Ramsay Health Care Limited

P R O S P E C T U S

This is an issue for 106,000,000 ordinary shares of which 58,300,000 ordinary shares have been underwritten by Hambros Securities Limited and MacDougall & Co Limited. Ramcorp Limited has agreed to subscribe for 47,700,000 ordinary shares being the balance of shares offered to the public.

Neither Ramcorp Limited nor The Paul Ramsay Group guarantee the performance of Ramsay Health Care Limited.

This prospectus expires on 11th December, 1987.

A copy of this prospectus has been lodged with and registered by the Corporate Affairs Commission for the State of New South Wales as delegate for the National Companies and Securities Commission. Neither the Commission nor their respective officers takes any responsibility for the contents of the prospectus. It is proposed to issue this prospectus in the States of New South Wales, Victoria, Queensland, South Australia, Tasmania, Western Australia, in the Australian Capital Territory and in the Northern Territory.

This prospectus is dated 12th June, 1987 and expires on 11th December, 1987.

Information Summary	2
Key Investment Statistics	4
Company Particulars	6
Details of Capital	8
Directors' Statement	10
Details of the Issue	16
Report on the Australian Hospital Industry	19
Investigating Accountant's Report	24
Report on the Financial Projections	31
Valuation of the Hospitals to be Acquired	34
Valuation of the Companies to be Acquired	36
Additional Statutory Information	41
Solicitors' Report	51
Application Forms and Instructions	53

Information Summary

The Issue

This prospectus offers a total of 106,000,000 ordinary 50 cent shares at par payable in full on application, of which 47,700,000 shares will be taken up by Ramcorp Limited at par – refer to Details of the Issue on page 16.

The minimum amount which, in the opinion of the Directors, must be raised by this issue is $53,000,000 – refer to paragraph 17 of Additional Statutory Information on page 43.

Subscription Lists open on 26th June, 1987 and close on 24th July, 1987 – refer to Details of the Issue on page 16.

Purpose of the Issue

The purpose of the issue is to enable the Company to hold a 100 per cent interest in nine private hospitals having a total of 453 licensed beds and become one of the largest owners and operators of private hospitals in Australia – refer Directors' Statement on page 10.

The proceeds of this issue will be applied:

– to purchase 3 companies with interests in 4 private hospitals and the freehold land and licences of a further 4 private hospitals	30,629,899
– to repay debt owing by the 3 companies being acquired	16,925,773
– to repay debt incurred in purchasing the private hospital currently owned by the Company	3,500,000
– to meet expenses of this issue and provide working capital	1,944,328
	$53,000,000

Refer to paragraph 17 of Additional Statutory Information on page 43.

Management Experience

The board and management of the Company and that of Paul Ramsay Hospitals Pty. Limited, the manager of the Company's proposed business activities and operations, have more than 20 years' extensive experience in the development and operation of private hospitals in Australia and, more recently, in the United States of America – refer Directors' Statement on page 10.

Present Capital Structure

The present issued capital of the Company comprises 10 subscribers' shares issued on formation of the Company. At the conclusion of this issue, the issued capital of the Company will be 106,000,010 ordinary shares of 50 cents each of which 47,700,000 shares, representing 45 per cent of the issued capital, will be held by Ramcorp Limited – refer to Details of Capital on page 8.

The Company will also issue 20,000,000 assignable options to subscribe for the same number of ordinary shares to Paul Ramsay Hospitals Pty. Limited, exerciseable at any time until 31st December, 1991. Any shares arising from the exercise of these options during the 12 months from listing will be held in escrow. The exercise price of the options is 70 cents per share for the period ending 31st December, 1988, increasing thereafter by 10 cents per share for each succeeding calendar year – refer to paragraph 7(b) Additional Statutory Information on page 42.

Underwriting

The portion of the issue not being taken up by Ramcorp Limited and offered by this prospectus has been fully underwritten by Hambros Securities Limited and MacDougall & Co. Limited for a commission of 2.0 cents per share – refer to Details of the Issue on page 16.

Net Tangible Asset Backing

Based on the assumption that the Company issues the 106,000,000 shares offered by this prospectus, the assumption of the higher valuation of the hospitals to be acquired and on the other assumptions set out in paragraph 8 of the Investigating Accountant's Report on page 25, the net tangible asset backing of the Company will be 48.7 cents per share – refer to paragraph 12 of Investigating Accountant's Report on page 29. Based upon the assumption the Company issued the same number of shares, the assumption of the lower valuation of the hospitals to be acquired and the assumptions set out in paragraph 8 of the Investigating Accountant's Report on page 25, the net tangible asset backing of the Company will be 46.5 cents per share. The Directors have considered the circumstances which may lead to a lower net tangible asset backing for the Company and on the information available consider the higher net tangible asset backing to be more appropriate.

Stock Exchange

Permission has been granted for the Company to be admitted to the Official Lists of the Australian Stock Exchange and for the 106,000,000 shares now offered by this prospectus to be officially quoted – refer to Details of the Issue on page 16.

Directors' Benefits and Control

Mr Paul Ramsay, a Director of the Company, is the beneficial owner of the nine private hospitals to be purchased by the Company, a director and the beneficial owner of Paul Ramsay Hospitals Pty. Limited and a director and beneficial owner of 35.7 per cent of MacDougall & Co. Limited. In addition, Mr Paul Ramsay holds a beneficial interest in 52 per cent of the issued share capital of Ramcorp Limited, of which he is also Chairman. Following the exercise of all options held by Mr Paul Ramsay (and assuming the options have not been assigned to unrelated third parties) companies associated with Mr Paul Ramsay will hold 53.7 per cent of the enlarged issued capital of the Company.

Mr Michael Siddle, a Director of the Company, is a director of Paul Ramsay Hospitals Pty. Limited, a director of Ramcorp Limited, and an alternate director of MacDougall & Co. Limited.

Mr Ken Gourlay, a Director of the Company, is contracted as a consultant to Paul Ramsay Hospitals Pty. Limited and is a director of Ramcorp Limited, and of MacDougall & Co. Limited.

Mrs Marjorie Brislee, a Director of the Company, is an employee of Paul Ramsay Hospitals Pty. Limited.

P. J. Evans & Co, Auditors of the Company, are also the auditors of Paul Ramsay Hospitals Pty. Limited and its related companies.

Paul Ramsay Hospitals Pty. Limited holds a beneficial interest in 20,000,000 assignable options to subscribe for the same number of ordinary shares in the Company, and will receive management fees under contract to the Company – refer to paragraphs 7 and 19 of Additional Statutory Information on pages 42 and 43 respectively.

Ramcorp Limited has contracted with the Company to subscribe for 47,700,000 of the shares offered by this prospectus, representing 45 per cent of the issued share capital of the Company – refer paragraph 19 of Additional Statutory Information on page 43.

MacDougall & Co. Limited are joint underwriters and sponsoring brokers to this issue.

Licences

The Company has entered into agreements to procure the transfer of all hospital licences to the Company or to persons nominated by the Company to be held for the benefit of the Company. The Directors have no reason to believe that any applications for the transfer of the hospital licences will be unsuccessful. In the unlikely event of the transfer of a licence is unsuccessful the current licence holders will hold the licences for the benefit of the Company. Refer to Solicitor's Report commencing on page 51.

