



RAMSAY HEALTH CARE

RAMSAY HEALTH CARE LIMITED
ACN 001 288 768

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To: Company Announcements
Australian Stock Exchange

From: Larry Ransley
Company Secretary

Fax No. 1900 999 279

Re: Financial Report

Date: 30 September 2003

No of Pages: 72 (Incl. this page)

Please find attached a copy of the Financial Report for the year ended 30 June 2003.

Larry Ransley
Company Secretary

RAMSAY HEALTH CARE LIMITED
AND CONTROLLED ENTITIES
A.B.N. 57 001 288 768
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2003

RAMSAY HEALTH CARE LIMITED
AND CONTROLLED ENTITIES
A.B.N. 57 001 288 768
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2003

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RAMSAY HEALTH CARE LIMITED

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2003.

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 and options of the Company and related bodies corporate

The beneficial 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 over Ordinary Shares
P.J. Ramsay	66,334,939	-
M.S. Siddle	25,000	-
M.L. Brislee	21,000	-
A.J. Clark	95,000	-
P.J. Evans	5,000	-
I.P.S. Grier	254,600	-
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 (2002: 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.

RAMSAY HEALTH CARE LIMITED

DIRECTORS' REPORT (continued)

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 \$37,055,000 (2002: profit of \$31,071,000). The operating profit before tax was \$53,545,000 (2002: \$43,555,000).

Earnings per Share

Basic earnings per share 28.9 cents (2002: 24.5 cents)

Diluted earnings per share 28.9cents (2002: 24.3 cents)

Dividends

Dividends paid or recommended for payment are as follows:

Final dividend recommended @ 9 cents per share	\$11,603,566 (2002: \$8,327,979)
Interim dividend paid during the year @ 6.5 cents per share	\$8,359,721 (2002: \$5,801,119)

REVIEW OF OPERATIONS

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

The expansion program is on schedule and has already delivered benefits. The extra capacity at Hollywood came on-stream in the first half and contributed to a 14% increase in EBIT at the facility.

Expansion at Greenslopes was largely completed late in the financial year and the expansion and revamp of Lake Macquarie is due to be completed by the end of calendar 2003.

Results from Sydney's North Shore Private Hospital remain robust and profits continued to improve significantly in the year. Demand for beds remains strong.

Westmead is performing ahead of expectations and continues to experience strong demand. Added capacity to the operating theatres has addressed the higher demand.

During the year, Ramsay Health Care and the Department of Veterans' Affairs mutually agreed to transition arrangements in conjunction with extension of Veteran Partnering contracting in Brisbane and Perth. The arrangement will continue supplementary funding for specialised veteran services at Greenslopes and Hollywood hospitals for an initial period of two years beyond 2006.

CORPORATE INFORMATION

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

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (continued)

EMPLOYEES

The consolidated entity employed 7,666 employees as at 30 June 2003 (2002: 7,159).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Acquisition of Cairns Private Hospital

In November 2002, Ramsay Health Care Limited purchased Calvary Cairns Private Hospital from the Diocese of Cairns. To reflect the change of ownership, the 141 bed hospital has been renamed Cairns Private Hospital. Cairns Private Hospital is a medical-surgical hospital with a strong regional catchment.

SHARE OPTIONS

At the date of this report, there were 98,250 (2002: 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 #	11,000	Five years from date of issue, i.e. 15 December 2003
11 October 2000 *	87,250	Three years from date of issue, i.e. 11 October 2003
Exercised during the current period to 30 June 2003	518,500 613,250	At \$1.85 exercise price At \$1.50 exercise price
Lapsed during the current period to 30 June 2003	-	Five year options at various expiry dates
Exercised post 30 June 2003	38,000 104,500	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.
- 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;
- The exercise price is \$1.50.

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events after the balance date that may significantly affect the entity's operations in future years, the results of these 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 OF DIRECTORS AND OFFICERS

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 directors and 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.

RAMSAY HEALTH CARE LIMITED **DIRECTORS' REPORT (continued)**

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (continued)

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			
	Total Salary and Other Benefits (excluding Bonuses, Superannuation and Director's Retirement Benefits)	Bonus	Number of Options Granted	Amortised Cost of Options Vested	% of Remuneration	Superannuation
	\$	\$	@	@	@	\$
P.J. Ramsay	75,000	-	-	-	-	6,750
M.S. Siddle	60,000	-	-	-	-	5,400
M.L. Brislee	60,000	-	-	-	-	-
A.J. Clark	60,000	-	-	1,872	2.78%	5,400
P.J. Evans	60,000	-	-	-	-	5,400
I.P.S. Grier	509,103	90,000	-	2,469	0.40%	10,519
R.H. McGeoch	60,000	-	-	-	-	5,400
K.C.D. Roxburgh	60,000	-	-	-	-	5,400
B.R. Soden	328,148	25,000	-	988	0.27%	10,519

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, Superannuation)	Bonus	Termination & Similar Payments	Number of Options Granted	Amortised Cost of Options Vested	Superannuation
	\$	\$	\$	@	@	\$
C. Rex	364,919	70,000	-	-	988	10,519
R. Glynn	227,523	-	362,500	-	840	10,519
C. McNally	272,111	12,000	-	-	642	10,519
K. Chant	212,037	8,000	-	-	642	10,519
A. Tarazi	175,850	-	-	-	-	10,519

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (continued)

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (continued)

Notes:

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

- @ The company has adopted the fair value measurement provisions of ED 108 "Share-based Payment" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2002. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e. forfeitures). From 1 July 2002, options granted as part of director and executive emoluments have been valued using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. For further details, refer to Note 24 to the financial statements.

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 200G 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 prior year the Board resolved to provide for non-executive director's retirement benefit entitlements. Consequently, an amount of \$840,000 (2002: \$620,000) has been provided and \$220,000 expensed in the current year.

DIRECTOR'S 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	Risk Management Committee
Number of Meetings held:	11	7	2	11
Number of Meetings attended:				
P.J. Ramsay	10			
M.S. Siddle	11		2	
M.L. Brislee	11			11
A.J. Clark	11	6		
P.J. Evans	11	7	2	11
I.P.S. Grier	11			7
R.H. McGeoch	10		2	
K.C.D. Roxburgh	11	7		
B.R. Soden	11			

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (continued)

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	Messrs, Evans (appointed 20/8/02), McGeoch (alternative), Grier, Mrs Brislee

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 REGULATION AND PERFORMANCE

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.

TAX CONSOLIDATION

Effective 1 July 2003, for the purposes of income taxation, Ramsay Health Care Ltd and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have committed to entering into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

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 2003



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Independent audit report to members of Ramsay Health Care Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Ramsay Health Care Limited and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.



While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

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 financial position of Ramsay Health Care Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized script.

Ernst & Young

A handwritten signature in black ink that reads 'Neil Wykes' in a cursive, stylized script.

Neil Wykes
Partner

Sydney, NSW
Date: 30 September 2003

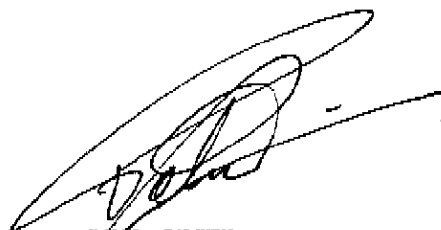
**RAMSAY HEALTH CARE LIMITED
DIRECTORS' DECLARATION**

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 2003 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.S. GRIER
Director



B.R. SODEN
Director

Sydney, 30 September 2003

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

		Consolidated		Ramsay Health Care Limited	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Revenues:					
Operating revenue		662,177	549,792	2,997	2,369
Dividends received		-	-	9,303	-
Interest income		861	1,177	2	10
Proceeds on sale of assets		563	4,392	-	-
Total revenue from ordinary activities	2	663,601	555,361	12,302	2,379
Details of Expenditure:					
Personnel costs		(359,918)	(286,119)	(160)	(946)
Occupancy costs		(27,513)	(25,538)	-	-
Medical consumables and supplies		(157,532)	(116,310)	(3)	-
Cost of services		(26,238)	(40,992)	(768)	(716)
Depreciation and amortisation	3 (a)	(24,725)	(22,889)	-	-
Borrowing cost expense	3 (a)	(13,674)	(15,985)	-	-
Carrying value of assets sold		(456)	(3,973)	-	-
		(610,056)	(511,806)	(931)	(1,662)
Profit from ordinary activities before income tax expense		53,545	43,555	11,371	717
Income tax expense relating to ordinary activities	4	(16,490)	(12,484)	(620)	(215)
Profit from ordinary activities after income tax expense		37,055	31,071	10,751	502
Net profit		37,055	31,071	10,751	502
Net profit attributable to members of Ramsay Health Care Limited		37,055	31,071	10,751	502
Net increase/(decrease) in asset revaluation reserve		101	-	-	-
Increase/(decrease) in retained profits on adoption of revised accounting standards: AASB 1028 "Employee Benefits"		(643)	-	-	-
Total revenue, expenses and valuation adjustment recognised directly in equity		(542)	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		36,513	31,071	10,751	502
Basic earnings per share (cents per share)	35	28.9 cents	24.5 cents		
Diluted earnings per share (cents per share)	35	28.9 cents	24.3 cents		
Unfranked dividends per share (cents per share)	5	Nil cents	11.0 cents		
Franked dividends per share (cents per share)	5	15.5 cents	Nil cents		

