income tax - non-current	21	27,671	20,581	921	804
Future income tax benefit - non-current	13	20,049	20,348	-	2
Income tax losses:					
Future income tax benefit carried forward as an asset that is attributable to tax losses		4,844	13,495	-	-

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.

## 5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
(a) Dividends proposed:				
- Unfranked dividends - ordinary (6.5 cents per share) (2001: 5.0 cents)	8,328	6,263	8,328	6,263
	<u>8,328</u>	<u>6,263</u>	<u>8,328</u>	<u>6,263</u>
(b) Dividends paid during the year:				
<b>Interim dividends paid</b>				
- Unfranked dividends - ordinary (4.5 cents per share) (2001: 3.5 cents)	5,801	3,808	5,801	3,808
	<u>5,801</u>	<u>3,808</u>	<u>5,801</u>	<u>3,808</u>
	<u>14,129</u>	<u>10,071</u>	<u>14,129</u>	<u>10,071</u>
<b>Previous year final dividends paid</b>				
- Unfranked dividends - ordinary (4.4 cents per share) (2000: 4.4 cents)	6,263	4,786	6,263	4,786
	<u>6,263</u>	<u>4,786</u>	<u>6,263</u>	<u>4,786</u>

The tax rate at which dividends have or will be franked is Nil (2001: 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.

## 6. RECEIVABLES (CURRENT)

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Trade debtors	52,107	43,469	-	-
Less: Provision for doubtful debts	(2,767)	(2,688)	-	-
	<u>49,340</u>	<u>40,781</u>	<u>-</u>	<u>-</u>
Other debtors	6,666	10,313	-	-
Less: Provision for doubtful debts	(279)	(279)	-	-
	<u>6,387</u>	<u>10,034</u>	<u>-</u>	<u>-</u>
	<u>55,727</u>	<u>50,815</u>	<u>-</u>	<u>-</u>
Movement in provision for doubtful debts:				
- Balance at beginning of year	(2,967)	(1,563)	-	-
- Provision for bad and doubtful debts on acquisition of entities / operations	-	(1,268)	-	-
- Bad debts previously provided for written-off during the year	385	802	-	-
- Bad and doubtful debts provided for during the year	(464)	(938)	-	-
Balance at end of year	<u>(3,046)</u>	<u>(2,967)</u>	<u>-</u>	<u>-</u>

### **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.

## 6. RECEIVABLES (CURRENT) (CONTINUED)

### *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			
	2002 (%)	2001 (%)	2002 \$000	2001 \$000
Health funds	66	65	32,490	26,362
Government	24	27	11,892	11,032
Other	10	8	4,958	3,387
	100	100	49,340	40,781

## 7. INVENTORIES (CURRENT)

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Amount of medical and food supplies to be consumed in providing future patient services - at cost	9,646	6,434	-	-
<b>8. OTHER CURRENT ASSETS</b>				
Prepayments	3,688	3,835	-	-
<b>9. RECEIVABLES (NON-CURRENT)</b>				
Amounts receivable from controlled entities	-	-	-	4,062
	-	-	-	4,062

Ramsay Health Care Limited and Controlled Entities  
Notes to the Financial Statements  
For the year ended 30 June 2002

**10. OTHER FINANCIAL ASSETS (NON-CURRENT)**

		<b>Consolidated</b>		<b>Ramsay Health Care Limited</b>	
	<b>Notes</b>	<b>2002 \$000</b>	<b>2001 \$000</b>	<b>2002 \$000</b>	<b>2001 \$000</b>
Non-Current Investments, at cost comprise:					
Ordinary Shares:					
- Listed on a prescribed stock exchange		10	8	-	-
- Other		110	136	-	-
		<u>120</u>	<u>144</u>	<u>-</u>	<u>-</u>
Units in unit trust:					
- Listed on a prescribed stock exchange		60	60	-	-
- Unsecured notes - unlisted		65	65	-	-
		<u>125</u>	<u>125</u>	<u>-</u>	<u>-</u>
		<u>245</u>	<u>269</u>	<u>-</u>	<u>-</u>
Investment in controlled entities:					
- Unlisted shares and units	10 (a)	-	-	149,997	149,997
		<u>245</u>	<u>269</u>	<u>149,997</u>	<u>149,997</u>

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.

Ramsay Health Care Limited and Controlled Entities  
Notes to the Financial Statements  
For the year ended 30 June 2002

**10. OTHER FINANCIAL ASSETS (NON-CURRENT)** (CONTINUED)

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2002 %	2001 %	2002 \$000	2001 \$000
<b>10 (a) Investments in controlled entities</b>					
Investments in controlled entities comprise:					
Retrogen Sdn Bhd # (in Liquidation)	Malaysia	100%	100%	10,000	10,000
RHC Nominees Pty Limited	Australia	100%	100%	*	*
RHC Developments Pty Limited and its controlled entities:	Australia	100%	100%	139,997	139,997
Health Care Development Unit Trust	-	100%	100%		
Ramsay Health Care Investments Pty Limited and its controlled entities:	Australia	100%	100%	*	*
Ramsay Health Care **	Republic of Mauritius	-	100%		
RHC Australia **	Republic of Mauritius	-	100%		
RHC Diagnostics **	Republic of Mauritius	-	100%		
Ramsay Hospital Holdings Pty Limited	Australia	100%	100%	*	*
Ramsay Hospital Holdings (Queensland) Pty Limited	Australia	100%	100%	*	*
Ramsay Aged Care Holdings Limited and its controlled entity (formerly Berwick Community Hospital (Pty) Ltd)	Australia	100%	100%		
Ramsay Aged Care Pty Limited (formerly Ramsay Health Care (Princess Alexandra) Pty Ltd)	Australia	100%	100%		
Ramsay Centauri Pty Limited and its controlled entities:					
Alpha Healthcare Limited	Australia	100%	100%		
ADL Unit Trust	Australia	100%	100%		
Admed Pty Limited	Australia	100%	100%		
Alpha Imaging Unit Trust	Australia	100%	100%		
Alpha MBH Pty Limited	Australia	100%	100%		
Alpha Pacific Hospitals Pty Limited	Australia	100%	100%		
Alpha Westmead Private Hospital Pty Limited	Australia	100%	100%		
APL Hospital Holdings Pty Ltd	Australia	100%	100%		
Bowral Management Company Pty Limited	Australia	100%	100%		
Health Care Corporation Pty Limited	Australia	100%	100%		
Herglen Pty Limited	Australia	100%	100%		
Balance carried forward				149,997	149,997