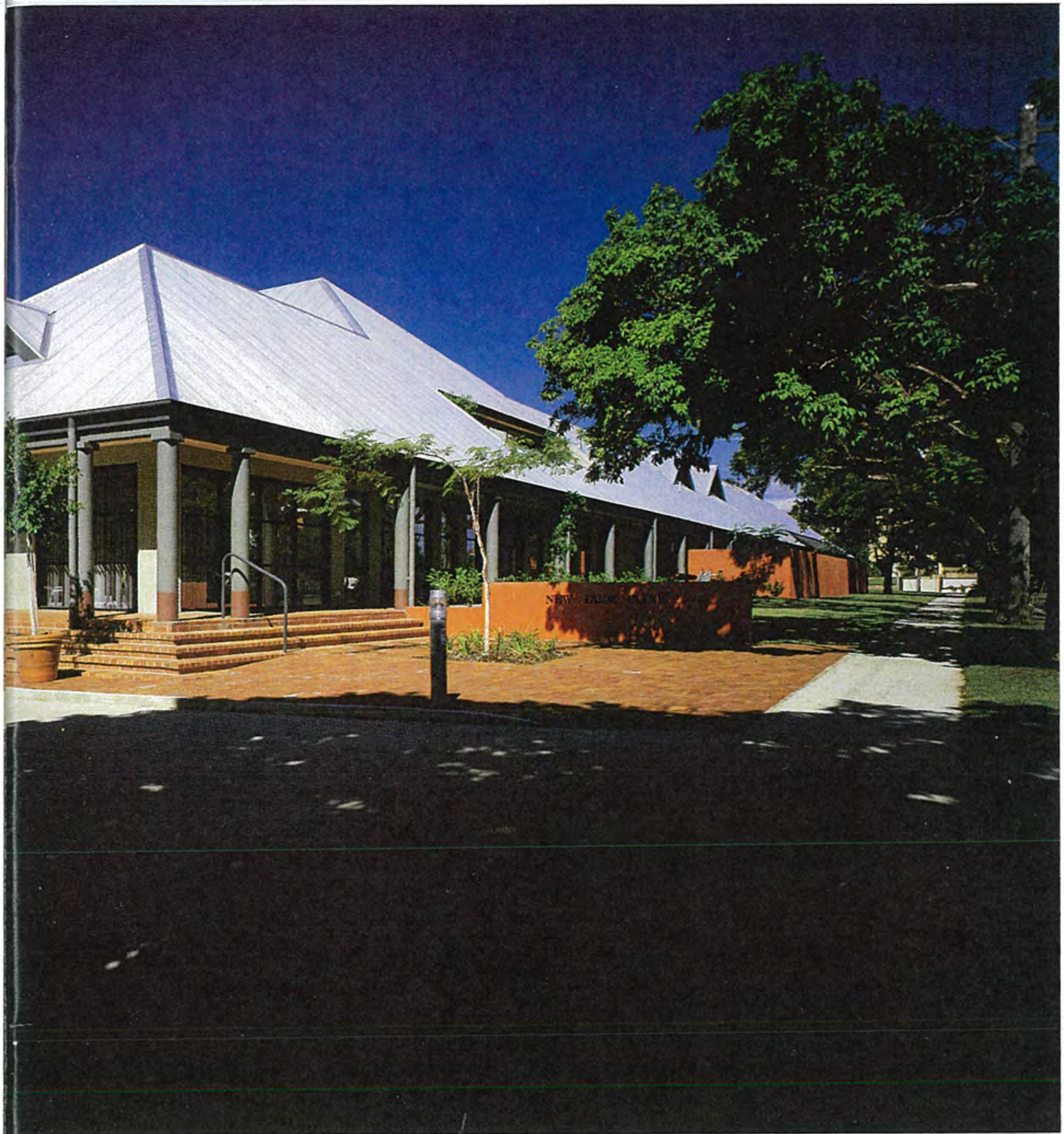
The details set out on this Information Summary are a summary only of the contents of this prospectus. Prior to making any decision as to whether or not to invest in the Company, the prospectus should be examined in full.

Key Investment Statistics

Issue Price per ordinary share at par value	50 cents
Number of issued ordinary shares on completion of this issue	106,000,010
Capitalisation at issue price of 50 cents per ordinary share	$53,000,005
Notional Projected Earnings per ordinary share (based on 106 million ordinary shares) for the year ending 30th June, 1987, assuming the future structure of the Company existed from 1st July, 1986	3.6 cents
Projected Earnings per ordinary share (based on 106 million ordinary shares) for the year ending 30th June, 1988	4.5 cents
Notional Projected Price Earnings Multiple for the year ending 30th June, 1987	13.9
Projected Price Earnings Multiple for the year ending 30th June, 1988	11.1
Projected Annualised Dividend per ordinary share (based on 106 million ordinary shares) for the year ending 30th June, 1988	2 cents
Projected Dividend Yield for the year ending 30th June, 1988 based on the issue price of 50 cents per ordinary share	4 per cent
Net Asset Backing per ordinary share (based on 106 million ordinary shares):	
(i) assuming the higher of the two valuations provided in the Valuation of Hospitals to be Acquired	48.7 cents
(ii) assuming the lower of the two valuations provided in the Valuation of Hospitals to be Acquired	46.5 cents

It should be noted that certain figures in this prospectus (including the earnings per ordinary share and price earnings multiples) are projections by the Directors of the Company. No assurances can be given that the earnings and dividend rates can be achieved since they depend on the Company's financial condition and other economic and market fluctuations.

Entrance, New Farm Clinic, Brisbane
This is a proposed asset of the Company



Board of Directors

Chairman

Paul Joseph Ramsay
Company Director
42A Wolseley Road
Point Piper NSW 2027

Managing Director

Michael Stanley Siddle
Company Director
21 Thornton Street
Darling Point NSW 2027

Directors

Kenneth Henry Gourlay
Company Director
178 Victoria Road
Bellevue Hill NSW 2023

Marjorie Lysle Brislee
Company Director
28 Fontenoy Road
North Ryde NSW 2113

Company Secretary

David Hardie Ellis
1 Tewkesbury Avenue
Darlinghurst NSW 2010

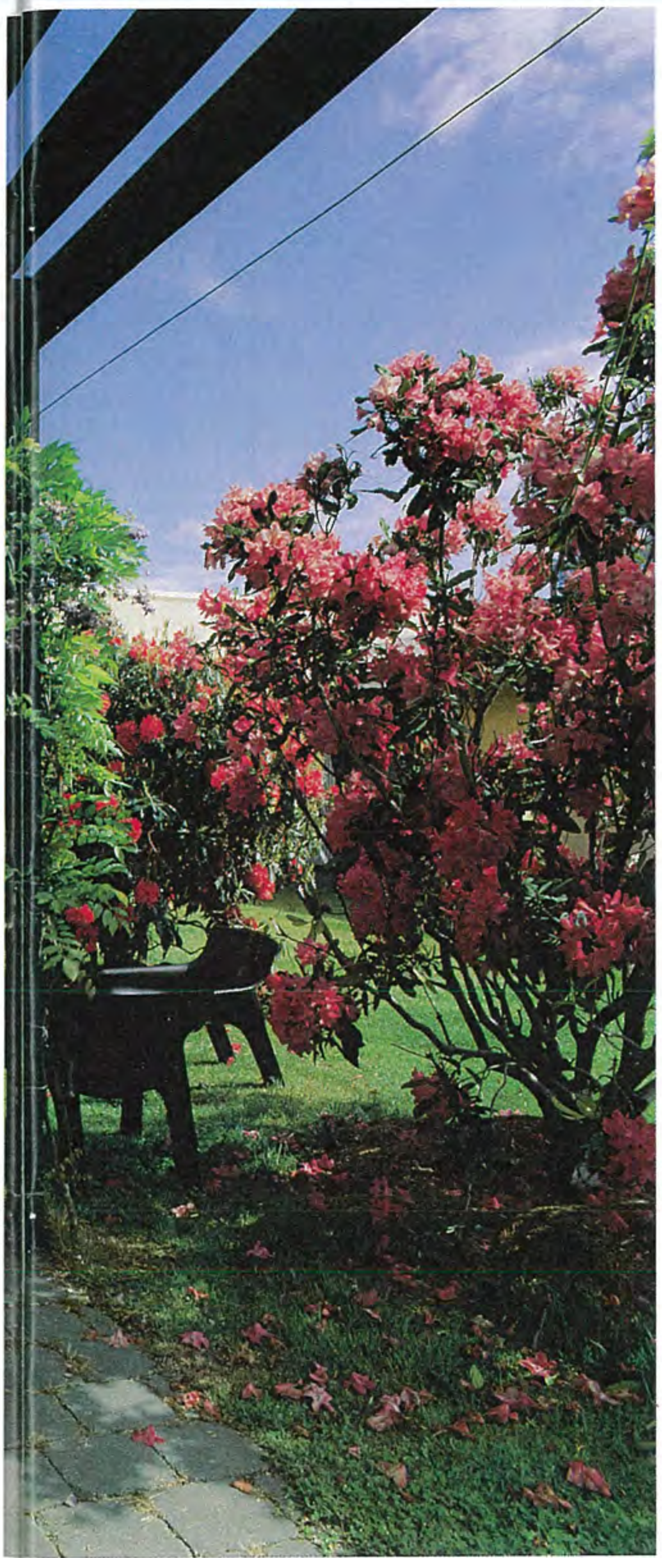
Registered Office

22 Sir John Young Crescent
Woolloomooloo NSW 2011

Share Registry

Rawnsleys
15 Young Street
Sydney NSW 2000

Albury Private Hospital, New South Wales
This is a proposed asset of the Company



Joint Underwriters

Hambros Securities Limited
167 Macquarie Street
Sydney NSW 2000

MacDougall & Co Limited
55 Hunter Street
Sydney NSW 2000

Financial Advisers

Hambros Securities Limited
167 Macquarie Street
Sydney NSW 2000

Sponsoring Brokers

MacDougall & Co Limited
Members of The Australian Stock Exchange Limited
55 Hunter Street
Sydney NSW 2000

Auditors

P J Evans & Co
22 Sir John Young Crescent
Woolloomooloo NSW 2011

Investigating Accountants

KMG Hungerfords
167 Macquarie Street
Sydney NSW 2000

Solicitors

Westgarth Baldick
39 Martin Place
Sydney NSW 2000

Bankers

Westpac Banking Corporation
Cnr O'Connell & Bent Streets
Sydney NSW 2000

Details of Capital

The interior of a typical room in Albury Private Hospital, New South Wales
This is a proposed asset of the Company

Prospectus for an issue of 106,000,000 ordinary shares of 50 cents each issued at par.