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

		Consolidated		Ramsay Health Care Limited	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
CURRENT ASSETS					
Cash assets		16,880	5,287	195	15
Receivables	6	67,751	55,727	66	-
Inventories	7	11,189	9,646	-	-
Other	8	13,766	3,688	-	-
TOTAL CURRENT ASSETS		109,586	74,348	261	15
NON CURRENT ASSETS					
Receivables	9	-	-	-	-
Other financial assets	10	245	245	149,997	149,997
Property, plant & equipment	11	512,548	439,416	-	-
Intangible assets	12	6,744	7,111	-	-
Deferred tax assets	13, 4	21,976	20,049	1,669	-
Other	14	2,953	3,830	-	-
TOTAL NON CURRENT ASSETS		544,466	470,651	151,666	149,997
TOTAL ASSETS		654,052	544,999	151,927	150,012
CURRENT LIABILITIES					
Accounts payable	15	79,115	71,749	11	12
Interest-bearing liabilities	16	28,593	23,468	-	-
Provisions	17	26,941	30,523	780	9,267
Current tax liabilities	4	11,481	-	-	-
TOTAL CURRENT LIABILITIES		146,130	125,740	791	9,279
NON CURRENT LIABILITIES					
Accounts payable	18	-	3,293	6,923	1,258
Interest-bearing liabilities	19	198,570	143,961	-	-
Provisions	20	24,856	21,258	-	-
Deferred tax liabilities	21, 4	31,367	27,671	1,368	921
TOTAL NON CURRENT LIABILITIES		254,793	196,183	8,291	2,179
TOTAL LIABILITIES		400,923	321,923	9,082	11,458
NET ASSETS		253,129	223,076	142,845	138,554
SHAREHOLDERS' EQUITY					
Contributed equity	22	121,490	119,590	121,490	119,590
Reserves	23	54,533	54,432	-	-
Retained profits	23	77,106	49,054	21,355	18,964
TOTAL SHAREHOLDERS' EQUITY		253,129	223,076	142,845	138,554

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003

		Consolidated		Ramsay Health Care Limited	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		650,148	547,604	2,931	2,368
Payments to suppliers & employees		(586,971)	(476,080)	(2,931)	(840)
Dividends Received		-	-	9,303	-
Income tax paid		(3,239)	(3,773)	-	-
Borrowing costs paid		(14,597)	(16,500)	-	-
Interest received		861	2,630	2	10
GST received		31,215	17,168	-	-
GST paid		(10,139)	(5,275)	-	-
Net cash flows from operating activities	25 (a)	<u>67,278</u>	<u>65,774</u>	<u>9,305</u>	<u>1,538</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	11(c)	(80,698)	(41,379)	-	-
Purchase of business	25(e) & (f)	(15,744)	(11,085)	-	-
Proceeds from sale of property, plant and equipment		563	4,392	-	-
Expenditure on capitalised borrowing costs		(19)	(3,605)	-	-
Net cash flows used in investing activities		<u>(95,898)</u>	<u>(51,677)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		1,900	4,928	1,901	4,928
Dividends paid		(16,688)	(12,037)	(16,688)	(12,037)
Repayment of finance lease - principal		(1,094)	(2,706)	-	-
Borrowings - receipts other		55,882	-	5,662	5,321
Borrowings - repayment other		-	(9,293)	-	-
Net cash flows used in financing activities		<u>40,000</u>	<u>(19,108)</u>	<u>(9,125)</u>	<u>(1,788)</u>
Net increase/(decrease) in cash held		11,380	(5,011)	180	(250)
Add opening cash brought forward		3,631	8,642	15	265
CLOSING CASH CARRIED FORWARD	25 (b)	<u>15,011</u>	<u>3,631</u>	<u>195</u>	<u>15</u>

**RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Accounting

The financial report has been prepared in accordance with the historical cost convention, except for property and certain plant and equipment, measured at fair value.

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

(b) Changes in Accounting Policy

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the provision for dividends and employee benefits.

(i) Provision for dividends

The consolidated entity has adopted the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which has resulted in a change in the accounting for the dividends provision. Previously, the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new Standard, a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date. The effect of the revised policy has been to increase consolidated retained profits and decrease provisions at the beginning of the year by \$8,327,979 (refer to Note 23(b)). In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30 June 2003.

(ii) Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has been to decrease consolidated retained profits and increase employee benefit liabilities at the beginning of the year by \$643,138. In addition, current year profits have decreased by \$105,731 due to an increase in the employee benefits expense. Current provisions at 30 June 2003 have also increased by \$105,731 and non-current provisions have increased by \$ Nil as a result of the change in accounting policy.

(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 which Ramsay Health Care Limited controlled from time to time during the year and at balance date.

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

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

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, 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.

(e) Cash

Cash on hand and in banks and short-term deposits are stated at nominal value.

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 measured using the cost basis are not carried at 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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property, Plant and Equipment

Cost and Valuation

Property, plant and equipment, including land and buildings of licensed private hospitals are measured on a fair value basis. At each reporting date, the value of each asset in these classes is reviewed to ensure that it does not differ materially from the assets fair value at that date. Where necessary, the asset is revalued to reflect its 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 for that class 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.

Other items are held at cost. 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.

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.

Depreciation

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 to the profit and loss.

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.

Depreciation is provided on a straight line basis on all property, plant and equipment other than freehold land.

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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible Assets

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 present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(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.

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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Benefits

Provision is made for employee 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 based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit 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 market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability are used.

Employee benefit 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 benefits;

are recognised 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. Any contributions made to the superannuation plans are recognised against profits when due.

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

(p) Revenue Recognition

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

Patient Revenue

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

Interest

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

Dividends

Dividends are recognised when received.

**RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental Revenue

Rental income is recognised on an accruals basis.

(q) Income Tax

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

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

The income tax expense for the year is calculated using the 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.

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.

**RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(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.

(u) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(v) Derivative financial instruments

Interest rate swaps

Ramsay Health Care Ltd enters into interest rate swap agreements that are used to convert the variable interest rate of its long term borrowings to long term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

(w) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(i) AASB 1028

As a result of the first time application of the revised AASB 1028 "Employee Benefits", comparatives for employee options, as set out in Note 24 have been classified and positioned to be consistent with current year disclosures.

(ii) AASB 1044

As a result of the first time application of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", comparatives for provisions, as set out in Note 23(b) have been repositioned to be consistent with current year disclosures.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Ramsay Health Care Limited	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities:				
Revenue from services	<u>646,252</u>	<u>538,850</u>	<u>-</u>	<u>-</u>
Management fees				
Controlled entities (fully owned)	-	-	497	494
Rental income				
Other persons/corporations	6,624	5,291	-	-
Guarantee fee				
Controlled entities (fully owned)	-	-	2,500	1,875
Bad debts recovered	53	26	-	-
Income from ancillary services	<u>9,248</u>	<u>5,625</u>	<u>-</u>	<u>-</u>
Total revenue from operating activities	<u>662,177</u>	<u>549,792</u>	<u>2,997</u>	<u>2,369</u>
Revenue from non-operating activities:				
Dividends and distributions				
Controlled entities (fully owned)	-	-	9,303	-
Interest				
Controlled entities (fully owned)	-	-	2	10
Other persons/corporations	861	1,177	-	-
Proceeds on sale of property, plant and equipment	<u>563</u>	<u>4,392</u>	<u>-</u>	<u>-</u>
Total revenue from outside the operating activities	<u>1,424</u>	<u>5,569</u>	<u>9,305</u>	<u>10</u>
Total revenues from ordinary activities	<u>663,601</u>	<u>555,361</u>	<u>12,302</u>	<u>2,379</u>