Ramsay Health Care Limited and Controlled Entities  
Notes to the Financial Statements  
For the year ended 30 June 2002

**10. OTHER FINANCIAL ASSETS (NON-CURRENT)** (CONTINUED)

		<b>Country of Incorporation</b>	<b>Beneficial Percentage Held</b>		<b>Ramsay Health Care Limited</b>	
			<b>2002 %</b>	<b>2001 %</b>	<b>2002 \$000</b>	<b>2001 \$000</b>
<b>10 (a) Investments in controlled entities (continued)</b>						
Balance brought forward					149,997	149,997
Ramsay Centauri Pty Limited and its controlled entities (continued):						
Illawarra Private Hospital Holdings Pty Limited	Australia		100%	100%		
Imaging Unit Trust	Australia		100%	100%		
Karia Services Pty Limited	Australia		100%	100%		
LDH (North Turrumurra) Pty Limited	Australia		100%	100%		
Mt Wilga Pty Limited	Australia		100%	100%		
Navjot Pty Limited	Australia		100%	100%		
Northern Private Hospital Pty Limited	Australia		100%	100%		
Ragan Pty Limited (formerly Alpha Imaging Group Pty Limited)	Australia		100%	100%		
Sibdeal Pty Limited	Australia		100%	100%		
Simpac Services Pty Limited	Australia		100%	100%		
The M.A.R.C. 1 Unit Trust	Australia		100%	100%		
Westmead Private Hospital Pty Limited	Australia		100%	100%		
Workright Pty Limited	Australia		100%	100%		
Ramsay Health Care Australia Pty Limited 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%		
E Hospital Pty Limited	Australia		100%	100%		
RHC China Pty Limited	Australia		100%	100%		
Balance carried forward					149,997	149,997



Ramsay Health Care Limited and Controlled Entities  
Notes to the Financial Statements  
For the year ended 30 June 2002

**10. OTHER FINANCIAL ASSETS (NON-CURRENT)** (CONTINUED)

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2002 %	2001 %	2002 \$000	2001 \$000
<b>10 (a) Investments in controlled entities (continued)</b>					
Balance brought forward				149,997	149,997
Ramsay Health Care Australia Pty Limited and its controlled entities (continued):	Australia	100%	100%		
Ramsay Health Care (Asia Pacific) Pty Limited and its controlled entity:	Australia	100%	100%		
Ramsay Health and Management Services Sdn Bhd # (in Liquidation)	Malaysia	100%	100%		
				<u>149,997</u>	<u>149,997</u>

\* Denotes \$2

# Audited by other member firms of Ernst & Young International

\*\* During the year these companies were liquidated

## 11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Licensed private hospitals at fair value (a)	374,916	337,484	-	-
Leasehold improvements - at cost	8,756	7,896	-	-
Less: accumulated amortisation	(1,206)	(715)	-	-
	7,550	7,181	-	-
Total land and buildings	382,466	344,665	-	-
Plant and equipment				
Plant and equipment - at cost	131,281	129,298	-	-
Less: accumulated depreciation	(76,839)	(72,799)	-	-
	54,442	56,499	-	-
Plant and equipment under lease	3,947	10,018	-	-
Less: accumulated amortisation	(1,232)	(3,298)	-	-
	2,715	6,720	-	-
Total plant and equipment	57,157	63,219	-	-
Total property, plant and equipment	439,623	407,884	-	-

### (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.

Ramsay Health Care Limited and Controlled Entities  
Notes to the Financial Statements  
For the year ended 30 June 2002

**11. PROPERTY, PLANT AND EQUIPMENT** (CONTINUED)

		<b>Consolidated</b>		<b>Ramsay Health Care Limited</b>	
	<b>Notes</b>	<b>2002 \$000</b>	<b>2001 \$000</b>	<b>2002 \$000</b>	<b>2001 \$000</b>
(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:					
Licensed private hospitals					
Carrying amount at beginning		337,484	332,207	-	-
Additions		28,043	6,426	-	-
Disposals		-	(608)	-	-
Additions through acquisition of entities/operations		14,961	38,428	-	-
Disposals through sale of entities/operations		-	(32,798)	-	-
Depreciation expense	3(a)	(5,572)	(6,171)	-	-
		<u>374,916</u>	<u>337,484</u>	<u>-</u>	<u>-</u>
Leasehold improvements					
Carrying amount at beginning		7,181	7,034	-	-
Additions		860	15	-	-
Disposals		(209)	-	-	-
Additions through acquisition of entities/operations		-	444	-	-
Disposals through sale of entities/operations		-	(140)	-	-
Depreciation expense	3(a)	(282)	(172)	-	-
		<u>7,550</u>	<u>7,181</u>	<u>-</u>	<u>-</u>
Plant and equipment at cost					
Carrying amount at beginning		56,499	52,528	-	-
Additions		12,476	6,507	-	-
Disposals		(843)	(361)	-	-
Additions through acquisition of entities/operations		1,688	19,363	-	-
Disposals through sale of entities/operations		-	(8,409)	-	-
Depreciation expense	3(a)	(15,378)	(13,129)	-	-
		<u>54,442</u>	<u>56,499</u>	<u>-</u>	<u>-</u>
Plant and equipment under lease					
Carrying amount at beginning		6,720	16	-	-
Additions		-	82	-	-
Disposals		(2,921)	-	-	-
Additions through acquisition of entities/operations		-	6,645	-	-
Disposals through sale of entities/operations		-	(1)	-	-
Depreciation expense	3(a)	(1,084)	(22)	-	-
		<u>2,715</u>	<u>6,720</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment		<u>439,623</u>	<u>407,884</u>	<u>-</u>	<u>-</u>