	Authorised Capital	
400,000,000	Ordinary Shares of 50 cents each	$200,000,000
400,000,000		$200,000,000
	Issued and paid up capital	
10	Subscriber Shares of 50 cents each	$5
	Shares now offered for subscription	
47,700,000	Ordinary Shares of 50 cents each to be issued to Ramcorp Limited	$23,850,000
58,300,000	Ordinary Shares of 50 cents each to be issued to the public	$29,150,000
106,000,010		$53,000,005

Evesham Clinic, Sydney
This is a proposed asset of the Company

Options

In addition the Company will issue 20,000,000 assignable options to subscribe for the same number of ordinary shares in the Company to Paul Ramsay Hospitals Pty. Limited for a consideration of $1.00. These options are exerciseable at any time until 31st December, 1991, when they expire. The exercise price is 70 cents per option for the period ending 31st December, 1988 escalating by 10 cents per option in each succeeding calendar year. Any shares issued on the exercise of such options will be held in escrow for twelve months from the date that the Company's shares are first quoted on the Australian Stock Exchange, and will not be capable of assignment during that period.

Introduction

The Company was formed to purchase all the interests in eight private hospitals from Paul Ramsay Hospitals Pty. Limited ("Paul Ramsay Hospitals") and one hospital from an independent vendor. On completion of the acquisitions, the Company will become one of Australia's largest publicly listed private hospital groups in terms of the number of licensed beds held.

Of the private hospitals owned or to be acquired, five provide psychiatric care, and the remaining four provide general surgical and medical services.

Paul Ramsay Hospitals has contracted to manage all the operations of the Company. It is one of the largest providers of private psychiatric health care in the country, and has had more than twenty years' experience in the private hospital industry both in Australia and overseas, gaining international experience more recently through its private hospital interests over the past 6 years in the United States. Paul Ramsay Hospitals is the Hospitals Division of the Paul Ramsay Group, which is also engaged in residential, commercial and industrial property development, and in the broadcasting and communications industry, through its investments in regional radio and television in Australia and in radio stations in the United Kingdom.

The Company

On completion of the issue the Company will own a 100 per cent interest in nine modern private hospitals licensed for a total of 453 beds located in Brisbane, Adelaide, Sydney and regional New South Wales. It is the intention of the Company to become a major force in private health care. Accordingly, all private hospitals to be purchased by the Company are considered to be long term investments. Five of these hospitals are psychiatric private hospitals with 240 licensed beds, reflecting Paul Ramsay Hospitals' specialisation in a segment of the private health market where the Directors believe a greater quality differential exists between public and private care. The Company's psychiatric hospitals also offer convenient and attractive locations for the treatment of modern community related disorders such as anorexia nervosa, stress management and drug and alcohol abuse.

Hospitals Acquired or to be Acquired by the Company

Hospital	Location	Type	Licensed Beds
Baringa Private Hospital	Coffs Harbour NSW	Surgical & Medical	80
New Farm Clinic	Brisbane QLD	Psychiatric	75
Albury Private Hospital	Albury NSW	Surgical & Medical	70
East Terrace Private Hospital	Adelaide SA	Psychiatric	45
Kahlyn Private Hospital	Adelaide SA	Psychiatric	42
Evesham Clinic	Sydney NSW	Psychiatric	42
Tamara Private Hospital	Tamworth NSW	Surgical & Medical	41
Lynton Private Hospital	Sydney NSW	Psychiatric	36
Allambie Private Hospital	Tamworth NSW	Medical	22
		Total Licensed Beds	453

A report on the valuation of the land, buildings and licences attaching to the above nine hospitals proposed to be acquired by the Company prepared by Colliers International Property Consultants Pty. Limited is set out on page 34. The investor's attention is drawn to a possible decline in value by $2.37 million of the East Terrace and Kahlyn Private Hospitals should the proposed development of a new private hospital by Adelaide Clinic Holdings become fully operational within the next 9 months and materially affect the income of the two hospitals. The Directors have recently been advised that this development is proceeding. The Directors have considered the circumstances and the likely impact of the operation of the new hospital and have concluded that its operation is unlikely to materially affect the revenue or profitability of the Kahlyn Private Hospital or the East Terrace Private

Hospital. On this basis the Directors do not foresee a material decline in the value of the two hospitals or the net tangible asset backing of the Company. Refer page 34 and paragraphs 7 and 8 on pages 38 and 39.

A valuation of the companies proposed to be acquired which own four such hospitals prepared by KMG Hungerfords appears on page 36. Details of the sale and purchase agreements for the hospitals and the companies which own them, as relevant, together with the agreement for the transfer of the benefit of the hospital licences to the Company are set out in paragraph 19 in Additional Statutory Information commencing on page 43.

All of the hospitals to be purchased by the Company are currently owned by Paul Ramsay Hospitals, except for Tamara Private Hospital which has recently been acquired by the Company from unrelated third parties. Tamara will be upgraded and expanded in size with new facilities costing approximately $1.0 million to give the Company ownership of all private hospitals currently operating in Tamworth, NSW. It is currently anticipated that this work will take place during the course of 1987.

The Albury Private Hospital, which has recently opened a third operating theatre and new day surgery facilities, has been granted approval to expand to 80 beds, whilst in Coffs Harbour work has commenced to construct a medical centre incorporating a rehabilitation unit adjoining the hospital.

During the past year the New Farm Clinic was relocated and redeveloped, increasing the bed capacity from 34 to 75 beds and providing probably the most modern psychiatric facilities in Australia today. This will enable the hospital to provide previously lacking specialist units. The new facilities are already being well received by the medical fraternity.

In Adelaide the recently opened substance abuse unit at Kahlyn Private Hospital, which was purchased by Paul Ramsay Hospitals in 1985, has proved successful and further developments of these programmes are planned. Similarly, Lynton Private Hospital is expanding its specialist eating disorder unit as a special teaching unit of the Faculty of Medicine of the University of Sydney whilst Evesham Clinic has plans to expand its adjoining specialist medical centre.

The Directors believe that the provision of specialist consulting rooms either within or attached to all the Company's hospitals are an essential ingredient for success.

The Management

Paul Ramsay Hospitals has entered into a management agreement with the Company whereby Paul Ramsay Hospitals will manage all the health care businesses, operations and activities of the Company for a minimum period of 5 years. Under the terms of the management agreement, no fee or other remuneration will be paid by the Company to the manager unless earnings before interest and taxes but after deduction of management fees exceeds $9.0 million per annum (subject to adjustments to reflect changes in the Consumer Price Index). Thereafter, a management fee based on a percentage of the total earnings before interest and taxes but after deduction of management fees is payable to Paul Ramsay Hospitals on an accelerating sliding scale, so that Paul Ramsay Hospitals will receive 3 per cent of such earnings until the latter reaches $11 million per annum, and thereafter the percentage will increase by 1 per cent with each succeeding $1 million increase per annum in earnings up to a maximum of 9 per cent when defined earnings exceed $16 million per annum.

Further details of this management contract are set out on paragraph 19 of the Additional Statutory Information on page 43.

On completion of the issue, Paul Ramsay Hospitals, which is wholly owned by Mr Paul Ramsay, will hold options to subscribe for 20,000,000 shares in the Company. In addition Ramcorp Limited, of which companies associated with Mr Paul Ramsay hold 52 per cent, will hold 47,700,000 shares representing 45 per cent of the issued share capital of the Company assuming no exercise of options. Following the exercise of all the options (and assuming they have not been assigned to unrelated third parties), companies associated with Mr Paul Ramsay will hold 53.7 per cent of the enlarged issued share capital of the Company.

The Industry

Nearly one quarter of all hospital beds in Australia are in private hospitals. Operating alongside the public hospital system, private hospitals are efficient providers of surgical, medical and other specialised treatment to patients in metropolitan and regional centres. Like all industries in which both public and private sectors operate however, the prospects for private hospitals are linked to government health policy.

Since the introduction of universal medical and hospital insurance schemes by the Commonwealth Government in the early 1970's, all Australians have been entitled to basic health cover within the public hospital system. Medicare, introduced by the Hawke government in 1984, provides free public hospital accommodation in shared wards when treatment is by a hospital doctor. Although Medicare does not cover the cost of accommodation or treatment in a private hospital, high occupancy rates and growing waiting lists for elective treatment within the public hospital system have resulted in increased demand for private hospital treatment. At the same time, the commitment by State Governments to maintaining or reducing the number of hospital beds available per capita and current budgetary constraints within all levels of government have tended to exacerbate the well-publicised delays and industrial relations problems within the public sector.

The Directors therefore believe that the private hospital industry will play an increasingly important role in the provision of health care in Australia.

Both major political parties are committed to the dual public and private hospital systems. Since the abolition of the new private hospital bed subsidy on 1st October, 1986 private hospitals now impose no direct burden on Government finances, but public hospitals cost the Commonwealth and State governments an average of $300 per patient per day. At the same time, approximately half the population is presently covered by basic private medical insurance, indicating strong community preference for private medical and hospital treatment. The combination of an ageing population, the development of even more expensive medical technologies and the rising cost of patient care points to sustained growth in the utilisation of private hospitals.

The right to private practice is zealously guarded by the Australian medical profession, as evidenced by the NSW doctors' dispute in 1985. Growing numbers of medical specialists within the profession require access to hospital facilities for private patients, yet the public hospital system is already operating at high capacity. As a consequence, medical specialists are increasingly referring privately insured patients to private hospitals.

A report on the Australian Hospital Industry prepared by KMG Hungerfords appears on page 19 of this prospectus.