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Ramsay Health Care Limited	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
3. EXPENSES AND LOSSES / (GAINS)				
(a) Expenses				
Amortisation of non-current assets:				
- Goodwill	606	573	-	-
- Leasehold improvements	282	282	-	-
- Capitalised leased assets	721	1,084	-	-
	<u>1,609</u>	<u>1,939</u>	<u>-</u>	<u>-</u>
Depreciation of non-current assets:				
- Plant and equipment	16,980	15,378	-	-
- Buildings	6,136	5,572	-	-
	<u>23,116</u>	<u>20,950</u>	<u>-</u>	<u>-</u>
Total depreciation and amortisation	<u>24,725</u>	<u>22,889</u>	<u>-</u>	<u>-</u>
Bad and doubtful debts:				
- Trade debtors	289	464	-	-
Rental - operating leases	5,701	6,747	-	-
Contributions to superannuation funds	21,569	16,226	-	-
Borrowing costs:				
- Interest expense				
Other persons/corporations	13,410	15,683	-	-
- Finance charges - lease liability	264	302	-	-
	<u>13,674</u>	<u>15,985</u>	<u>-</u>	<u>-</u>
(b) Losses / (Gains)				
Net (gain) / loss on disposal of property, plant and equipment	(107)	(418)	-	-

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Consolidated 2003 \$000	Consolidated 2002 \$000	Ramsay Health Care Limited 2003 \$000	Ramsay Health Care Limited 2002 \$000
4. INCOME TAX					
The prima facie tax on profit from ordinary activities differs from the income tax provided in the financial statements as follows:					
Profit from ordinary activities before income tax		53,545	43,555	11,371	717
Prima facie tax on profit from ordinary activities at 30% (2002: 30%)		16,063	13,067	3,414	215
Tax effect of permanent differences:					
- Net allowable deductions/add backs		427	(583)	-	-
- Tax effect of prior year timing differences and tax losses not previously brought to account		-	-	-	-
- Rebateable Dividends		-	-	(2,794)	-
Income tax expense attributable to ordinary activities		16,490	12,484	620	215
Deferred tax assets and liabilities					
Current tax payable		11,481	-	-	-
Provision for deferred income tax - current		-	-	-	-
Provision for deferred income tax - non-current	21	31,367	27,671	1,368	921
Future income tax benefit - non-current	13	21,976	20,049	1,669	-
Income tax losses					
Future income tax benefit carried forward as an asset that is attributable to tax losses		-	4,844	-	-

This future income tax benefit will only be obtained if:

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

Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, Ramsay Health Care Ltd and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group intend to enter into a tax sharing arrangement to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The head entity of the tax consolidated group is Ramsay Health Care Ltd. Ramsay Health Care Ltd will formally notify the Australian Taxation Office of its adoption of the tax consolidation regime by the due date.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Ramsay Health Care Limited	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES				
(a) Dividends proposed and recognised as a liability				
- Unfranked dividends - ordinary (Nil cents per share) (2002: 6.5 cents)	<u>-</u>	<u>8,328</u>	<u>-</u>	<u>8,328</u>
(b) Dividend paid during the year:				
<i>(i) Interim dividend paid</i>				
- Franked dividends - ordinary (6.5 cents per share) (2002: Nil cents)	8,360	-	8,360	-
- Unfranked dividends - ordinary (Nil cents per share) (2002: 4.5 cents)	<u>-</u>	<u>5,801</u>	<u>-</u>	<u>5,801</u>
	<u>8,360</u>	<u>5,801</u>	<u>8,360</u>	<u>5,801</u>
<i>(ii) Previous year final dividend paid</i>				
- Unfranked dividends - ordinary (6.5 cents per share) (2002: 4.4 cents)	<u>8,328</u>	<u>6,263</u>	<u>8,328</u>	<u>6,263</u>
(c) Dividends proposed and not recognised as a liability				
- Franked dividends - ordinary (9 cents per share) (2002: Nil cents)	<u>11,604</u>	<u>-</u>	<u>11,604</u>	<u>-</u>
(d) Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
- franking account balance as at the end of the financial year at 30% (2002: 30%)			583	-
- franking credits that will arise from the payment of income tax payable as at the end of the financial year			11,481	-
- franking debits that will arise from the payment of dividends as at the end of the financial year *			(4,973)	-
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date			<u>-</u>	<u>-</u>
			<u>7,091</u>	<u>-</u>

*As Ramsay Health Care Ltd and its 100% owned subsidiaries have formed a tax consolidated group, effective 1 July 2003, this represents the current tax payable for the group

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

**5. DIVIDENDS PAID OR
 PROVIDED FOR ON
 ORDINARY SHARES (Continued)**

The tax rate at which paid dividends have been franked is 30% (2002: nil%). Dividends proposed will be franked at the rate of 30% (2002: nil%).

As of 1 July 2002, the new imputation system requires a company's franking credits to be expressed on a tax-paid basis. The franking account surplus existing at 30 June 2002 has been reinstated to a tax paid amount by multiplying the Class C franking surplus by 30/70.

	Consolidated		Ramsay Health Care Limited	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
6. RECEIVABLES (CURRENT)				
Trade debtors	64,627	52,107	-	-
Provision for doubtful debts	(2,328)	(2,767)	-	-
	<u>62,299</u>	<u>49,340</u>	<u>-</u>	<u>-</u>
Other debtors	5,731	6,666	66	-
Provision for doubtful debts	(279)	(279)	-	-
	<u>5,452</u>	<u>6,387</u>	<u>66</u>	<u>-</u>
	<u>67,751</u>	<u>55,727</u>	<u>66</u>	<u>-</u>
Movement in provision for doubtful debts:				
- Balance at beginning of year	(3,046)	(2,967)	-	-
- Bad debts previously provided for written-off during the year	728	385	-	-
- Bad and doubtful debts provided for during the year	<u>(289)</u>	<u>(464)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>(2,607)</u>	<u>(3,046)</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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

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 (%)		\$000	
	2003	2002	2003	2002
Health funds	70	66	43,556	32,490
Government	21	24	13,181	11,892
Other	9	10	5,562	4,958
	100	100	62,299	49,340

	Consolidated		Ramsay Health Care Limited	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000

7. INVENTORIES (CURRENT)

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

	<u>11,189</u>	<u>9,646</u>	<u>-</u>	<u>-</u>
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8. OTHER ASSETS (CURRENT)

Prepayments

	<u>13,766</u>	<u>3,688</u>	<u>-</u>	<u>-</u>
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**9. RECEIVABLES
(NON-CURRENT)**

Amounts receivable from controlled entities

	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Refer to note 34 for the details of the terms and conditions of related party receivables.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

		Consolidated		Ramsay Health Care Limited	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
10. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments at cost comprise:					
Ordinary Shares:					
- Listed on a prescribed stock exchange		10	10	-	-
- Other		110	110	-	-
		<u>120</u>	<u>120</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>245</u>	<u>-</u>	<u>-</u>
Investment in controlled entities:					
- Unlisted shares and units	10 (a)	-	-	149,997	149,997
		<u>245</u>	<u>245</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 2003

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2003 %	2002 %	2003 \$000	2002 \$000
10. OTHER FINANCIAL ASSETS					
(NON-CURRENT) (continued)					
10 (a) Investments in controlled entities					
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 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 and its controlled entities	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				<u>149,997</u>	<u>149,997</u>

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
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	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2003 %	2002 %	2003 \$000	2002 \$000
10. OTHER FINANCIAL ASSETS (NON-CURRENT) (continued)					
10 (a) Investments in controlled entities (continued)					
Balance brought forward				149,997	149,997
Ramsay Centauri Pty Limited and its controlled entities (continued):					
Alpha Healthcare 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%		
Westnead 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
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	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2003 %	2002 %	2003 \$000	2002 \$000
10. OTHER FINANCIAL ASSETS (NON-CURRENT) (continued)					
10 (a) Investments in controlled entities (continued)					
Balance brought forward				149,997	149,997
Ramsay Health Care Australia Pty Limited and its controlled entities (continued):					
Ramsay Health Care (Asia Pacific) Pty Limited and its controlled entities:	Australia	100%	100%		
Ramsay Health and Management Services Sdn Bhd # (in liquidation)	Malaysia	100%	100%		
				<u>149,997</u>	<u>149,997</u>

Audited by other member firms of Ernst & Young International
 * Denotes \$2

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
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	Consolidated		Ramsay Health Care Limited	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
11. PROPERTY, PLANT AND EQUIPMENT				
Licensed private hospitals at fair value (a)	439,020	374,709	-	-
Leasehold improvements – at cost	10,676	8,756	-	-
Less: accumulated amortisation	(1,643)	(1,206)	-	-
	9,033	7,550	-	-
Total land and buildings	448,053	382,259	-	-
Plant and equipment				
Plant and equipment – at cost	154,816	131,281	-	-
Less: accumulated depreciation	(92,038)	(76,839)	-	-
	62,778	54,442	-	-
Plant and equipment under lease	3,709	3,947	-	-
Less: accumulated amortisation	(1,992)	(1,232)	-	-
	1,717	2,715	-	-
Total plant and equipment	64,495	57,157	-	-
Total property, plant and equipment	512,548	439,416	-	-

(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.