## 12. GOODWILL

	Consolidated		Ramsay Health Care Limited	
Notes	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Goodwill	7,996	10,864	-	-
Less: accumulated amortisation	(885)	(312)	-	-
	<u>7,111</u>	<u>10,552</u>	<u>-</u>	<u>-</u>

The reduction in goodwill primarily results from the recognition of Future Income Tax Benefits arising from pre acquisition tax losses in the Alpha Healthcare Group.

## 13. DEFERRED TAX ASSETS

Future income tax benefit	<u>20,049</u>	<u>20,348</u>	<u>-</u>	<u>2</u>
---------------------------	---------------	---------------	----------	----------

## 14. OTHER NON CURRENT ASSETS

Project development	-	1,453	-	-
Capitalised borrowing costs	4,771	-	-	-
Less: accumulated amortisation	(941)	(1,228)	-	-
	<u>3,830</u>	<u>225</u>	<u>-</u>	<u>-</u>

The amortisation of borrowing costs is included in interest expense.

## 15. ACCOUNTS PAYABLE (CURRENT)

Unsecured liabilities:

- Accounts payable	32,771	24,820	-	-
- Deferred payment	3,500	-	-	-
- Sundry creditors and accrued expenses	35,478	31,311	12	6
	<u>71,749</u>	<u>56,131</u>	<u>12</u>	<u>6</u>

Secured liabilities:

- Loan - insurance funding	33(iv) 771	1,608	-	-
	<u>771</u>	<u>1,608</u>	<u>-</u>	<u>-</u>
	<u>72,520</u>	<u>57,739</u>	<u>12</u>	<u>6</u>

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 consolidated 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. INTEREST BEARING LIABILITIES

	Notes	Consolidated		Ramsay Health Care Limited	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Secured:					
- Bank loans	33	19,457	14,678	-	-
- Lease liabilities (a)		1,146	2,765	-	-
- Bank overdraft		-	1,150	-	-
		<u>20,603</u>	<u>18,593</u>	<u>-</u>	<u>-</u>
Unsecured:					
- Loans		2,094	528	-	-
- Bank overdraft		-	16	-	-
		<u>2,094</u>	<u>544</u>	<u>-</u>	<u>-</u>
		<u>22,697</u>	<u>19,137</u>	<u>-</u>	<u>-</u>

(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.

## 17. PROVISIONS (CURRENT)

Dividend		8,328	6,263	8,328	6,263
Employee entitlements	24	20,943	16,948	-	-
Restructuring		538	6,820	-	-
Other		714	5,901	939	-
		<u>30,523</u>	<u>35,932</u>	<u>9,267</u>	<u>6,263</u>

Dividends payable: Dividends payable are recognised when recommended by the Directors. Dividend payable represents a final dividend of 6.5 cents per ordinary share for the financial year ended 30 June 2002. 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)

		Consolidated		Ramsay Health Care Limited	
	Notes	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Unsecured:					
- Deferred payment		3,500	-	-	-
- Amounts payable to controlled entities		-	-	1,258	-
		<u>3,500</u>	<u>-</u>	<u>1,258</u>	<u>-</u>

Deferred payment relates to an amount payable for the purchase of Lake Macquarie Private Hospital. \$3.5 million is due in April 2004.

## 19. INTEREST BEARING LIABILITIES (NON-CURRENT)

Secured liabilities:					
- Bank loans	33	141,917	149,715	-	-
- Lease liabilities		2,044	3,131	-	-
- Other loans		-	5,530	-	-
		<u>143,961</u>	<u>158,376</u>	<u>-</u>	<u>-</u>

Further information on borrowings are set out in note 29 and 33

## 20. PROVISIONS (NON-CURRENT)

Employee entitlements	24	12,187	8,840	-	-
Restructuring		5,406	7,428	-	-
Insurance provision		2,488	75	-	-
Other - surplus lease expense		1,177	1,346	-	-
		<u>21,258</u>	<u>17,689</u>	<u>-</u>	<u>-</u>

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. This includes an insurance provision of \$3.8 million (2001: \$3.5 million) raised to provide for estimated claims relating to the period during which Alpha Healthcare Ltd was insured with HIH and FAI.