The Future

The philosophy of the Directors is to expand the number of facilities owned by the Company both in Australia and overseas.

Since some of the hospitals being purchased by the Company are at the earliest stages of development, the Directors believe that most of the Company's profits in the immediate future will derive from the maximisation of the potential of the existing hospitals particularly in Tamworth and Brisbane. However the Directors also feel that opportunities exist in Australia to provide additional specialist facilities where it can be proved that a need exists. Mr Paul Ramsay and the directors of Paul Ramsay Hospitals have provided an undertaking to the Company that, while Mr Paul Ramsay or companies associated with him remain managers of the Company, any new development or management contract undertaken by them in the health care industry in Australia will be effected through the Company, although Paul Ramsay Hospitals will continue to manage and operate other existing medical and health care facilities.

Outside Australia, Paul Ramsay Hospitals is in the early planning stages for the development of a modern, one hundred bed psychiatric hospital in Dallas, Texas incorporating the latest techniques in adolescent care. It is Mr Ramsay's present intention that the Company will be offered participation in any future developments or management contracts undertaken outside Australia in the health care industry by either himself or any of his associated companies.

Certain other opportunities in Australia and overseas are currently under investigation by the Directors.

Financial Performance

Over the past 4 years, adjusted net profits after tax from the hospitals to be acquired by the Company have grown at an average annual compound rate of 40.8 per cent to reach $1,841,000 in the year to the 30th June, 1986 (see Investigating Accountant's Report on page 24), with the 1985 result having been substantially affected by the introduction of Medicare particularly in the psychiatric sector. However it should be noted that some hospitals have been either acquired or redeveloped since that date and this should be reflected in future years' results.

Year to 30 June	1982	1983	1984	1985	1986	Six months 1987
Total Revenue ($'000)	5,661	8,355	9,737	9,863	12,948	7,973
Adjusted Net Profit After Tax ($'000)	468	1,089	1,230	784	1,841	984

The Company has obtained an exemption from the National Companies and Securities Commission to exclude the results of Kahlyn, Allambie and Tamara Private Hospitals for the accounting periods prior to their acquisition as audited pre-acquisition accounts and their underlying books and records are not available to the Company or Paul Ramsay Hospitals. Details of the accounting periods which are not included in the above table are set out in the Investigating Accountant's Report on paragraph 10 on page 26.

For the 3 months ending 30th June, 1987 the Directors forecast a net profit after tax of not less than $1,022,000, and for the year ending 30th June, 1988 a net profit after tax of not less than $4,806,000. For comparative purposes the Directors have projected a notional net profit after tax for the year ending 30th June, 1987 (assuming the Company had existed in its proposed form from 1st July, 1986) of $3,795,000. Further details of these profit forecasts and their underlying assumptions are set out in the Report on Financial Projections prepared by KMG Hungerfords commencing on page 31 of this prospectus.

Dividend Policy

Dividend policy will be determined by the Directors in accordance with the financial performance of the Company and prevailing business and economic conditions. It is the intention of the Directors, however, to pay out approximately 50 per cent of maintainable earnings as dividends to shareholders and that a total dividend of 2 cents per share will be declared for the financial year ending 30th June, 1988 of which an interim dividend of 1 cent per share will be paid out of earnings for the period to 31st December, 1987.

The Directors have exercised due care and diligence in the preparation of their financial forecasts. However the Directors advise that no assurance can be given as to the achievement of any particular levels of revenue, profit and dividends. The Directors also advise that Company policies may change according to changes in government health policy and changes in future economic and business conditions.

Paul Ramsay, Chairman

Directors

Paul Joseph Ramsay

Mr Ramsay is the owner of the Paul Ramsay Group of companies which in addition to its private hospital operations has interests in media, property development and the financial markets.

From the age of 16, Mr Ramsay worked with his father in surveying and subdividing land while studying law at the University of Sydney. In 1964, he purchased a guest house on Sydney's North Shore, and converted it into a psychiatric hospital in the earliest days of the industry in Australia. As a result of over-utilisation of this original hospital Mr Ramsay built what is now Evesham Clinic in 1967, and in 1972 he was approached by a group of doctors to build Lynton Private Hospital. Following an internal appraisal of the surgical hospital industry in Australia in 1976/77 the surgical/medical centres at Coffs Harbour and Albury were built.

Mr Ramsay visited the United States in 1978, and bought 3 private hospital facilities there in 1980, 1981 and 1984 respectively. While two of these facilities were recently relinquished, Mr Ramsay believes attractive opportunities still exist in the United States for investment in the private hospital industry.

Mr Ramsay's hospital interests in Australia have been considerably expanded since 1982. The East Terrace and Kahlyn hospitals in Adelaide were purchased in 1982 and 1985 respectively, and New Farm in Brisbane, which was rebuilt as a larger, more modern facility in 1986, was purchased in 1983. The two Tamworth facilities represent the most recent acquisitions.

Mr Ramsay is highly regarded in the industry for his professionalism and innovation and is considered to be one of the founders of the psychiatric health care industry in Australia.

Michael Stanley Siddle

Mr Siddle joined the Paul Ramsay Group as its second member in 1967 and consequently has had nearly 20 years' involvement in the private hospital industry both in Australia and overseas, particularly in the United States. Mr Siddle has played a major role in the development of the Paul Ramsay Hospital Division having designed, managed, built and equipped 10 private hospitals in Australia, and helped to set up the Paul Ramsay Group's private hospital operations in the United States since 1979. Mr Siddle was the first Managing Director of Paul Ramsay Hospitals and has served as a committee member of the Private Hospitals Association of New South Wales.

Kenneth Henry Gourlay

Mr Gourlay has had extensive experience in financial management. After gaining his qualifications he became Financial Controller of Custom Credit Corporation until 1970. He joined Hill Samuel Australia Limited in 1972, and became the founding Managing Director of the property offshoot Hill Samuel Property Services Pty. Limited in 1973. He was a director of Hill Samuel Australia Limited for 7 years until 1983 when he joined the Paul Ramsay Group. Mr Gourlay will provide the Company with expertise in the area of banking and financial management, and he will be closely involved in the planning and investigation of new projects.

Marjorie Lysle Brislee

Mrs Brislee has been involved in the private hospital industry for 10 years as an administrator and until recently as Managing Director of Paul Ramsay Hospitals. She has management experience in both Australia and the United States and has undertaken extensive investigations into the English hospital system. Mrs Brislee has been with the Paul Ramsay Group since 1976.

Regional Managers

Kim Morrish, Aged 29

A Bachelor of Arts and Master of Health Administration, Mr Morrish has worked in the health care industry for the past 12 years. He served 2 years with the Health Commission on the Drug and Alcohol Council as Regional Addiction Services Co-ordinator and four and a half years as Area Administrative Officer of Mona Vale Hospital in Sydney. He joined the Paul Ramsay Group in March, 1985 and is currently the manager responsible for the Sydney psychiatric hospitals in which capacity he will be employed by the Company.

Colin Offner, Aged 38

Mr Offner is the manager responsible for the Coffs Harbour Hospital. He has been employed in the Health Care Industry for 20 years, and prior to his joining Paul Ramsay Hospitals in 1986 he was Chief Executive of a New South Wales Country Public Hospital. He is a member of the College of Health Service Administration and holds an Associate Diploma of Health Administration. Mr Offner will be employed directly by the Company.

Robert Glynn, Aged 29

Previously the manager of a large Private Hospital on Queensland's Gold Coast, Mr Glynn joined Paul Ramsay Hospitals as manager of Albury surgical/medical centre in October, 1986. He is a Bachelor of Business Studies (Health Administration) and was formerly an Inspector of Private Hospitals with the Commonwealth Health Department. Mr Glynn will also be employed directly by the Company.

External Management

Stephen John Gracie, Managing Director, Paul Ramsay Hospitals Pty. Limited, Aged 38

Mr Gracie joined the Paul Ramsay Group as Managing Director of the Australian Hospital Division in 1985.

Mr Gracie's experience in the health care field began in 1974 when he successfully built and operated his own medical locum business. In 1976 he sold the business in order to complete his masters degree in Business Administration at Macquarie University, and in 1978 accepted a Senior Management position with Avon Products in New York.

Mr Gracie returned to Australia in 1980 taking up a position as Managing Director of Crothall Hospital Services, Health Care Management Consultants and Retirement Enterprises prior to joining the Paul Ramsay Group.

A Master of Business Administration and a member of both the Australian Institute of Management and the Executive Committee of the New South Wales Private Hospitals Association, Mr Gracie brings with him a high degree of management ability and a decade of experience in the Australian hospital and health care industry.

Employees

The Company will employ approximately 450 full time and part time staff, who will be directly involved in operating the hospitals. Approximately fifty per cent of this total are nursing staff. It has been the policy of Paul Ramsay Hospitals, and will continue to be the Directors' policy, to employ only skilled nursing staff in the Company's hospitals.

Details of the Issue

Shares Offered for Subscription

A total of 106,000,000 ordinary shares of 50 cents each payable in full on application are offered for subscription by this prospectus. Ramcorp Limited, a company in which companies associated with Mr Paul Ramsay beneficially hold 52 per cent of the issued capital, has agreed to subscribe in cash for 47,700,000 of the shares offered by this prospectus, with the remaining 58,300,000 shares to be taken up by the public.