Licensed private hospitals comprise:

	2003	2002
	\$000	\$000
Land	51,724	46,437
Hospital and bed licences	103,051	102,447
Buildings	284,245	225,825
	439,020	374,709

(b) Assets pledged as security

Refer to note 29 Contingent Liabilities.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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11. PROPERTY, PLANT AND EQUIPMENT (continued)

(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:

	Notes	Consolidated		Ramsay Health Care Limited	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
Licensed private hospitals					
Carrying amount at beginning		374,709	337,484	-	-
Additions		56,613	28,043	-	-
Net amount of revaluation increments less decrements	23 (a) (ii)	101	-	-	-
Additions through acquisition of entities/operations	25(e)	13,733	14,754	-	-
Depreciation expense	3(a)	(6,136)	(5,572)	-	-
		<u>439,020</u>	<u>374,709</u>	-	-
Leasehold improvements					
Carrying amount at beginning		7,550	7,181	-	-
Additions		1,765	860	-	-
Disposals		-	(209)	-	-
Additions through acquisition of entities/operations	25(e)	-	-	-	-
Depreciation expense	3(a)	(282)	(282)	-	-
		<u>9,033</u>	<u>7,550</u>	-	-
Plant and equipment at cost					
Carrying amount at beginning		54,442	56,499	-	-
Additions		22,320	12,476	-	-
Disposals		(178)	(843)	-	-
Additions through acquisition of entities/operations	25(e)	3,174	1,688	-	-
Depreciation expense	3(a)	(16,980)	(15,378)	-	-
		<u>62,778</u>	<u>54,442</u>	-	-
Plant and equipment under lease					
Carrying amount at beginning		2,715	6,720	-	-
Additions		-	-	-	-
Disposals		(277)	(2,921)	-	-
Additions through acquisition of entities/operations		-	-	-	-
Depreciation expense	3(a)	(721)	(1,084)	-	-
		<u>1,717</u>	<u>2,715</u>	-	-
Total property, plant and equipment		<u>512,548</u>	<u>439,416</u>	-	-

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
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	Notes	Consolidated		Ramsay Health Care Limited	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
12. INTANGIBLE ASSETS					
Goodwill		7,827	7,588	-	-
Accumulated amortisation		(1,083)	(477)	-	-
		<u>6,744</u>	<u>7,111</u>	<u>-</u>	<u>-</u>

13. DEFERRED TAX ASSETS

Future income tax benefit		<u>21,976</u>	<u>20,049</u>	<u>1,669</u>	<u>-</u>
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14. OTHER ASSETS (NON CURRENT)

Capitalised borrowing costs		4,790	4,771	-	-
Accumulated amortisation		(1,837)	(941)	-	-
		<u>2,953</u>	<u>3,830</u>	<u>-</u>	<u>-</u>

The amortisation of borrowing costs is included in interest expense.

15. ACCOUNTS PAYABLE (CURRENT)

Accounts payable		41,205	32,771	-	-
Deferred payment	15(a)	3,293	3,500	-	-
Sundry creditors and accrued expenses		<u>34,617</u>	<u>35,478</u>	<u>11</u>	<u>12</u>
		<u>79,115</u>	<u>71,749</u>	<u>11</u>	<u>12</u>

- (a) At reporting date, the Company had a deferred cash settlement representing the present value of the remaining consideration payable for the acquisition of Lake Macquarie Private Hospital, discounted at the rate of 6.5% and payable on 14 April 2004.

Terms and conditions: 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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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		Consolidated		Ramsay Health Care Limited	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
16. INTEREST BEARING LIABILITIES (CURRENT)					
Secured:					
- Bank loans (b)	33	18,371	19,457	-	-
- Lease liabilities (a)		754	1,146	-	-
- Bank overdraft (b)		-	-	-	-
- Loan - insurance funding (c)	33(iv)	9,468	771	-	-
		<u>28,593</u>	<u>21,374</u>	<u>-</u>	<u>-</u>
Unsecured:					
- Loans		-	2,094	-	-
- Bank overdraft		-	-	-	-
		<u>-</u>	<u>2,094</u>	<u>-</u>	<u>-</u>
		<u>28,593</u>	<u>23,468</u>	<u>-</u>	<u>-</u>

- (a) Lease liabilities are effectively secured by the leased asset.
(b) Further information on the bank loans and bank overdraft are set out in notes 29 and 33.
(c) Loan - insurance funding. This loan is carried at the principal amount less any repayments. It is secured by the unexpired position of the insurance policy.

17. PROVISIONS (CURRENT)

Dividend on ordinary shares	17(a)	-	8,328	-	8,328
Employee benefits	24	25,742	20,943	-	-
Other		1,199	1,252	780	939
		<u>26,941</u>	<u>30,523</u>	<u>780</u>	<u>9,267</u>

- (a) Terms and conditions: No dividends have been provided for the year ended 30 June 2003.
Dividends payable on ordinary shares represent 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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2003

		Consolidated		Ramsay Health Care Limited	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
18. ACCOUNTS PAYABLE (NON-CURRENT)					
Deferred payment	18(a)	-	3,293	-	-
Amounts payable to controlled entities		-	-	6,923	1,258
		-	3,293	6,923	1,258

(a) Deferred payment relates to an amount payable for the purchase of Lake Macquarie Private Hospital.
Refer to 33(b)(ii).

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

Secured liabilities:					
- Bank loans	19(a)	197,229	141,917	-	-
- Lease liabilities	19(b)	1,341	2,044	-	-
		198,570	143,961	-	-

(a) Further information on bank loans are set out in notes 29 and 33.
(b) Lease liabilities are effectively secured by the leased asset.

**20. PROVISIONS
(NON-CURRENT)**

Employee benefits	24	15,310	12,187	-	-
Insurance	20(a) 1(t)	6,976	6,288	-	-
Surplus lease space		649	1,177	-	-
Other		1,921	1,606	-	-
		24,856	21,258	-	-

(a) This includes an insurance provision of \$3.6 million (2002: \$3.8 million) raised to provide for estimated claims relating to the period during which Alpha Healthcare Ltd was insured with HIH and FAI.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Consolidated 2003 \$000	2002 \$000	Ramsay Health Care Limited 2003 \$000	2002 \$000
20. PROVISIONS					
(NON-CURRENT) (Continued)					
(b) Movements in provisions					
<i>(i) Insurance</i>					
Carrying amount at the beginning of the financial year		6,288	3,875	-	-
Additional provision		977	2,413	-	-
Amounts utilised during the year		(289)	-	-	-
Carrying amount at the end of the financial year		<u>6,976</u>	<u>6,288</u>	<u>-</u>	<u>-</u>
<i>(ii) Surplus lease</i>					
Carrying amount at beginning		1,177	1,346	-	-
Additional provision		-	-	-	-
Amounts utilised during the year		(528)	(169)	-	-
Carrying amount at end		<u>649</u>	<u>1,177</u>	<u>-</u>	<u>-</u>
21. DEFERRED TAX LIABILITIES					
Deferred income tax liability		<u>31,367</u>	<u>27,671</u>	<u>1,368</u>	<u>921</u>

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
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	Consolidated		Ramsay Health Care Limited	
Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
22. CONTRIBUTED EQUITY				
(a) Issued and paid up capital				
128,687,756 ordinary shares fully paid (2002: 127,556,006 ordinary shares fully paid)	<u>121,490</u>	<u>119,590</u>	<u>121,490</u>	<u>119,590</u>
	2003		2002	
	Number of Shares	\$000	Number of Shares	\$000
(b) Movements in share issue:				
Beginning of financial year	127,556,006	119,590	125,263,423	114,662
Issued during the year:				
- dividend reinvestment	-	-	332,083	1,449
- exercise of options	<u>1,131,750</u>	<u>1,900</u>	<u>1,960,500</u>	<u>3,479</u>
End of financial year	128,687,756	121,490	127,556,006	119,590

(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
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22. CONTRIBUTED EQUITY (continued)

Share Options:

At the end of the year there were 240,750 (2002: 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
15 December 1998 #	49,000	Five years from date of issue, i.e. 15 December 2003
11 October 2000 *	191,750	Three years from date of issue, i.e. 11 October 2003
Total outstanding options at 30 June 2003	<u>240,750</u>	
Exercised during the current period	518,500	at \$1.85 exercise price
Lapsed during the current period	613,250	at \$1.50 exercise price
	-	Five year options with various expiry dates

At the date of this report there was a total of 98,250 (2002: 756,000) options on issue to 7 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 (2002: 46) executives and staff eligible for this scheme.