## 21. DEFERRED INCOME TAX LIABILITIES

Deferred income tax liability		<u>27,671</u>	<u>20,581</u>	<u>921</u>	<u>804</u>
-------------------------------	--	---------------	---------------	------------	------------

Ramsay Health Care Limited and Controlled Entities  
Notes to the Financial Statements  
For the year ended 30 June 2002

## 22. SHARE CAPITAL

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
(a) Issued and paid up capital 127,556,006 ordinary shares fully paid (2001: 125,263,423 ordinary shares fully paid)	119,590	114,662	119,590	114,662
	<b>2002</b>		<b>2001</b>	
	<b>Number of Shares</b>	<b>\$000</b>	<b>Number of Shares</b>	<b>\$000</b>
(b) Movements in share issue:				
Beginning of financial year	125,263,423	114,662	108,783,866	80,704
Issued during the year:				
- private placement	-	-	15,000,000	31,500
Less transaction costs	-	-	-	(662)
- dividend reinvestment	332,083	1,449	1,330,557	2,855
- exercise of options	1,960,500	3,479	149,000	265
End of financial year	127,556,006	119,590	125,263,423	114,662
(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.

Ramsay Health Care Limited and Controlled Entities  
Notes to the Financial Statements  
For the year ended 30 June 2002

## 22. SHARE CAPITAL (CONTINUED)

### Share Options:

At the end of the year there were 1,372,500 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 #	491,500	Five years from date of issue, i.e. 17 September 2002
23 September 1997 #	4,000	Five years from date of issue, i.e. 23 September 2002
15 December 1998 #	72,000	Five years from date of issue, i.e. 15 December 2003
11 October 2000 *	<u>805,000</u>	Three years from date of issue, ie: 11 October 2003
Total outstanding options at 30 June 2002	<u><u>1,372,500</u></u>	
Exercised during the current period	1,540,000 420,500	at \$1.85 exercise price at \$1.50 exercise price
Lapsed during the current period	185,000	Five year options with various expiry dates

At the date of this report there was a total of 756,000 options on issue to 21 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:

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

\* Options issued on 11 October 2000, were issued under the following exercise conditions:

- The expiry date of the options is three years after the date of issue as shown above;
- 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
- The exercise price is \$1.50.



## 23. RESERVES AND RETAINED PROFITS

		Consolidated		Ramsay Health Care Limited	
	Notes	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Assets revaluation	23 (a)	54,432	54,432	-	-
		<u>54,432</u>	<u>54,432</u>	<u>-</u>	<u>-</u>
Retained profits	23 (b)	49,054	32,112	18,964	32,591
		<u>49,054</u>	<u>32,112</u>	<u>18,964</u>	<u>32,591</u>
<b>(a) Reserves</b>					
Assets revaluation		54,432	54,432	-	-
		<u>54,432</u>	<u>54,432</u>	<u>-</u>	<u>-</u>

(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.

### (b) Retained profits

Balance at the beginning of year	32,112	26,179	32,591	41,121
Net profit attributable to members of Ramsay Health Care Limited	31,071	16,004	502	1,541
Total available for appropriation	<u>63,183</u>	<u>42,183</u>	<u>33,093</u>	<u>42,662</u>
Dividends paid for	<u>(14,129)</u>	<u>(10,071)</u>	<u>(14,129)</u>	<u>(10,071)</u>
Balance at end of year	<u>49,054</u>	<u>32,112</u>	<u>18,964</u>	<u>32,591</u>

## 24. EMPLOYEE ENTITLEMENTS

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
The aggregate employee entitlement liability is comprised of:				
- Provisions (current)	20,943	16,948	-	-
- Provisions (non-current)	12,187	8,840	-	-
- Accrued salaries, wages and on costs	9,042	7,782	-	-
Balance at end of year	42,172	33,570	-	-

## 25. STATEMENT OF CASH FLOWS

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
<b>(a) Reconciliation of the operating profit after tax to the net cash flows from operations</b>				
Profit from ordinary activities after tax	31,071	16,004	502	1,541
<b>Non cash items</b>				
Interest received (related entity)	-	-	(10)	(66)
Amortisation and depreciation	22,889	19,806	-	-
(Profit)/loss on sale of non current assets	(418)	249	-	-
Net loss on disposal of Flinders Private Hospital	-	343	-	-
<b>Changes in assets and liabilities</b>				
Future income tax benefit	296	(1,179)	2	-
Goodwill	3,441	-	-	-
Receivables	(2,625)	(18,822)	-	7
Receivable - related companies	-	-	4,062	-
Creditors	12,325	25,225	(3,133)	(4)
Deferred income tax	7,090	2,708	115	796
Provision for employee entitlements	(5,082)	9,824	-	-
Inventory	(3,212)	(1,918)	-	-
Tax provisions	-	-	-	(1)
Net cash flow from operating activities	<u>65,775</u>	<u>52,240</u>	<u>1,538</u>	<u>2,273</u>
<b>(b) Reconciliation of cash</b>				
Cash balances comprise:				
Cash on hand	35	26	-	-
Cash at bank and on deposit	5,252	10,272	15	265
Bank overdraft	-	(1,150)	-	-
Restricted cash balances	(1,656)	(4,222)	-	-
Closing cash balance	<u>3,631</u>	<u>4,926</u>	<u>15</u>	<u>265</u>

### (c) Bank facilities

The economic entity has bank borrowing facilities available to the extent of \$283,885,394 (2001:to \$226,090,752). At 30 June 2002 these facilities have been drawn down to \$161,374,829 (2001: \$165,560,000).

## 25. STATEMENT OF CASH FLOWS (CONTINUED)

### (d) Restricted cash balances

Of the amount of \$5,252,000 (2001: \$10,272,000) shown as cash at bank and on deposit, the amount of \$1,656,000 (2001: \$4,222,000) is held in restricted accounts.