The minimum subscription of this issue is $53,000,000. No shares will be allotted pursuant to this prospectus until the minimum subscription is received by the Company in cash.

Minimum Application

Applications must be for a minimum of 2,000 shares and thereafter in whole multiples of 1,000 shares.

Opening and Closing Dates

Subscription lists will open at 12.00 noon, Australian Eastern Standard Time on 26th June, 1987 and will remain open until 5.00 pm Australian Eastern Standard Time on 24th July, 1987 subject to the right of the Directors to close the issue without prior notice at any time after the opening of the subscription lists. The Company will accept lodgement of applications prior to the opening of the subscription lists.

Application for Shares

All applications for shares must be made on the Application Forms attached to and forming part of this prospectus and lodged with the underwriters, or any member of the Australian Stock Exchange. Applications must be accompanied by a payment in Australian Currency of 50 cents per share. Cheques should be made payable to "Ramsay Health Care Limited" and crossed "Not Negotiable".

Allotments

Subject to the right of the underwriters to nominate or approve all or any of the persons to whom the shares offered by this prospectus shall be allotted, the Directors reserve the right to allot and issue any lesser number of shares than the number which may be applied for, or to decline any application. Where the number of shares allotted is less than the number applied for, the surplus application moneys will be returned. Where no allotment or issue is made, the amount tendered will be returned in full. Surplus application moneys refunded will not carry interest and will be returned to the applicant within ten days of the closing of the subscription lists. Allotments shall be made as soon as practicable after the minimum subscription has been obtained and the subscription list has been closed. No shares will be allotted under this prospectus after the date of expiry of the prospectus.

Underwriting and Brokerage

The issue of 58,300,000 ordinary shares to the public has been jointly underwritten by Hambros Securities Limited and MacDougall & Co Limited pursuant to an Underwriting Agreement dated 25th May, 1987 for a fee of 2.0 cents per share. Out of the underwriter's commission a handling fee of 0.25 cents per share will be paid to members of the Australian Stock Exchange in respect of shares allotted pursuant to applications lodged by them and bearing their stamps. The Underwriting Agreement is conditional, inter alia, on the Company receiving a valid application for 47,700,000 million shares from Ramcorp Limited on or before the opening date for subscription lists. For further details of the Underwriting Agreement, including other termination provisions, see paragraph 19 of the Additional Statutory Information commencing on page 43 of this prospectus.

Courtyard, New Farm Clinic, Brisbane
This is a proposed asset of the Company

Stock Exchange Listing

Permission has been granted for the Company to be admitted to the Official Lists of the Australian Stock Exchange. Application has been made and approval has been given for the shares already issued and those offered by this prospectus to be granted Official Quotation by the Australian Stock Exchange. The fact that the Australian Stock Exchange has admitted the Company to its Official Lists is not to be taken in any way as an indication of the merits of the Company or of the shares now offered for subscription.

Any shares issued on the exercise of options held by Paul Ramsay Hospitals will be held in escrow for twelve months from the date that the Company's shares are first quoted on the Australian Stock Exchange and will not be capable of assignment during that period.

Quotation of the issued shares and the shares offered by this prospectus will commence as soon as practicable after the issue of certificates to the allottees. The Australian Stock Exchange take no responsibility for the contents of this prospectus including any expert's report which it may contain.

Share Register

The Company will maintain a Share Register at Rawnsleys, 15 Young Street, Sydney, NSW 2000.

Part of the kitchen of Baringa Private Hospital, Coffs Harbour, New South Wales
This is a proposed asset of the Company

KMG Hungerfords

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8th June 1987

The Directors
Ramsay Health Care Limited
22 Sir John Young Crescent
Woolloomooloo NSW 2011

Dear Sirs

Report on the Australian Hospital Industry

1. Introduction

This report has been prepared at the request of the directors of Ramsay Health Care Limited ("Ramsay") for inclusion in a prospectus, to be dated 12th June, 1987. The prospectus is to be issued by Ramsay and relates to the proposed offer to the public of 106,000,000 ordinary shares of 50 cents each fully paid.

We understand Ramsay has purchased a hospital in Tamworth and is purchasing eight further hospitals from Paul Ramsay Hospitals Pty Limited. The hospitals are:

Hospital Name	Location	Types of Hospital
Evesham	Sydney	Psychiatric
Lynton	Sydney	Psychiatric
East Terrace	Adelaide	Psychiatric
Kahlyn	Adelaide	Psychiatric
New Farm	Brisbane	Psychiatric
Baringa	Coffs Harbour	Surgical and Medical
Albury	Albury	Surgical and Medical
Allambie	Tamworth	Medical
Tamara	Tamworth	Surgical

2. Purpose of Report

The purpose of the report is to review the state of the Australian private hospital sector, as it presently exists and to comment on the possible effects of the recent changes in Federal Government Policy.

3. Background of the Australian Health System

On 1st February 1984, the Federal Government introduced Medicare, a federally financed medical and hospital benefits scheme. As a result of Medicare, public hospitals no longer charge for public bed accommodation and in and out-patient treatment. Under the Medicare system, unless a patient contributes to a private health fund the patient will be liable for the cost of admission to a private hospital, the cost of a private bed in a public hospital and for the cost of a doctor of the patient's choice in a public hospital.

Prior to 1st October 1986, private hospitals received income from the private health insurance funds and from the Federal Government in the form of a subsidy ("the bed day subsidy"). The bed day subsidy was introduced as part of the Medicare scheme. The size of the subsidy was dependent upon a hospital's classification, either Category 1, 2 or 3. On 1st October 1986 the Federal Government discontinued the bed day subsidy as part of its policy to control costs and review expenditure on the public health care system. The decision by the Federal Government to discontinue the subsidy has had a minimal effect on the income level of private hospitals. This is because, as of 1st October 1986, the private health funds increased member contribution rates and now pay an additional amount equivalent to the bed day subsidy in their scheduled payments to hospitals. The previous bed day subsidy levels and existing private health fund daily payments schedule rates were:–

	Minimum Amount received by the Private Hospitals, including the Bed Day Subsidy	Bed Day Subsidy Paid by Federal Government to the Private Hospitals up until 1st October 1986
	$	$
Category 1	184	40
Category 2	154	30
Category 3	124	20

The effect on the future membership levels of private health funds, as a result of the increase in member contribution rates is discussed in Section 6 of this report.

4. Statistics Regarding Private Hospitals

4.1 Number of Hospitals and Beds

We have obtained the 1986 Annual Report issued by the Federal Department of Health and note that:

1) at 30th June, 1986 there were:
   (a) 1,067 hospitals in Australia, of which 333 hospitals or 31 per cent, were private hospitals; and
   (b) there were 90,788 hospital beds in Australia of which 21,049 beds or 23.1 per cent were located in private hospitals; and
2) of the beds in private hospital 37.7 per cent were in Category 1 hospitals, 47.3 per cent were in Category 2 hospitals and 15 per cent were in Category 3 hospitals

As a result of an investigation carried out in the late 1970's regarding the optimal hospital bed availability rate for Australia, we understand that the Federal Government set a goal of reducing the ratio of hospital beds per head of population in Australia to 4.5 beds per 1,000 head of population ("the bed ratio"). As of 1st October, 1986 the responsibility for setting, achieving and maintaining the bed ratio was subordinated by the Federal Government to the various State Governments. We have been advised by the directors of Ramsay that they expect the various State Governments to work towards achieving the bed ratio. In the absence of any State Government policy announcements to the contrary we have no reason to doubt this statement.

The 1986 Annual Report issued by the Department of Health indicates that as at 30th June, 1986 the bed ratios in New South Wales, South Australia and Queensland were 5.6, 6.3 and 6.6 respectively. We suggest the figures indicate that until the respective State Governments achieve their policy of a bed availability rate of 4.5 beds per 1,000 head of population, there is likely to be a further reduction in the number of hospital beds per head of population. These reductions are achieved through the closure of public hospital beds and the increasing difficulties to obtain approval for private hospital beds. These factors indirectly benefit existing private hospitals through increased occupancy rates.

From the Department of Health 1986 Annual Report we note that during the period 1982 to 1986 the number of beds in public hospitals has fallen by 6.0 per cent while the number of beds in private hospitals has increased by 5.4 per cent. In addition, the Government's target of achieving the bed ratio is slowly occurring, with the number of beds per 1,000 population declining from 6.2 in 1982 to 5.7 in 1986.

In December, 1986 we were advised by senior personnel of the New South Wales, South Australia and Queensland State Health Departments that although there is no documented policy in place, it is unlikely, as a result of the bed ratio that any new private hospitals will be approved in any of the major population centres and the growth of public hospitals will be reduced. We understand that these population centres are believed to be adequately serviced already.

4.2 Occupancy Rates

The occupany level of a hospital is influenced by a number of factors, including the type of services and facilities offered by a hospital, the categorization and location of the hospital and the management conducting the hospital's operations. The occupancy level of private hospitals is also influenced by the number of medical specialists who operate at the hospitals and by the amount of referral work provided by those specialists. In Section 4.3 of this report we discuss the influence that specialists have on the private hospital industry. Additionally, private hospital occupancy levels are influenced by government budgetary policy in relation to the public health system. This is further discussed in Section 7 of this report.