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% 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;
- 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;
- The exercise price is \$1.50.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2003

		Consolidated		Ramsay Health Care Limited	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
23. RESERVES AND RETAINED PROFITS					
Assets revaluation	23(a)	<u>54,533</u>	<u>54,432</u>	-	-
Retained profits	23(b)	<u>77,106</u>	<u>49,054</u>	<u>21,355</u>	<u>18,964</u>
(a) Reserves					
Assets revaluation		<u>54,533</u>	<u>54,432</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.					
(ii) Movements in reserve:					
Balance at beginning of year		54,432	54,432	-	-
Revaluation increments/(decrements) on revaluation of:					
- Licensed Private Hospitals		<u>101</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at end of year		<u>54,533</u>	<u>54,432</u>	<u>-</u>	<u>-</u>
(b) Retained profits					
Balance at the beginning of year		49,054	32,112	18,964	32,591
Net profit attributable to members of Ramsay Health Care Limited		37,055	31,071	10,751	502
Adjustment arising from adoption of revised accounting standard:					
AASB 1028 "Employee Benefits"		(643)	-	-	-
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"		<u>8,328</u>	<u>-</u>	<u>8,328</u>	<u>-</u>
Total available for appropriation		<u>93,794</u>	<u>63,183</u>	<u>38,043</u>	<u>33,093</u>
Dividends provided for or paid		<u>(16,688)</u>	<u>(14,129)</u>	<u>(16,688)</u>	<u>(14,129)</u>
Balance at end of year		<u>77,106</u>	<u>49,054</u>	<u>21,355</u>	<u>18,964</u>

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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		Consolidated		Ramsay Health Care Limited	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000

24. EMPLOYEE BENEFITS

The aggregate employee benefit liability is comprised of:

- Provisions (current)	17	25,742	20,943	-	-
- Provisions (non-current)	20	15,310	12,187	-	-
- Accrued salaries, wages and on costs		<u>10,657</u>	<u>9,042</u>	-	-
		<u>51,709</u>	<u>42,172</u>	-	-

Employee Share Incentive Scheme

An employee share scheme has been established where Ramsay Health Care Limited may, at the discretion of management, grant options over the ordinary shares of Ramsay Health Care Limited to directors, executives and certain members of staff of the consolidated entity. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors of Ramsay Health Care Limited, although the management of Ramsay Health Care Limited retains the final discretion on the issue of the options. The options cannot be transferred and will not be quoted on the ASX. All directors with the exception of the Chairman, Mr Paul Ramsay, and all executive staff are eligible for this scheme.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

		2003		2002	
		Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	24(a)	1,372,500	1.64	3,518,000	1.73
- granted	24(b)	-	-	-	-
- forfeited		-	-	(185,000)	1.85
- exercised	24(c)	<u>(1,131,750)</u>	<u>1.66</u>	<u>(1,960,500)</u>	<u>1.77</u>
Balance at end of year	24(d)	<u>240,750</u>	<u>1.57</u>	<u>1,372,500</u>	<u>1.64</u>
Exercisable at end of year		<u>207,750</u>	<u>1.53</u>	<u>1,025,750</u>	<u>1.68</u>

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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24. EMPLOYEE BENEFITS (Continued)

(a) Options held at the beginning of the reporting period:

The following table summarises information about options held by employees as at 1 July 2002:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
491,500	17 September 1997	Various	17 September 2002	1.85
4,000	23 September 1997	Various	23 September 2002	1.85
72,000	15 December 1998	Various	15 December 2003	1.85
805,000	11 October 2000	Various	11 October 2003	1.50

(b) Options granted during the reporting period:

The following table summarised information about options granted by Ramsay Health Care Limited to employees during the year:

2003	2002
Nil	Nil

(c) Options exercised

(i) The following table summarises information about options exercised by employees during the year ended 30 June 2003:

Number of Options	Grant date	Exercise date	Expiry date	Weighted average exercise price	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued *
98,500	17/09/97	Jul'02	17/09/02	1.85	182,225	98,500	Jul'02	4.139
146,500	17/09/97	Aug'02	17/09/02	1.85	271,025	146,500	Aug'02	4.158
246,500	17/09/97	Sep'02	17/09/02	1.85	456,025	246,500	Sep'02	3.769
4,000	23/09/97	Aug'02	23/09/02	1.85	7,400	4,000	Aug'02	4.153
23,000	15/12/98	Mar'03	15/12/03	1.85	42,550	23,000	Mar'03	3.486
71,250	11/10/00	Jul'02	11/10/03	1.50	106,875	71,250	Jul'02	4.130
49,750	11/10/00	Aug'02	11/10/03	1.50	74,625	49,750	Aug'02	4.170
27,500	11/10/00	Oct'02	11/10/03	1.50	41,250	27,500	Oct'02	4.038
25,000	11/10/00	Nov'02	11/10/03	1.50	37,500	25,000	Nov'02	3.541
257,000	11/10/00	Jan'03	11/10/03	1.50	385,500	257,000	Jan'03	3.649
25,000	11/10/00	Feb'03	11/10/03	1.50	37,500	25,000	Feb'03	3.450
10,000	11/10/00	Mar'03	11/10/03	1.50	15,000	10,000	Mar'03	3.486
21,250	11/10/00	Apr'03	11/10/03	1.50	31,875	21,250	Apr'03	3.500
25,000	11/10/00	May'03	11/10/03	1.50	37,500	25,000	May'03	3.832
101,500	11/10/00	Jun'03	11/10/03	1.50	152,250	101,500	Jun'03	3.681
<u>1,131,750</u>					<u>\$1,879,100</u>	<u>1,131,750</u>		

* Fair value of shares issued during the reporting period is estimated to be the weighted average market price of shares calculated on their respective issue dates.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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24. EMPLOYEE BENEFITS (Continued)

(c) Options exercised (continued)

(ii) The following table summarises information about options exercised by employees during the year ended 30 June 2002:

Number of Options	Grant date	Exercise date	Expiry date	Weighted average exercise price	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued *
38,000	17/09/97	Jul'01	17/09/02	1.85	70,300	38,000	Jul'01	2.990
206,800	17/09/97	Aug'01	17/09/02	1.85	382,580	206,800	Aug'01	3.487
683,000	17/09/97	Sep'01	17/09/02	1.85	1,263,550	683,000	Sep'01	3.971
345,700	17/09/97	Oct'01	17/09/97	1.85	639,543	345,700	Oct'01	4.255
52,000	17/09/97	Nov'01	17/09/02	1.85	96,200	52,000	Nov'01	4.520
40,000	17/09/97	Dec'01	17/09/02	1.85	74,000	40,000	Dec'01	4.450
45,000	17/09/97	Feb'02	17/09/02	1.85	83,250	45,000	Feb'02	4.626
22,000	17/09/97	Mar'02	17/09/02	1.85	40,700	22,000	Mar'02	4.914
18,000	17/09/97	Apr'02	17/09/02	1.85	33,300	18,000	Apr'02	4.480
20,500	17/09/97	Jun'02	17/09/02	1.85	37,925	20,500	Jun'02	4.063
16,000	23/09/97	Oct'01	23/09/02	1.85	29,600	16,000	Oct'01	4.174
4,500	15/12/98	Aug'01	15/12/03	1.85	8,325	4,500	Aug'01	3.684
29,500	15/12/98	Sep'01	15/12/03	1.85	54,575	29,500	Sep'01	3.704
10,000	15/12/98	Nov'01	15/12/03	1.85	18,500	10,000	Nov'01	4.800
9,000	15/12/98	May'02	15/12/03	1.85	16,650	9,000	May'02	4.759
8,700	11/10/00	Jul'01	11/10/03	1.50	13,050	8,700	Jul'01	3.063
42,750	11/10/00	Aug'01	11/10/03	1.50	64,125	42,750	Aug'01	3.640
31,200	11/10/00	Sep'01	11/10/03	1.50	46,800	31,200	Sep'01	3.709
176,050	11/10/00	Oct'01	11/10/03	1.50	264,075	176,050	Oct'01	4.402
8,800	11/10/00	Nov'01	11/10/03	1.50	13,200	8,800	Nov'01	4.520
114,000	11/10/00	Feb'02	11/10/03	1.50	171,000	114,000	Feb'02	4.628
14,000	11/10/00	Mar'02	11/10/03	1.50	21,000	14,000	Mar'02	4.914
25,000	11/10/00	May'02	11/10/03	1.50	37,500	25,000	May'02	4.778
<u>1,960,500</u>					<u>\$3,479,750</u>	<u>1,960,500</u>		

* Fair value of shares issued during the reporting period is estimated to be the weighted average market price of shares calculated on their respective issue dates.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

24. EMPLOYEE BENEFITS (Continued)

(d) Options held as at the end of the reporting period:

The following table summarises information about options held by the employees as at 30 June 2003:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
49,000	15 December 1998	Various	15 December 2003	1.85
191,750	11 October 2000	Various	11 October 2003	1.50

(e) Fair values of options

The fair value of each option is estimated on the date of grant using the Binomial option-pricing model with the following weighted assumptions used for grants made on 17 September 1997, 15 December 1998 and 11 October 2000:

	11 October 2000	15 December 1998	17 September 1997
Dividend yield	5.4%	4.5%	4.0%
Historic volatility	38%	31%	34%
Risk-free interest rate	5.98%	4.50%	5.69%
Expected life of option	3 years	5 years	5 years

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. Historic volatility is indicative of future trends.