### (e) Acquisition of Business

On 14 April 2002, Ramsay Health Care Limited purchased Lake Macquarie Private Hospital from the Medical Benefits Fund of Australia Limited. The 76 bed private hospital specialising in cardio-thoracic and vascular surgery and interventional cardiology is located at Gateshead in New South Wales. The components of the acquisition were:

		<b>2002 \$000</b>
Consideration		
- Cash paid		11,085
- Deferred payment to be made on 14 April 2003		3,500
- Deferred payment to be made on 14 April 2004		3,500
		<u>18,085</u>
Net Assets of Lake Macquarie Private Hospital at 14 April 2002		
Current assets		
- Inventories		1,540
Non-current assets		
- Property, plant and equipment, hospital and bed licenses	11(c)	16,648
Current liabilities		
- Provisions		<u>(103)</u>
Fair value of net tangible assets		<u>18,085</u>
Net cash effect:		
- Consideration paid		18,085
- Deferred payments		<u>(7,000)</u>
<b>Cash paid for purchase of 100% of the assets of Lake Macquarie Private Hospital as reflected in the consolidated financial report</b>		<u><u>11,085</u></u>

## 25. STATEMENT OF CASH FLOWS (CONTINUED)

### Acquisition of Controlled Entity in Prior Year

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:

	<b>2001 \$000</b>
Consideration	
- Cash paid	19,444
	<u>19,444</u>
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	(10,889)
Non-current liabilities	
- Borrowings	*(36,286)
- Provisions	(8,595)
Fair value of net tangible assets	11,956
Goodwill arising on acquisition	7,488
	<u>19,444</u>
Net cash effect:	
- Cash consideration paid	19,444
- Cash included in net assets acquired	(2,083)
<b>Cash paid for purchase of controlled entity as reflected in the consolidated financial report</b>	<u><u>17,361</u></u>

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

## 25. STATEMENT OF CASH FLOWS (CONTINUED)

### (f) Non-cash financing and investing activities

#### Deferred Payments

During the financial year the consolidated entity acquired the assets of Lake Macquarie Private Hospital. Part of the consideration was funded by deferred payments amounting to \$7,000,000.

## 26. EXPENDITURE COMMITMENTS

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
<b>(a) Finance leases</b>				
- not later than one year	1,341	3,034	-	-
- later than one year but not later than five years	2,165	3,040	-	-
- later than five years	167	530	-	-
- total minimum lease payments	3,673	6,604	-	-
- future finance charges	(483)	(708)	-	-
	<u>3,190</u>	<u>5,896</u>	<u>-</u>	<u>-</u>
- lease liability	3,190	5,896	-	-
- current liability	1,146	2,765	-	-
- non-current liability	2,044	3,131	-	-
	<u>3,190</u>	<u>5,896</u>	<u>-</u>	<u>-</u>
Total lease liability accrued for:				
<b>Current</b>				
- Surplus lease space (operating lease)(i)	126	103	-	-
- Finance leases	1,146	2,765	-	-
	<u>1,272</u>	<u>2,868</u>	<u>-</u>	<u>-</u>
<b>Non-current</b>				
- Surplus lease space (operating lease)(i)	1,177	1,346	-	-
- Finance leases	2,044	3,131	-	-
	<u>3,221</u>	<u>4,477</u>	<u>-</u>	<u>-</u>
	<u>4,493</u>	<u>7,345</u>	<u>-</u>	<u>-</u>

## 26. EXPENDITURE COMMITMENTS (CONTINUED)

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000

### (a) Finance leases (continued)

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.

### (b) Lease expenditure commitments

Operating leases (non-cancellable):

Minimum lease payments

- not later than one year	6,892	5,077	-	-
- later than one year but not later than five years	22,246	16,730	-	-
- later than five years	20,404	31,231	-	-

Aggregate lease expenditure contracted for at balance date	49,542	53,038	-	-
--	--------	--------	---	---

Amounts provided for:

- surplus lease space - current	126	103	-	-
- non-current	1,177	1,346	-	-
	1,303	1,449	-	-

Amounts not provided for:

- rental commitments	48,239	51,589	-	-
----------------------	--------	--------	---	---

Aggregate lease expenditure contracted for at balance date	49,542	53,038	-	-
--	--------	--------	---	---

- (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 \$1,699,638 (2001: \$1,427,664).

	2002 \$000	2001 \$000
Current	601	604
Non-current	1,099	824
	1,700	1,428

## 26. EXPENDITURE COMMITMENTS (CONTINUED)

	Consolidated		Ramsay Health Care Limited	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
<b>(c) Capital expenditure commitments</b>				
Estimated capital expenditure contracted for at balance date but not provided for:				
- payable not later than one year	39,628	7,770	-	-
- payable later than one year but not later than two years	1,459	-	-	-
Contracted for on private hospitals	41,087	7,770	-	-

### (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 business, 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

### (a) Syndicated Loan Facility

During September 2001 the consolidated entity (other than companies in the Alpha Healthcare Limited Group) signed a new 5 year facility agreement for \$250 million. \$127.5 million of the facility was utilised at 30 June 2002.

In respect of this facility the consolidated entity (other than companies in the Alpha Healthcare Limited Group) have provided cross guarantees to ensure full payment, on a timely basis, of the facility provided by the lenders to Ramsay Health Care Australia Pty Limited, Ramsay Hospital Holdings Pty Limited and Ramsay Hospital Holdings (Queensland) Pty Limited.

The consolidated entity (other than companies in the Alpha Healthcare Limited Group) are subject to a negative pledge and certain financial undertakings in connection with the facility.

North Shore Private Hospital Pty Limited has given a fixed and floating charge (debenture trust deed) over all its assets to secure the facility. Ramsay Hospital Holdings (Queensland) Pty Limited and Ramsay Hospital Holdings Pty Limited have each given a fixed and floating charge over all its assets and a mortgage of all its hospital land to secure the facility.