As a result of the current oversupply of hospital beds, as compared to the bed ratio, occupancy rates for hospitals are lower than would otherwise be expected. We note that the occupancy rates for private hospitals Australia-wide have decreased from 61.4 per cent for the year ended 31st March, 1984 to 56.0 per cent for the year ended 31st March, 1986 (Commonwealth Department of Health 1986 Annual Report).

4.3 Medical Specialists

The Australian medical system operates on a referral system. The general practitioner refers seriously ill patients to the appropriate specialist. Generally, it is the medical specialist who is responsible for the hospitalisation decision.

Medical specialists tend only to operate at a small number of the available private hospitals due to time constraints. Additionally, specialists operating in public hospitals are subject to Federal Government regulation whereas those operating in private hospitals have more autonomy. In 1984, New South Wales doctors became concerned over their rights of private practice in public hospitals and the impact of new Federal legislation on these rights. The Federal Government legislation attempted to further regulate doctors by imposing limitations both on conditions of private practice in public hospitals and on earnings of visiting specialists.

This legislation was not enacted, however during the dispute a number of specialists withdrew their services from public hospitals and practised exclusively in the private hospital system.

As the specialist is generally responsible for selecting the hospital to which a patient is referred, the choice of a specialist influences both the bed occupancy level of private and public hospitals and the occupancy levels of different private hospitals.

As medicine continues to become more technically advanced and expand into new fields, the demand for specialists can be expected to increase. In recent years the numbers of specialists practising in Australia has increased from 8,786 in 1980 to 10,525 as at June, 1986.

5. Government Policy

As part of the settlement of the NSW doctors' dispute in 1984 over proposed amendments to the Health Insurance Act, the Federal Government announced its intention to "deregulate" controls over approval and categorization of private hospitals, and to transfer part of its responsibility to the States and the private health funds. Discussed below are the two significant consequences of this settlement both of which are designed to control the cost of health care.

5.1 Bed Day Subsidy

The Federal Government ceased paying a bed day subsidy on 1st October, 1986 (refer Section 3).

The extent of this subsidy over recent years has been as follows:

	1982	1983	1984	1985	1986
$ million	83.1	86.9	104.0	134.7	138.7

Source: Australian Private Hospitals Association Limited

The cessation of the subsidy has not resulted in a decline in private hospital income as the private health insurers currently pay this subsidy as a component of their scheduled day rates.

5.2 Patient Classification System

The Patient Classification System was introduced by the Health Funds on 1st March, 1987. Further developments of this concept may be expected in the future.

Private hospitals were previously classified by reference to their size and facilities, refer Section 3. The new system classifies the patient not the hospital. As a result of this system the subsidy received by a hospital from a private health fund will vary upon the nature and severity of a patient's illness.

The Patient Classification System will influence the income levels of private hospitals by increasing the number of payment levels from the health benefit funds from the present level of 3. Therefore, where a category 2 hospital received $154 per day for all Basic Rate patients under the new system this rate will depend on the severity of the patient's illness.

6. Private Health Care

The private health funds increased the members' contribution rates from 1st October, 1986 in order to absorb the bed day subsidy and other increases in direct costs previously paid by the Federal Government. Private hospitals and the private health insurance funds depend upon each other for continued growth.

In Australia's democratic society the choice of health insurer and private hospital is open. Doctors also have a choice concerning the amount of regulation under which they operate.

The future of private hospitals is linked to the survival and growth of the private health funds and also the current government health care policies. The current daily rates charged by private hospitals can only be supported if the health funds continue to pay the rates. The health funds charge contributions on the basis of benefits provided to the contributor. The greater the benefits provided the higher the contribution rates. Contribution rates to the private health funds rose in October, 1986 and it is likely that contribution rate increases will continue, in line with the increase in costs of hospitalisation.

At 30th June, 1980 59.4 per cent of Australians were members of Private Health Funds. The percentage of membership rose to a peak of 65.8 per cent at 30th June, 1982 but with the introduction of Medicare fell to 50.0 per cent at 30th June, 1984 and 47.7 per cent at 30th June, 1985 recovering to 48.9 per cent at 30th June, 1986. (Sources: Australian Bureau of Statistics – Health Insurance Survey Australia 1986, and Commonwealth Department of Health.)

In Section 7 of this report, it is noted that there are long waiting lists for elective surgery in public hospitals. If the surgery is to be performed quickly, the patient must be admitted to a private hospital. If the patient does not have private health insurance the cost of such surgery to the patient is very high. Despite the increased contribution rates charged by the private health funds, it is likely that a significant proportion of the public will continue in the future to contribute to the private funds, especially as the cost of hospitalisation is likely to remain high and whilst the long queues for elective surgery remain.

7. Future of Private Hospitals

The future of private hospitals in Australia is invariably linked to government policy at the State and Federal levels.

As a result of the NSW doctors' strike and the Federal Government's decision to "deregulate" the industry, private hospitals are undergoing a period of change.

The Government's policy of reducing the number of beds to 4.5 beds per 1,000 head of population has resulted in a decrease in the number of available hospital beds. In addition, fewer people are covered by private health insurance since the introduction of Medicare and those who elect not to contribute to the private funds must rely on Medicare and the public hospital system. As a result, there is an extensive waiting list for elective surgery at public hospitals. We believe that these delays may encourage potential patients to use the private hospital system instead of the public hospitals in order to obtain the required surgery on a timely basis. This may lead to an increased utilisation of private hospitals and an increase in the proportion of the population contributing to private health funds.

8. Conclusion

From our review we conclude that the demand for private hospital beds may increase in the future due to:

1 the various State Governments maintaining the policy of achieving the bed ratio;

2 limited approvals for new hospitals;

3 increased awareness of the cost of public health care;

4 a tendency for the proportion of the population contributing to private health funds to increase;

5 the increasing number of medical specialists seeking to practice in private hospitals; and

6 the ageing of the population. We note that the median age of Australia's population is predicted to rise from 31.0 years (1986) to 38.2 years (2021). (Source: Year Book Australia 1986.)

We have prepared this report on the basis of information supplied by State and Federal Government bodies and officers of Ramsay. Whilst we have not in any way verified this information we have no reason to believe it to be incomplete or misleading. In addition, the information which has been supplied to us by the directors of Ramsay has been independently confirmed by us with State and Federal Government bodies. However, KMG Hungerfords advises care when interpreting this information as the future of the private hospital industry in Australia is largely a function of government policy on health services, changes in which we are unable to predict.

Yours faithfully
KMG Hungerfords

A. R. Robinson
Partner

KMG Hungerfords

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8th June 1987

The Directors
Ramsay Health Care Limited
22 Sir John Young Crescent
Woolloomooloo NSW 2011

Dear Sirs

Investigating Accountant's Report

Introduction

This report has been prepared for inclusion in a prospectus to be dated 12th June, 1987 relating to the issue by Ramsay Health Care Limited to the public of 106,000,000 ordinary shares of 50 cents each at par, payable in full on application.

Ramsay Health Care Limited ("The Company")

Background

1. The Company was incorporated in New South Wales on 24th October, 1986 as Presike Limited with an authorised capital of 1,000,000 ordinary shares of $1 each. Five subscriber shares of $1 each were issued on incorporation.

2. On 4th December, 1986 the Company resolved to adopt new Articles of Association and to alter and increase its authorised capital to 400,000,000 ordinary shares of 50 cents each.

3. The Company changed its name to Ramsay Health Care Limited on 22nd December, 1986.

4. The Company has entered into agreements to acquire a number of companies and hospital freeholds. These agreements are conditional upon the Company registering with the New South Wales Corporate Affairs Commission a prospectus for the raising of not less than $53,000,000 from the issue of shares in the Company and such issue being subscribed for not less than $53,000,000. Further detail of these agreements are contained in paragraph 8.

5. As at the date of this report the Company does not have investments in any subsidiary companies.

6. The Company has not paid any dividend to its members since the date of its incorporation to the date of this report.

Bases of Accounting

7. In this report:–

a) The bases of accounting are in accordance with the historical cost convention and generally accepted accounting standards except that depreciation of licensed hospital buildings is not provided as required by Australian Accounting Standard AAS.4 "Depreciation of Non-Current Assets". The effect of not so providing for depreciation is reflected in paragraph 10(c) below. The private hospital industry in Australia generally does not depreciate licensed hospital buildings. It is the Company's policy to have properties regularly valued to assist in the determination of balance sheet values. The Directors of the Company are of the opinion that when a building is disposed of, the Company will receive more than the value recorded in the accounts. Consequently, there is no depreciable amount. I understand that a licence is granted in relation to a particular hospital building for an indefinite period, subject only to its meeting the maintenance and capital replacement requirements of the Department of Health from time to time. All costs of maintaining a hospital in an acceptable condition are written off to revenue when incurred. For the purpose of this report, I have not deemed it necessary to make any adjustment to the figures except for those described in paragraph 10 of this report.