The resulting weighted fair values per option for those options vesting after 18 September 1997 are:

Number of Options	Grant Date	Vesting date	Weighted average fair value
-	17 September 1997	Various	.52
49,000	15 December 1998	Various	.32
191,750	11 October 2000	Various	.28

Currently, these fair values are not recognised as expenses in the financial statements. However, should these grants be expensed, they would be amortised over the vesting periods resulting in an increase in employee benefits expenses of \$15,210 (2002: \$114,957). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e. options that do not vest).

(f) The exercise conditions of the options and the vesting dates are set out in Note 22.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Ramsay Health Care Limited	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
25. STATEMENT OF CASH FLOWS				
(a) Reconciliation of the net profit after tax to the net cash flows from operations				
Profit from ordinary activities after tax	37,055	31,071	10,751	502
Non cash items				
Interest (paid) related entity	-	-	(2)	(10)
Amortisation and depreciation	24,725	22,889	-	-
Net (profit) on sale of non current assets	(107)	(418)	-	-
Borrowing costs capitalised	19	3,605	-	-
(Decrease) in retained profits on adoption of revised accounting standards: AASB 1028 "Employee Benefits"	(643)	-	-	-
Changes in assets and liabilities				
Future income tax benefit	(1,927)	296	(1,668)	2
Receivables	(13,315)	(2,772)	(66)	-
Prepayments	(10,078)	147	-	-
Receivable - related companies	-	-	-	4,062
Intangibles	367	3,441	-	-
Creditors	9,628	8,719	(157)	(3,133)
Deferred income tax liability	3,693	7,090	447	115
Provision for employee benefits	7,923	(5,082)	-	-
Inventory	(1,543)	(3,212)	-	-
Tax provisions	11,481	-	-	-
Net cash flow from operating activities	<u>67,278</u>	<u>65,774</u>	<u>9,305</u>	<u>1,538</u>
(b) Reconciliation of cash				
Cash balances comprise:				
Cash on hand	39	35	-	-
Cash at bank and on deposit	16,841	5,252	195	15
Restricted cash balances	(1,869)	(1,656)	-	-
Closing cash balance	<u>15,011</u>	<u>3,631</u>	<u>195</u>	<u>15</u>

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

25. STATEMENT OF CASH FLOWS (continued)

(c) Bank facilities

The economic entity has bank borrowing facilities available to the extent of \$282,541,724 (2002: \$283,885,394). At 30 June 2003 these facilities have been drawn down to \$215,599,752 (2002: \$161,374,829).

(d) Restricted cash balances

Of the amount of \$16,841,000 (2002: \$5,252,000) shown as cash at bank and on deposit, the amount of \$1,868,694 (2002: \$1,656,000) is held in restricted accounts.

(e) Acquisition of business in current year

In November 2002, Ramsay Health Care Limited purchased Calvary Cairns Hospital from the Diocese of Cairns. To reflect the change of ownership, the 141 bed hospital has been renamed Cairns Private Hospital. Cairns Private Hospital is a medical-surgical hospital with a strong regional catchment. The components of the acquisition were:

		2003 \$000
Consideration		
- Cash paid		16,753
- Cash received		<u>(1,009)</u>
		<u>15,744</u>
Net Assets of Cairns Private Hospital at November 2002		
Current assets		
- Prepayments		52
- Inventories		526
Non-current assets		
- Property, plant and equipment, hospital and bed licenses	11(c)	16,907
Current liabilities		
- Provisions		(500)
Non-current liabilities		
- Provisions		(1,241)
Fair value of net tangible assets		<u>15,744</u>
Net cash effect:		
- Consideration paid		<u>15,744</u>
Cash paid for purchase of 100% of the assets of Cairns Private Hospital as reflected in the consolidated financial report		<u>15,744</u>

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

25. STATEMENT OF CASH FLOWS (continued)

(f) Acquisition of business in prior year

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:

		2002 \$000
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		3,293
		<u>17,878</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)	16,442
Current liabilities		
- Provisions		(104)
Fair value of net tangible assets		<u>17,878</u>
Net cash effect:		
- Consideration paid		17,878
- Deferred payments		<u>(6,793)</u>
Cash paid for purchase of 100% of the assets of Lake Macquarie Private Hospital as reflected in the consolidated financial report		<u><u>11,085</u></u>

(g) Non-cash financing and investing activities

Deferred Payments

During the previous financial year the consolidated entity acquired the assets of Lake Macquarie Private Hospital. Part of the consideration was funded by deferred payments amounting to \$6,793,000.

The deferred cash settlement of \$3,293,000 represents the present value of the remaining consideration payable. Refer to Note 15 for further details.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

		Consolidated		Ramsay Health Care Limited	
		2003	2002	2003	2002
		\$000	\$000	\$000	\$000
26. EXPENDITURE COMMITMENTS					
(a) Finance leases					
- not later than one year		758	1,341	-	-
- later than one year but not later than five years		1,386	2,165	-	-
- later than five years		-	167	-	-
Total minimum lease payments		2,144	3,673	-	-
- future finance charges		(49)	(483)	-	-
- lease liability		2,095	3,190	-	-
- current liability	16	754	1,146	-	-
- non-current liability	19	1,341	2,044	-	-
		2,095	3,190	-	-
Total lease liability accrued for:					
<i>Current</i>					
- Surplus lease space (operating lease)(i)		662	126	-	-
- Finance leases	16	754	1,146	-	-
		1,416	1,272	-	-
<i>Non-current</i>					
- Surplus lease space (operating lease)(i)	20	649	1,177	-	-
- Finance leases	19	1,341	2,044	-	-
		1,990	3,221	-	-
		3,406	4,493	-	-

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

26. EXPENDITURE COMMITMENTS
(continued)

(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% (2002: 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.

	Consolidated		Ramsay Health Care Limited	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
(b) Lease expenditure commitments				
Operating leases (non-cancellable):				
Minimum lease payments				
- not later than one year	6,293	6,892	-	-
- later than one year but not later than five years	17,692	22,246	-	-
- later than five years	17,408	20,404	-	-
Aggregate lease expenditure contracted for at balance date	<u>41,393</u>	<u>49,542</u>	<u>-</u>	<u>-</u>
Amounts provided for:				
- surplus lease space - current	662	126	-	-
- non-current	649	1,177	-	-
	<u>1,311</u>	<u>1,303</u>	<u>-</u>	<u>-</u>
Amounts not provided for:				
- rental commitments	<u>40,082</u>	<u>48,239</u>	<u>-</u>	<u>-</u>
Aggregate lease expenditure contracted for at balance date	<u>41,393</u>	<u>49,542</u>	<u>-</u>	<u>-</u>

- (i) Operating leases have an average lease term of 5 years and an average implicit interest rate of 9% (2002: 9%). Assets which are the subject of operating leases include motor vehicles and items of medical equipment.

Certain assets under leases have been sub-let to third parties. The total of future minimum lease payments expected to be received at the reporting date is \$1,270,130 (2002: \$1,699,638).

Current	752	601	-	-
Non-current	518	1,099	-	-
	<u>1,270</u>	<u>1,700</u>	<u>-</u>	<u>-</u>

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
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Consolidated		Ramsay Health Care Limited	
2003	2002	2003	2002
\$000	\$000	\$000	\$000

26. EXPENDITURE COMMITMENTS
(continued)

(c) Capital expenditure commitments

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

- not later than one year	19,693	39,628	-	-
- later than one year but not later than five years	-	1,459	-	-
	<u>19,693</u>	<u>41,087</u>	<u>-</u>	<u>-</u>

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

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

27. SEGMENTAL INFORMATION

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

28. SUPERANNUATION COMMITMENTS

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

**RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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29. CONTINGENT LIABILITIES

(a) Syndicated Loan Facility

During September 2001 the consolidated entity (other than companies in the Alpha Healthcare Group) signed a new 5 year facility agreement for \$250 million. \$183.1 million of the facility was utilised at 30 June 2003 (June 2002: \$127.5 million).