Also, Ramsay Health Care Limited and Ramsay Health Care Investments Pty Limited, as shareholders in Ramsay Hospital Holdings Pty Limited and Ramsay Hospital Holdings (Queensland) Pty Limited, have mortgaged their shares to secure the facility.

Under one of the tranches in the facility the consolidated entity has issued bank guarantees:

- totalling \$3,950,000 in connection with the financing arrangements for the Mildura Base Hospital and the performance obligations of Ramsay Health Care Australia Pty Limited as operator of the Mildura Base Hospital; and
- for \$7,000,000 to secure the deferred consideration payable to Medical Benefits Fund of Australia Limited in relation to the acquisition of Lake Macquarie Private Hospital.

### (b) Westmead Facility

Alpha Westmead Private Hospital Pty Limited has entered into a Construction and Term Loan Facility Agreement. Alpha Westmead Private Hospital Pty Limited has granted a mortgage over the Alpha Westmead Private Hospital land and a fixed and floating charge (debenture stock trust deed) over all its assets to secure the drawn balance of the facility of \$33,885,394 (2001: \$35,400,000). Health Care Corporation Pty Limited, as shareholder in Alpha Westmead Private Hospital Pty Limited, has mortgaged its shares in Alpha Westmead Private Hospital Pty Limited to secure the facility.

### 30. REMUNERATION OF DIRECTORS

	<b>Consolidated</b>		<b>Ramsay Health Care Limited</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the economic entity, directly or indirectly, by the entities of which they are directors or any related party	<u>2,060,738</u>	<u>1,457,501</u>		
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			<u>2,060,738</u>	<u>1,457,501</u>
The number of directors of Ramsay Health Care Limited whose income (including superannuation contributions) falls within the following bands are:	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
\$ 60,000 - \$ 69,999	-	6	-	6
\$ 80,000 - \$ 89,999	-	1	-	1
\$ 120,000 - \$129,999	1	-	1	-
\$ 140,000 - \$149,999	5	-	5	-
\$ 280,000 - \$289,999	1	-	1	-
\$ 340,000 - \$349,999	1	1	1	1
\$ 580,000 - \$589,999	1	-	1	-
\$ 640,000 - \$649,999	-	1	-	1

### 31. REMUNERATION OF EXECUTIVES

	Consolidated		Ramsay Health Care Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
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	7,248,014	6,251,631		
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			930,738	992,501
The number of executives of the economic entity and the company whose remuneration falls within the following bands:	2002	2001	2002	2001
\$100,000 - \$109,999	8	2	-	-
\$110,000 - \$119,999	5	1	-	-
\$120,000 - \$129,999	1	3	-	-
\$130,000 - \$139,999	5	4	-	-
\$140,000 - \$149,999	4	2	-	-
\$150,000 - \$159,999	3	2	-	-
\$160,000 - \$169,999	4	1	-	-
\$170,000 - \$179,999	2	2	-	-
\$180,000 - \$189,999	-	3	-	-
\$190,000 - \$199,999	2	2	-	-
\$210,000 - \$219,999	-	1	-	-
\$220,000 - \$229,999	2	1	-	-
\$230,000 - \$239,999	-	2	-	-
\$240,000 - \$249,999	1	-	-	-
\$260,000 - \$269,999	1	-	-	-
\$270,000 - \$279,999	1	-	-	-
\$290,000 - \$299,999	-	1	-	-
\$310,000 - \$319,999	-	1	-	-
\$340,000 - \$349,999	1	1	1	1
\$410,000 - \$419,999	1	-	-	-
\$450,000 - \$459,999	-	1	-	1
\$500,000 - \$509,999	-	-	-	-
\$580,000 - \$589,999	1	-	1	-
\$640,000 - \$649,999	-	1	-	1

### 32. AUDITORS' REMUNERATION

	Consolidated		Ramsay Health Care Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
Amounts received or due and receivable by the auditors for:				
Auditing the accounts	349,306	331,540	-	-
Other services				
- Taxation	174,094	240,069	-	-
- Risk Management	93,500	-	-	-
- Acquisition Due Diligence	158,681	-	-	-
- Other	62,809	67,493	-	-
Total other Services	489,084	307,562	-	-
	838,390	639,102	-	-

### 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, Conditions and Securities

##### (i) Bank Overdraft:

- In addition to the facility described in note 33(b)(ii), the consolidated entity holds an overdraft facility for \$5 million which was not drawn as at 30 June 2002. The consolidated entity provides the securities and guarantees detailed at note 33 (b)(ii) to secure the overdraft facility. Interest is charged at the lender's prime lending rate less a fixed margin.

- Alpha Westmead Private Hospital Pty Ltd has a bank overdraft facility for \$2,000,000 which was drawn to \$Nil at 30 June 2002 (2001: \$1,119,000). The bank overdraft is secured by the guarantee, mortgage and fixed and floating charge (debenture stock trust deed) detailed at note 33 (b)(ii). The bank overdraft is uncommitted with interest charged at the bank's reference rate.

##### (ii) Bank Loans:

During September 2001 the consolidated entity (other than companies in the Alpha Healthcare Limited Group) signed a new 5 year facility agreement for \$250 million.

The consolidated entity (other than companies in the Alpha Healthcare Limited Group):

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

### 33. BORROWINGS (CONTINUED)

North Shore Private Hospital Pty Limited has given a fixed and floating charge (debenture trust deed) over all its assets to secure the facility. Ramsay Hospital Holdings Pty Limited and Ramsay Hospital Holdings (Queensland) Pty Limited have each given a fixed and floating charge over all its assets and mortgage of its hospital land to secure the facility.