The bases of accounting include the basic concept of going concern and accrual basis of accounting. The concept of going concern makes the basic assumptions that an entity is expected to continue its operations for the foreseeable future and that there is no intention or necessity to liquidate the entity or to materially curtail its operations. In my opinion these bases are appropriate.

b) The amounts shown for assets do not purport to be the amounts that would have been realised had the assets been sold at the date of this report.

c) Support by another corporation or an unrelated entity has not been assumed.

Company Structure

8. The Company has been established to purchase and operate a number of private hospitals. Details of the hospital purchased and companies and hospitals to be purchased are as follows:

- 100 per cent of the issued share capital of New Farm Hospitals Pty Limited, which owns the New Farm Private Hospital;
- 100 per cent of the issued share capital of Golden Carp Pty Limited, which owns the East Terrace Private Hospital and the Kahlyn Private Hospital;
- 100 per cent of the issued share capital of Fullers Road Hospital Pty Limited, which owns the Lynton Private Hospital;
- the hospital freeholds and licences of the Evesham, Baringa, Albury, Allambie and Tamara Private Hospitals.

Of these the Tamara Private Hospital has been purchased with effect from 28th January, 1987 and the remaining companies and hospitals are to be purchased from Paul Ramsay Hospitals Pty. Limited subject to the conditions referred to in paragraph 4 of this report.

Scope of Investigation

9. P J Evans & Co have been the auditors of the Company since incorporation.

KMG Hungerfords were the auditors of the Evesham, Baringa and Albury Hospitals for the years ended 30th June, 1982 and 1983.

KMG Hungerfords were also the auditors of Golden Carp Pty Limited, the East Terrace Private Hospital, Fullers Road Hospital Pty Limited and the Lynton Private Hospital for the year ended 30th June, 1983. Thompson Douglass & Co were the auditors of New Farm Hospitals Pty Limited and the New Farm Private Hospital for the year ended 30th June, 1983. Except for the Kahlyn, Allambie and Tamara Private Hospitals, P J Evans & Co were the auditors of all the companies and private hospitals to be acquired for the years ended 30th June, 1984, 1985 and 1986. P J Evans & Co were the auditors of the Kahlyn Private Hospital for the years ended 30th June, 1985 and 1986. The Allambie and Tamara Private Hospital accounts have not been audited. The management accounts for the six month period to 31st December, 1986 have not been audited.

I have examined the audited and unaudited financial information contained in this report. The examination included such tests and other procedures as I considered necessary in the circumstances.

Summary of Financial Results

10. The summarised statements of profit and loss for the five financial years ended 30th June, 1986 and for the six months ended 31st December, 1986 as set out below present the results of the Company as if the future structure of the group (as described in paragraph 8) was in place for those years except that certain private hospitals, as described below, are not included in the results for each or all of the years. Adjustments to these results which I consider necessary for the purposes of this report are explained below.

The statements of profit and loss include the Evesham, Baringa, Lynton, New Farm and Albury Private Hospital results for the years ended 30th June, 1982 through to 1986 and for the six months ended 31st December, 1986; the East Terrace Private Hospital and Golden Carp Pty Limited for the years ended 30th June, 1983 through to 1986 and for the six months ended 31st December, 1986; the Kahlyn Private Hospital for the years ended 30th June, 1985 and 1986 and for the six months ended 31st December, 1986; and the unaudited results of the Allambie Private Hospital for the five months since 31st July, 1986 (date of acquisition by Paul Ramsay Hospitals Pty. Limited) to 31st December, 1986 only.

The Company has obtained an exemption from the National Companies and Securities Commission to exclude the results of Kahlyn, Allambie and Tamara Private Hospitals for the accounting periods as set out below which are prior to their acquisition by Paul Ramsay Hospitals Pty Limited as audited pre-acquisition accounts and their underlying books and records are not available to the Company or to Paul Ramsay Hospitals Pty Limited.

Kahlyn	30th June, 1982-1984
Allambie	30th June, 1982-1986
Tamara	All periods

	Group Accounts for the Year Ended 30th June					Six months ended 31/12/86 (unaudited) see note (d)
	1982	1983	1984	1985	1986	
	$	$	$	$	$	$
Operating profit before income tax	483,417	1,543,585	1,442,279	692,946	2,021,070	982,935
Adjustments						
Interest expense (para 10(a))	366,407	373,661	655,601	617,686	1,227,565	945,927
Borrowing expense (para 10(a))	16,507	28,865	4,230	15,814	34,831	–
Management fees (para 10(a))	–	70,000	175,000	125,000	125,000	–
Adjusted operating profit before income tax	866,331	2,016,111	2,277,110	1,451,446	3,408,466	1,928,862
Less notional income tax expense applicable thereto (para 10(b))	398,512	927,411	1,047,471	667,665	1,567,894	945,142
Adjusted operating profit after income tax	467,819	1,088,700	1,229,639	783,781	1,840,572	983,720

(a) Adjusted Expense Items

Interest expense and borrowing expense of the individual private hospitals to be acquired have been reversed above, as these are expenditures which are not expected to recur under the proposed public company structure (as described in paragraph 8) existing after the issue of the prospectus.

Under the new management agreement entered into by the Company with Paul Ramsay Hospitals Pty Limited, a management fee is payable only if the Company's profits before interest and taxes but after deduction of management fees exceeds $9,000,000. As this profit level was not obtained in the past, no management fee would have been payable in those years under the proposed structure and for this reason management fees of the individual private hospitals to be acquired have been reversed above.

(b) Notional Income Tax Expense

The private hospitals to be acquired were previously owned by trusts which were responsible for their income tax liabilities. An adjustment has been made to reflect a notional income tax expense at 46 per cent (six monthly 31st December, 1986 results – 49 per cent) as this expense would have been incurred had the proposed company structure (as described in paragraph 8) been in existence in these years.

(c) Depreciation on Licensed Hospital Buildings

The accounts of the private hospitals to be acquired have not recognised depreciation on licensed hospital buildings. This is not in compliance with Australian Accounting Standard AAS4 "Depreciation of Non-Current Assets" (see paragraph 7(a) above). I have been informed by the management of the Company that depreciation on buildings will not be charged in the future, but that licensed hospital buildings will be recognised at recent valuation to assist in the determination of balance sheet values. The directors are of the opinion that when a building is disposed of, the Company will receive more than the value recorded in the accounts; consequently, there is no depreciable amount. Depreciation on licensed private hospital buildings which are included in the pro-forma group balance sheet in paragraph 11 of this report, for a 12 month period based on the latest valuation amounts and a rate of 2.5 per cent using the straight line method would result in a charge of $653,000 to the profit and loss account in the future.

(d) Unaudited Six Months Management Accounts to 31st December 1986.

Certain expenses such as depreciation, insurances, rates and bad debts are included on the basis of budget estimates adjusted for any known differences.

Pro Forma Balance Sheet of The Company After Completion of the Issue

11. No accounts of the Company have been prepared to date. The following statement sets out the pro forma balance sheet of the Company and the Group as at 31st December, 1986. Presenting the financial position which it is anticipated will exist, assuming the funds to be raised are applied as described in paragraph 17 of the Additional Statutory Information, following the public issue of shares offered by this prospectus.

Pro Forma Balance Sheet

	Pro Forma Company $	Pro Forma Group $
Share Capital		
Authorised Capital – 400,000,000 ordinary shares of 50 cents each	200,000,000	200,000,00
Issued Capital – 106,000,010 ordinary shares of 50 cents each – fully paid	53,000,005	53,000,005
Represented by:–		
Current Assets		
Cash at bank	1,333	287,005
Trade debtors	–	1,100,000
Less: Provision for doubtful debts	–	(15,000)
	1,333	1,372,005
Preliminary Expenses	1,336,000	1,336,000
Licensed Private Hospitals	26,774,500	50,964,500
Investments in Subsidiaries	7,959,899	–
Loans to Subsidiaries	16,925,773	–
Goodwill	2,500	2,500
	53,000,005	53,675,005
Current Liabilities		
Trade creditors	–	300,000
Provision for long service leave	–	175,000
Provision for annual leave	–	200,000
	–	675,000
Net Assets	53,000,005	53,000,005

Notes to and forming part of the foregoing pro forma balance sheets are as follows:–

(i) Significant Accounting Policies

The following summary explains the significant accounting policies that have been adopted in the preparation of the pro forma balance sheets.

a) Basis of accounting

The accounts have been prepared under the historical cost convention unless otherwise stated.

b) Principles of consolidation

The group consolidation includes all companies in which the group holds and/or controls more than half the issued share capital. All intercompany accounts, transactions and unrealised intercompany profits have been eliminated.

c) Income tax

Tax effect accounting is to be applied throughout the group. Under this method, the income tax expense for a period is related to operating profit before tax after allowing for permanently non-allowable and non-assessable items. The adoption of this policy may result in the existence of a deferred income tax liability and/or a future income tax benefit.