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 (2002: \$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 (2002: \$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 fully drawn balance of the facility of \$32,541,724 (2002: \$33,885,394). Health Care Corporation Pty Limited, as shareholders in Alpha Westmead Private Hospital Pty Limited, has mortgaged its shares in Alpha Westmead Private Hospital Pty Limited to secure the facility.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Ramsay Health Care Limited	
	2003	2002	2003	2002
	\$	\$	\$	\$
30. REMUNERATION OF DIRECTORS				
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party	<u>2,282,039</u>	<u>2,060,730</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>2,282,039</u>	<u>2,060,738</u>
The number of directors of Ramsay Health Care Limited whose income (including superannuation contributions) falls within the following bands are:	2003	2002	2003	2002
\$120,000 - \$129,999	-	1	-	1
\$140,000 - \$149,999	1	5	1	5
\$160,000 - \$169,999	5	-	5	-
\$280,000 - \$289,999	1	1	1	1
\$340,000 - \$349,999	-	1	-	1
\$360,000 - \$369,999	1	-	1	-
\$580,000 - \$589,999	-	1	-	1
\$660,000 - \$669,999	1	-	1	-

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated		Ramsay Health Care Limited	
	2003	2002	2003	2002
	\$	\$	\$	\$

31. REMUNERATION OF EXECUTIVES

Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise

<u>9,131,908</u>	<u>7,248,014</u>
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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

<u>1,033,289</u>	<u>930,738</u>
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The number of executives of the consolidated entity and the Company whose remuneration falls within the following bands:

	2003	2002	2003	2002
\$100,000 - \$109,999	8	8	-	-
\$110,000 - \$119,999	5	5	-	-
\$120,000 - \$129,999	4	1	-	-
\$130,000 - \$139,999	2	5	-	-
\$140,000 - \$149,999	6	4	-	-
\$150,000 - \$159,999	4	3	-	-
\$160,000 - \$169,999	4	4	-	-
\$170,000 - \$179,999	5	2	-	-
\$180,000 - \$189,999	2	-	-	-
\$190,000 - \$199,999	-	2	-	-
\$200,000 - \$219,999	1	-	-	-
\$220,000 - \$229,999	-	2	-	-
\$230,000 - \$239,999	1	-	-	-
\$240,000 - \$249,999	1	1	-	-
\$260,000 - \$269,999	1	1	-	-
\$270,000 - \$279,999	-	1	-	-
\$280,000 - \$289,999	1	-	-	-
\$290,000 - \$299,999	1	-	-	-
\$300,000 - \$309,000	-	-	-	-
\$340,000 - \$349,999	-	1	-	-
\$360,000 - \$369,999	1	-	1	-
\$410,000 - \$419,999	-	1	-	-
\$440,000 - \$449,999	1	-	-	-
\$580,000 - \$589,999	-	1	-	1
\$600,000 - \$609,999	1	-	-	-
\$660,000 - \$669,999	1	-	1	-

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated		Ramsay Health Care Limited	
	2003	2002	2003	2002
	\$	\$	\$	\$
32. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors for:				
Audit of financial statements	460,139	316,580	-	-
Audit of other reports	34,565	32,726	-	-
Other audit related services	10,945	10,450	-	-
Total audit	<u>505,649</u>	<u>359,756</u>	<u>-</u>	<u>-</u>
Other services				
Taxation	307,233	191,504	-	-
Other	180,081	287,130	-	-
Total Other Services	<u>487,314</u>	<u>478,634</u>	<u>-</u>	<u>-</u>
Total	<u>992,963</u>	<u>838,390</u>	<u>-</u>	<u>-</u>

33. BORROWINGS

(a) Accounting Policies

(i) Bank Overdrafts:

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

(ii) Bank Loans:

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

(b) Terms and Conditions

(i) Bank Overdraft:

- In addition to the facility described in note 33(b) (ii), the consolidated entity holds on overdraft for \$5 million which was not drawn as at 30 June 2003 (2002: \$nil). 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 not drawn as at 30 June 2003 (2002:\$Nil). 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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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33. BORROWINGS (continued)

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.

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.

\$183,058,028 (2002: \$127,489,435) of the facility was utilised as at 30 June 2003. 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. \$105.9 million (2002: \$120.2 million) of the \$183.1 million (2002: \$127.5 million) utilised was fixed at 30 June 2003.

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

- totalling \$3,950,000 (2002: \$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 (2002: \$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 \$32,541,724 (2002: \$33,885,394) was fully drawn at 30 June 2003 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 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 Liability – 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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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34. RELATED PARTY TRANSACTIONS

Directors

Directors of Ramsay Health Care Limited at 30 June 2003 were:

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

Ultimate Parent

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

Transactions with Directors of Ramsay Health Care Limited and the Group

Equity Instruments of Directors

The beneficial and direct interest of each director in the equity of the Company as at the date of this report was as follows:

Director	Ordinary Shares				Options	
	2003		2002		2003	2002
	Direct	Indirect ⁽¹⁾	Direct	Indirect ⁽¹⁾		
P.J. Ramsay	-	66,334,939	-	66,334,939	-	-
M.S. Siddle	25,000	-	25,000	-	-	-
M.L. Brislee	21,000	-	21,000	-	-	-
A.J. Clark	95,000	-	50,000	-	-	45,000
P.J. Evans	5,000	-	16,000	-	-	-
I.P.S. Grier	254,600	-	4,600	-	-	250,000
R.H. McGeoch	-	120,000	-	120,000	-	-
K.C.D. Roxburgh	75,000	-	75,000	-	-	-
B.R. Soden	2,541	10,346	2,541	79,049	-	-

⁽¹⁾ Shares in which the director does not have a direct interest including shares held in director related entities and shares held by family members.

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

Mr Ramsay has a relevant interest in 66,334,939 (2002: 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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

34. RELATED PARTY TRANSACTIONS (continued)

Movements in Directors' equity holdings

During the year:

- Mrs M L Brislee acquired 11,000 shares through the exercise of options at an average price of \$1.58.
- Mr A J Clark acquired 23,000 shares through the exercise 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 Evans sold 11,000 shares.
- Mr I P S Grier acquired 80,000 shares through the exercise of options at an average exercise price of \$1.85, and 250,000 shares through the exercise of options at the average exercise price of \$1.50. 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 Michael 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.

Since 30 June 2003:

Mr A J Clark acquired 22,000 shares through the exercise of options at an average price of \$1.85.

Transactions with Director-related entities and the Group (continued)

Director related entity transactions

- Entities associated with Mr R.H. McGeoch.

Mr McGeoch is a Chairman Emeritus 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 \$68,869 (2002: \$346,925).

- 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 2003 is \$13,775 (2002: \$24,895).

During the year costs charged by Paul Ramsay Holdings Pty Limited, for services rendered to the Group amounted to \$120,000 (2002: \$116,286).

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

34. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions within the wholly owned group

	2003 \$000	2002 \$000
Loans from Subsidiaries:		
- Interest free	<u>6,920</u>	<u>1,258</u>
Loans to Subsidiaries		
- Interest free	<u>-</u>	<u>-</u>
	<u>6,920</u>	<u>1,258</u>

Interest is charged at commercial rates.

A guarantee fee of \$2,500,000 (2002: \$1,874,000) is charged by Ramsay Health Care Limited to a subsidiary company for the provision of bank guarantees.

35. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2003	2002
Net profit	<u>37,055</u>	<u>31,071</u>
Earnings used in calculating basic and diluted earnings per share	<u>37,055</u>	<u>31,071</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	128,121,881	126,858,478
Effect of dilutive securities:		
Share options	<u>137,066</u>	<u>902,078</u>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>128,258,947</u>	<u>127,760,556</u>

Issues after 30 June 2003

Since the end of the financial year 142,500 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 2003

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						
- 2003	16,841				16,841	4.45
- 2002	5,252	-	-	-	5,252	4.50
Total Financial Assets						
- 2003	16,841				16,841	4.45
- 2002	5,252	-	-	-	5,252	4.50

(ii) Financial Liabilities:

Overdrafts						
Bank loans						
- 2003	77,100	18,371	99,466	20,663	215,600	6.82*
- 2002	10,000	9,457	119,323	22,594	161,374	7.10 *
Other loans						
- 2003	-	-	-	-	-	-
- 2002	-	2,094	-	-	2,094	1.3
Loan - Insurance Funding						
- 2003	-	9,468	-	-	9,468	4.5
- 2002	-	771	-	-	771	3.5
Finance lease liability						
- 2003	-	754	1,341	-	2,095	8.35
- 2002	-	1,146	2,044	-	3,190	8.35
Total Financial Liabilities						
- 2003	77,100	28,593	100,807	20,663	227,163	-
- 2002	10,000	13,468	121,367	22,594	167,429	-

All other financial instruments are non interest bearing.