Ramsay Health Care Limited and Ramsay Health Care Investments Pty Limited, as shareholders in Ramsay Hospital Holdings Pty Limited and Ramsay Hospital Holdings (Queensland) Pty Limited, have mortgaged their shares in Ramsay Hospital Holdings Pty Limited and Ramsay Hospital Holdings (Queensland) Pty Limited to secure the facility.

\$127,489,435 (2001: \$111,065,232) of the facility was utilised as at 30 June 2002. A portion of the facility will amortise effective 30 September 2004 and the remainder will be repaid or refinanced on or prior to the expiration of the facility. The facility consists of several tranches. The interest rate in respect of each tranche is the Bank Bill Rate plus a fixed margin (which is dependent on the tranche).

The interest rate exposures for certain portions of the facility have been fixed by entering into interest rate swap contracts. \$120.2 million of the \$127.5 million utilised was fixed at 30 June 2002.

Under one of the tranches in the facility the consolidated entity has issued bank guarantees:

- totalling \$3,950,000 in connection with the financing arrangements for the Mildura Base Hospital and the performance obligations of Ramsay Health Care Australia Pty Limited as operator of the Mildura Base Hospital; and
- for \$7,000,000 in connection with the acquisition of Lake Macquarie Private Hospital from Medical Benefits Fund of Australia Limited.

Alpha Westmead Private Hospital Pty Ltd has a long-term secured committed bank loan facility of which \$33,885,394 (2001: \$35,400,000) was drawn at 30 June 2002 and is a 10 year facility with principal repayments over the life of the facility concluding with a lump sum payment of the remainder to be repaid or refinanced on or prior to in September 2010. The interest rate for the facility has been fixed by entering into an interest rate swap contract for the full period of the loan.

This facility is secured by a mortgage over the hospital land and a fixed and floating charge (debenture stock trust deed) given by Alpha Westmead Private Hospital Pty Limited and a mortgage given by Health Care Corporation Pty Limited of its shares in Alpha Westmead Private Hospital Pty Ltd.

#### **(iii) Lease Liabilities - Finance Leases:**

Lease liabilities are effectively secured by the leased assets.

#### **(iv) 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 as at 30 June 2002 were:

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

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

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

The beneficial and direct interest of each director in the share capital of the Company as at the date of this report (2002: 30 September / 2001: 27 September) was as follows:

Director	Ordinary Shares		Options	
	2002	2001	2002	2001
P.J. Ramsay	66,334,939	66,334,939	-	-
M.S. Siddle	25,000	10,000	-	55,000
M.L. Brislee	21,000	10,000	-	55,000
A.J. Clark	50,000	50,000	45,000	70,000
P.J. Evans	16,000	5,000	-	55,000
I.P.S. Grier	4,600	124,600	250,000	330,000
R.H. McGeoch	120,000	98,000	-	22,000
K.C.D. Roxburgh	75,000	80,000	-	70,000
B.R. Soden	5,387	5,387	-	-
	<u>66,651,926</u>	<u>66,717,926</u>	<u>295,000</u>	<u>657,000</u>

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

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.

### 34. RELATED PARTY TRANSACTIONS (CONTINUED)

#### **Movements in Directors' equity holdings**

##### ***During the year:***

- Mrs M.L. Brislee acquired 44,000 shares through the exercise of options at an average price of \$1.85. Mrs Brislee sold 44,000 shares.
- Mr A. J. Clark acquired 25,000 shares through the exercise of options at an average price of \$1.85. Mr Clark sold 25,000 shares.
- Mr P. J. Evans acquired 44,000 shares through the exercise of options at an average price of \$1.85. Mr Evans sold 44,000 shares.
- Mr I.P.S. Grier acquired 320,000 shares through the exercise of options at an average price of \$1.85. Mr Grier sold 320,000 shares.
- Mr K.C.D. Roxburgh acquired 80,000 shares through the exercise of options at an average price of \$1.85 and 339 shares through the dividend reinvestment plan, at an average price of \$4.42. Mr Roxburgh sold 45,339 shares.
- Mr M.S. Siddle acquired 40,000 shares through the exercise of options at an average price of \$1.85. Mr Siddle sold 40,000 shares.
- Mr R.H. McGeoch acquired 88,000 shares through the exercise of options at an average price of \$1.85.

##### ***Since 30 June 2002:***

- Mrs M.L. Brislee acquired 11,000 shares through the exercise of options at an average price of \$1.85.
- Mr P. J. Evans acquired 11,000 shares through the exercise of options at an average price of \$1.85.
- Mr I.P.S. Grier acquired 80,000 shares through the exercise of options at an average price of \$1.85. Mr Grier sold 80,000 shares.
- Mr K.C.D. Roxburgh acquired 30,000 shares through the exercise of options at an average price of \$1.85.
- Mr M.S. Siddle acquired 15,000 shares through the exercise of options at an average price of \$1.85.
- Mr R.H. McGeoch acquired 22,000 shares through the exercise of options at an average price of \$1.85.

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

- Entities associated with Mr R.H. McGeoch.

Mr McGeoch is a partner of the law firm Corrs Chambers Westgarth, which has performed legal services for the Group in return for fees at its usual hourly rates, aggregating \$346,925 (2001: \$125,924).

- 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 2002 is \$24,895 (2001: \$13,700).

During the year costs charged by Paul Ramsay Holdings Pty Limited, for services rendered to the Group amounted to \$116,286 (2001: \$24,164).