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

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

36. FINANCIAL INSTRUMENTS (continued)

(b) Net Fair Values

All financial assets and liabilities have been recognised at the balance date at their net fair values, except for:

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<i>Financial assets</i>				
Listed shares	10	10	10	10
<i>Financial liabilities</i>				
Interest rate swaps	#	#	4,351	*
<i>Equity instruments</i>				
Options over ordinary shares	#	#	69	506

Note:

Not applicable since financial instruments are not recognised in the financial statements.

* The aggregate net fair value of the interest rate swap at 30 June 2002 was immaterial.

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 2003**

SHAREHOLDER INFORMATION

The following additional information required by the Australian Stock Exchange Limited, was applicable as at 29 August 2003:

(a) Distribution of Shareholders.

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 - 1,000	1,040	659,867	.51
1,001 - 5,000	1,821	4,610,785	3.58
5,001 - 10,000	361	2,644,296	2.05
10,001 - 100,000	215	4,803,993	3.73
100,001 and over.	32	116,039,315	90.13
Totals	3,469	128,758,256	100.00%

- (b) The number of shareholdings held in less than marketable parcels is 77 for a total of 3,833 ordinary shares.

(c) 20 Largest Shareholders - Ordinary Capital.

Name.	Number of fully paid Ordinary Shares	% of Issued Capital
1. Paul Ramsay Holding Pty Limited	34,317,330	26.65
2. J P Morgan Nominees Australia Limited	23,692,947	18.40
3. Dervat Nominees Pty Limited	19,584,305	15.21
4. Westpac Custodian Nominees Limited	9,981,773	7.75
5. National Nominees Limited	8,471,748	6.58
6. AMP Life Limited	3,418,618	2.66
7. Queensland Investment Corporation	2,526,434	1.96
8. Commonwealth Custodial Services	1,852,997	1.44
9. ANZ Nominees Limited	1,453,542	1.13
10. Guardian Trust Australia Limited (MFL Mutual Funds Account)	1,452,682	1.13
11. Cogent Nominees Pty Limited	1,352,378	1.05
12. RBC Global Services Australia Nominees Pty Limited (JBEMEP Account)	1,150,466	0.89
13. Citicorp Nominees Pty Limited	816,367	0.63
14. Permanent Trustee Australia Limited (PAR002 Account)	718,809	0.56
15. PSS Board	558,712	0.43
16. Citicorp Nominees Pty Limited (CFSIL CFS WS Small Comp Account)	544,028	0.42
17. CSS Board	510,862	0.40
18. Victorian Workcover Authority	473,493	0.37
19. Cogent Nominees Pty Limited (SMP Account)	461,107	0.36
20. Government Superannuation Office (State Super Fund A/c)	386,826	0.30
Totals	113,725,424	88.32%

**RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2003**

(d) Substantial Shareholders.

The names of the Substantial Shareholders listed in the Company's Register as at 29 August 2003 are:

Shareholder	Number of fully paid Ordinary Shares
Paul Ramsay Holdings Pty Limited	66,334,939
ING Australia Holdings Limited	8,116,780

(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.

**RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2003**

CORPORATE DIRECTORY

Directors

Non Executive Directors

Paul Ramsay (Chairman)

Michael Siddle (Deputy Chairman)

Marjorie Brislee

Tony Clark

Peter Evans

Rod McGeoch

Kerry Roxburgh

Executive Directors

Pat Grier (Managing Director)

Bruce Soden (Finance Director)

Company Secretary

Larry Ransley

Auditors

Ernst & Young

321 Kent Street

Sydney NSW 2000

Registered Office

9th Floor, 154 Pacific Highway

St Leonards NSW 2065

Email: enquiry@ramsayhealth.com.au

Website: www.ramsayhealth.com.au

Share Registry

Computershare Investor Services Pty Limited

Level 3, 60 Carrington Street

Sydney NSW 2000

Mail Address: GPO Box 7045

Sydney NSW 1115

Website: www.cshare.com.au

**RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2003**

DIRECTOR'S QUALIFICATIONS

P J Ramsay AO

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. In the June 2002, Queens 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

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.

A J Clark AM FCA FAICD

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

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.

**RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2003**

DIRECTOR'S QUALIFICATIONS (continued)

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

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

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

Mr Rod McGeoch, is a Consultant and 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, Chairman of Pacific Healthcare Australia Limited and Deputy Chairman of Australia Pacific Airports Corporations Limited. He is Chairman of Telecom Corporation of New Zealand Australia Ltd and a director of Telecom Corporation of New Zealand Ltd. He is Chairman of Frontiers Group Australasia Ltd and a director of Frontiers Group International Ltd. He is a director of Sky City Entertainment Group Ltd, Chairman of Saatchi & Saatchi's Trans Tasman Advisory Board 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, a non-executive director of The Medical Indemnity Protection Society and Professional Insurance Australia. He has been a non-executive director of a number of listed companies including J. Boag & Son and Climax Mining

**B R Soden B.Comm AC MAICD
Finance Director
Appointed 02/01/97**

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

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2003

CORPORATE GOVERNANCE STATEMENT

In this statement, the Directors of Ramsay Health Care Limited describe the corporate governance policies and practices developed, adopted and implemented by the Board to ensure the integrity of financial reporting to the Company's shareholders as well as other stakeholders.

Board of Directors

The role Board of Directors, as the governing body of Ramsay Health Care Limited, is to effectively represent and promote the interests of the Company's shareholders. The Board is accountable to the shareholders for the management of the Company's business affairs, and as such is responsible for the overall strategy, governance and performance of the Company.

The Board's specific responsibilities include:

- (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.

The respective roles and responsibilities of the Board and of management are outlined in detail in Ramsay Health Care's Board Charter, which has been published on the Company's website.

The Board has reviewed the Company's corporate governance policies in the light of the "Principles of Good Corporate Governance and Best Practice Recommendations" published by the Australian Stock Exchange Corporate Governance Council in March 2003. In general and except where noted in this statement the Company's current governance policies are in line with the Best Practice Recommendations.

In regard to the corporate governance principle on Board independence, the Board has assessed whether each non-executive Director's ability to exercise unfettered and independent judgement in the interests of all Company shareholders has been materially affected by their shareholding in the Company, or by their relationship either with corporate suppliers, competitors or substantial shareholders. In undertaking this review, the Board was satisfied that adequate procedures are in place for the disclosure of conflicts of interest, or material personal interests that may arise from time to time.

In relation to the seven items listed in the best practice guidelines for assessing the independence of a director, the Board makes the following observations:

- Four non-executive directors, Mr Siddle, Mrs Brislee, Mr Clark and Mr Evans, are also directors of Paul Ramsay Holdings Pty Limited, which is the Company's largest shareholder with 52% of the Company's share capital. These directors are not shareholders of Paul Ramsay Holdings Pty Limited and they do not have a direct or indirect beneficial interest in the shares of the Company. Accordingly, the Board does not consider that the independence of these directors is compromised by their relationship with the substantial shareholder.
- Mr McGeoch is Chairman Emeritus of the law firm Corrs Chambers Westgarth, which has performed legal services for Ramsay Health Care. The Board does not consider that this relationship affects Mr McGeoch's independence as a director in relation to any matter other than the selection of legal services. In this regard, the Managing Director has authority to make decisions without reference to the Board.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2003

CORPORATE GOVERNANCE STATEMENT (continued)

- The position of Chairman of Board, is currently held by Mr Paul Ramsay, a non-executive director who is also a director and shareholder of Paul Ramsay Holdings Pty Limited, which is the Company's largest shareholder with 52% of the Company's share capital. Mr Ramsay founded the business in 1964 and has built the Company to its present strong position in Australian health care. His many years experience in the private hospital industry are and continue to be a valuable asset for the Company.

Board Composition

At the date of this report, the Board comprises nine Directors, with 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.

There are no share qualifications for any Directors.

Board and Board Committee Meetings

The Board normally holds 11 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.

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; and
- Risk Management Committee.

The functions of each Committee are as follows:

**RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2003**

CORPORATE GOVERNANCE STATEMENT (continued)

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)
Kerry Roxburgh (non-executive)
Tony Clark (non-executive)

The Audit Committee is comprised of non-executive Directors only. The Managing Director and the Finance Director 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 Audit 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 perceived 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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2003

CORPORATE GOVERNANCE STATEMENT (continued)

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

The Risk Management Committee, previously known as the Quality Improvement Sub-Committee, is responsible for the ongoing assessment and management of risk including clinical, medical, occupational health and safety and financial. The Risk Management Committee is also responsible for the accreditation process for all hospitals, including the review of clinical and infection control procedures. The Committee verifies the credentials of medical practitioners who use the Company's facilities, and receives reports from each hospital's medical advisory board. This process minimises the risk of malpractice.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2003

CORPORATE GOVERNANCE STATEMENT (continued)

Members of this Committee during the financial year were:

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

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

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.