### 34. RELATED PARTY TRANSACTIONS (CONTINUED)

*Transactions with related parties in wholly owned group.*

	<b>2002 \$000</b>	<b>2001 \$000</b>
Loans from Subsidiaries:		
- Interest free	1,258	-
Loans to Subsidiaries		
- Interest free	-	4,062
	<u>1,258</u>	<u>4,062</u>

A guarantee fee of \$1,874,000 (2001: \$2,500,000) is charged by Ramsay Health Care Limited to a subsidiary company for the provision of bank guarantees.

### 35. EARNINGS PER SHARE

	<b>2002</b>	<b>2001</b>
(a) Basic earnings per share (cents per share)	24.5	14.2
(b) Diluted earnings per share (cents per share)	24.3	13.9
(c) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	126,858,478	113,094,689
(d) The amount used as the numerator in calculating basic EPS	31,071,000	16,004,000
(e) The amount used as the numerator in calculating diluted EPS	31,071,000	16,004,000
(f) The weighted average number of ordinary shares and potential ordinary shares of the entity used as the denominator in calculating diluted EPS *	127,760,556	115,042,500
(g) The weighted average number of lapsed potential ordinary shares included in the calculation of diluted EPS	59,479	187,299

\* The difference between the weighted average number of shares used in the basic and diluted EPS calculation is options potentially convertible to ordinary shares.

#### *Issues after 30 June 2002*

Since the end of the financial year 616,500 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.



Ramsay Health Care Limited and Controlled Entities  
Notes to the Financial Statements  
For the year ended 30 June 2002

### 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						
- 2002	5,252	-	-	-	5,252	4.50
- 2001	10,272	-	-	-	10,272	4.68
Total Financial Assets						
- 2002	5,252	-	-	-	5,252	4.50
- 2001	10,272	-	-	-	10,272	4.68
(ii) Financial Liabilities:						
Overdrafts						
- 2002	-	-	-	-	-	-
- 2001	1,150	-	-	-	1,150	8.95
Bank loans						
- 2002	-	19,457	119,323	22,594	161,374	7.10 *
- 2001	-	14,678	125,219	24,496	164,393	8.45 *
Other loans						
- 2002	-	2,094	-	-	2,094	1.3
- 2001	-	528	5,530	-	6,058	1.3
Loan - Insurance Funding						
- 2002	-	771	-	-	771	3.5
- 2001	-	1,608	-	-	1,608	3.5
Finance lease liability						
- 2002	-	1,146	2,044	-	3,190	8.35
- 2001	-	2,765	3,131	-	5,896	8.35
Total Financial Liabilities						
- 2002	-	23,468	121,367	22,594	167,429	-
- 2001	1,150	19,579	133,880	24,496	179,105	-

All other financial instruments are non interest bearing.

\* The weighted average interest rate is arrived at after taking account of the interest rate swaps.

### 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 as at 30 June 2002.

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.

# Ramsay Health Care Limited and Controlled Entities

## Supplementary Information

### For the year ended 30 June 2002

#### SHAREHOLDER INFORMATION

The following additional information required by the Australian Stock Exchange Ltd, was applicable as at 30 August 2002:

##### (a) Distribution of Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 - 1,000	825	501,259	0.39
1,001 - 5,000	1,321	3,322,790	2.60
5,001 - 10,000	277	2,043,217	1.60
10,001 - 100,000	188	4,305,051	3.36
100,001 and over	30	117,753,689	92.05
<b>Totals</b>	<b>2,641</b>	<b>127,926,006</b>	<b>100.00</b>

(b) The number of shareholdings held in less than marketable parcels is 88.

##### (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	30.73
2. JP Morgan Nominees Pty Limited	32,124,934	25.11
3. Westpac Custodian Nominees Limited	13,714,997	10.72
4. National Nominees Limited	8,587,161	6.71
5. Calnex Nominees Pty Limited	6,242,602	4.88
6. Commonwealth Custodial Services Limited	4,294,762	3.36
7. AMP Life Limited	3,786,420	2.96
8. Queensland Investment Corporation	1,655,390	1.29
9. Cognet Nominees Pty Limited	1,360,021	1.06
10. ANZ Nominees Limited	814,183	0.64
11. Cognet Nominees Pty Limited (SMP A/C)	726,186	0.57
12. Victorian Workcover Authority	626,796	0.49
13. Health Super Pty Limited	597,317	0.47
14. Guardian Trust Australia Limited	534,251	0.42
15. Government Superannuation Office	533,256	0.42
16. Permanent Trustee Australia Limited	475,000	0.37
17. Robhar Pty Limited	308,339	0.24
18. Citicorp Nominees Pty Limited	280,733	0.22
19. Transport Accident Commission	279,447	0.22
20. Questor Financial Services Limited	183,934	0.14
<b>Totals</b>	<b>116,443,059</b>	<b>91.02</b>

Ramsay Health Care Limited and Controlled Entities  
Supplementary Information  
For the year ended 30 June 2002

**SHAREHOLDER INFORMATION** (CONTINUED)

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 30 August 2002 are:

<b>Shareholder</b>	<b>Number of fully paid Ordinary Shares</b>
Paul Ramsay Holdings Pty Limited	66,334,939
Australian and New Zealand Banking Group Limited and ING Australia Pty Limited	10,785,062
AMP Limited	7,026,861
Morgan Stanley Dean Witter	6,102,052

(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.

# Notes

# Notes

# Business Directory

## 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

**Lake Macquarie Private Hospital**  
3 Sydney Street  
Gateshead, New South Wales 2290

**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



RAMSAY  
HEALTH CARE

[www.ramsayhealth.com.au](http://www.ramsayhealth.com.au)