The eventual payment of the liability and recoverability of the asset would be contingent upon the future profitability of the particular Company's operations, continued compliance with the conditions for deductibility imposed by the law and the taxation law itself not changing in a manner which would adversely affect asset recoverability or which would extinguish the liability.

d) Preliminary expenses

Costs incurred in respect of the issue of shares and the preparation of the prospectus are to be written off over a period of twenty years by a systematic charge to the profit and loss account commencing on the closing date of the issue.

e) Licensed private hospitals

The fixed assets include land, licensed hospital buildings and plant and equipment. These assets are shown in the pro forma balance sheet at cost and at the proposed cost to the Company fixed assets to be acquired. The proposed cost to the Company is based on a valuation report prepared by Colliers International Property Consultants Pty Limited dated 4th February, 1987 and is contained on page 34 of the prospectus.

f) Depreciation

Depreciation will be brought to account over the estimated economic lives of all plant and equipment. Depreciation will not be charged on licensed hospital buildings. It is anticipated that licensed hospital buildings will be shown in the future at recent valuation with each licensed hospital building being subject to a valuation at least once every 2 years. The Directors are of the opinion that when a building is disposed of, the Company will receive more than the value recorded in the accounts; consequently, there is no depreciable amount.

Any increase in valuation over the previous book value will be transferred to an asset revaluation reserve. A decrement in valuation from the previous book value will be charged to the profit and loss account, except that to the extent such a decrement reverses a revaluation increment previously credited to, and still included in the balance of the asset revaluation reserve in respect of buildings, it will be charged to that asset revaluation reserve.

g) Goodwill

Goodwill is recorded at cost and is to be amortised over twenty years being the period in which future benefits are expected to arise. The period of amortisation is to be reviewed annually.

(ii) Options

The Company will issue 20,000,000 vendor options to subscribe for the same number of ordinary shares in the Company. These options are exerciseable at any time until 31st December, 1991 at

70 cents per share for the period ending 31st December, 1988 and increasing by 10 cents per share in each succeeding calendar year, to a maximum of $1.00 per share.

(iii) Investments in Subsidiaries

Details of subsidiaries to be acquired:

Name	Place of Incorporation	Share Capital To be Held	% of Class of Share	Basis on Which Investment is proposed to be Stated	Proposed Amount of Investment
New Farm Hospitals Pty Limited	Queensland	56,000 ordinary shares of $1	100%	Cost	$5,561,249
		400 "A" class shares of $1	100%		
Golden Carp Pty Limited	South Australia	4,002 ordinary shares of $1	100%	Cost	$1,118,962
Fullers Road Hospital Pty Limited	New South Wales	200 "A" class shares of $1	100%	Cost	$1,279,688
		100 "B" class shares of $1	100%		
					$7,959,899

(iv) Lease and hire commitment

	Pro Forma Group $
These are represented by operating leases for which aggregate amount contracted but not provided for in the accounts is:–	
Plant and equipment	1,061,166
Motor vehicles	43,299
	1,104,465
Due not later than one year	278,166
Due later than one year but not later than two years	235,841
Due later than two years but not later than five years	590,458
Due later than five years	–
	1,104,465

(v) Capital Commitments

The Group has no capital commitments. However, in order to maintain certain hospital licences, the Group is required to undertake capital expenditures as may be required by the Department of Health from time to time. The amount of such expenditures cannot be predetermined.

Net Tangible Assets

12. Based on the pro forma group statement of assets and liabilities contained in paragraph 11, the net tangible asset backing will be approximately 48.7 cents per share.

Contingent Liabilities and Commitments

13. I am not aware of any contingent liabilities or commitments except as detailed in this report.

Subsequent Events

14. To the best of my knowledge and belief and after making reasonable enquiries, there have been no material events subsequent to the preparation of the pro forma accounts of the companies and private hospitals to be acquired by the Company as at 31st December, 1986 which relate to conditions existing at that date which require comment on or adjustment to the figures shown in this report. To the best of my knowledge and belief and after making reasonable enquiries, there have been no material events subsequent to 31st December, 1986 which although they do not relate to conditions existing as at balance date would cause reliance on the figures shown in this report to be misleading.

Yours faithfully

T Cutherbertson
Registered Company Auditor
Partner

KMG Hungerfords

KMG Hungerfords

167 Macquarie Street
Sydney NSW 2000 Australia
Telephone (02) 221 2244
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8th June 1987

The Directors
Ramsay Health Care Limited
22 Sir John Young Crescent
Woolloomooloo NSW 2011

Dear Sirs

Report on the Financial Projections

This report has been prepared at the request of the directors of Ramsay Health Care Limited ("Ramsay") for inclusion in the prospectus to be dated 12th June, 1987. The prospectus is to be issued by Ramsay and relates to the proposed offer to the public of 106,000,000 ordinary shares of 50 cents each fully paid.

We have reviewed the calculations underlying the profit projections prepared by the directors of Ramsay as set out on page 13 of the prospectus. The profit estimates as provided by the directors are summarised below:

	3 Months Ending 30 June 1987	Year ended 30 June Notional 1987	Year ended 30 June 1988
	$'000	$'000	$'000
Gross Revenue from hospital operations	5,823	21,918	25,934
Interest received	32	–	340
	5,855	21,918	26,274
Less: Expenses	3,851	14,477	16,851
Operating profit before income tax	2,004	7,441	9,423
Less: Income tax @ 49 per cent	982	3,646	4,617
Net Profit After Tax	1,022	3,795	4,806

The assumptions made by the directors in arriving at the projections are set out below:

1) It has been assumed that the company will be operating from 1st April, 1987. If the funds of the issue were not available by July, 1987 it would not materially affect the projection.

2) The projection of the results for the years ending 30th June, 1987 and 1988 have been prepared on the following bases:

a) From the unaudited books and records of the various entities for the four months to 31st October, 1986 by adjusting these figures to exclude interest and borrowing expenses incurred by the operating entities. These expenses other than a relatively minor amount of interest expense, given the existing conditions and intentions of the directors of Ramsay, are not expected to be incurred by Ramsay, in future.

b) Projected results for the three months to June, 1987 are prepared including the following additional assumptions:
 - the New Farm Hospital which effectively opened in September, 1986 with 75 beds, is projected to have a substantial growth during the period, such that its occupancy in the June quarter of 1987 would be 69 per cent,
 - the purchase of the Tamara Hospital in Tamworth was completed in January, 1987 and in the June quarter will have an occupancy of 69 per cent,
 - with the substantial upgrading of the Albury Hospital during 1986, occupancy will reach 70 per cent in 1988.

c) The notional annual profit for the 12 months ended 30th June, 1987 has been prepared on the basis that Ramsay owned and operated the 9 hospitals in 1987 as it will in 1988.

3) Occupancy levels in Ramsay hospitals have consistently been above national averages, in prior years. The projections for the quarter ending 30th June, 1987 and the year ending 30th June, 1988 have been prepared assuming average occupancy levels of 68 per cent and 73 per cent respectively.

4) Excess funds are assumed to be invested such that the yield will average 14 per cent return per annum.

5) The existing Health Fund payments to private hospitals are assumed to continue at their present level and on the present basis. Changes may occur in fund payments in the future and this could increase or decrease payment levels to hospitals.

6) The assumed level of revenue and direct costs of operation reflect the levels of occupancy (as per assumption 3) and include an allowance for an estimated 10 per cent increase in the Consumer Price Index per annum.

7) No depreciation of buildings has been included in the projections. This policy may constitute a departure from Australian Accounting Standard AAS4. If depreciation on buildings was included the projected earnings after tax would be decreased by $163,250 for the quarter ended 30th June, 1987 and $653,000 for the year ended 30th June, 1988. Plant is assumed to be depreciated over a five year period. Depreciation on leased plant has not been included in the projections but lease payments have been included in the projected expenses.

8) Preliminary expenses of $1,336,000 are to be amortised over 20 years.

9) Hospital licences will not be amortised but will be regularly independently valued. Any increases in value will be transferred to an asset revaluation reserve.

10) The company tax rate of 49 per cent has been assumed to apply to all projections on accounting profits plus non deductible expenses such as entertainment expenses, fringe benefits tax and amortisation of preliminary expenses.

11) No management fee has been included in the projection.

We are of the opinion that these statements represent a reasonable summary of those assumptions for all hospitals and that the directors have based those underlying assumptions on reasonable grounds.

Further, in our opinion the assumptions have been adequately disclosed. The assumptions have been applied on a consistent basis and the projection has been accurately calculated based on those assumptions. We have not performed a sensitivity analysis on the critical assumptions as we are of the opinion that the assumptions are sound and reflect the likely factors which in our opinion form the basis of Ramsay's business.

Any projection of the future financial performance of an entity or series of operations is largely based on judgement and individual opinions upon the numerous factors which may influence the various components of the projection.

These components include estimates of hospital bed occupancy rates, daily health fund benefit rates and existing levels of private health insurance. Additionally, it is possible that events may not occur as anticipated by the directors of Ramsay and that changes in the government policy or funding may occur in the future which could affect the projected results.

Accordingly, as material differences may occur between projected and actual results, we do not express an opinion as to whether actual results will approximate the projected results nor can we confirm, underwrite or guarantee the achievability of the projection.

Yours faithfully
KMG Hungerfords

A. R. Robinson
Partner

COLLIERS
INTERNATIONAL

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Project & Property Managers, Town Planners
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4th February 1987

Ramsay Health Care Limited
22 Sir John Young Crescent
Woolloomooloo NSW 2011

Dear Sirs

Re: Ramsay Health Care Limited – Valuation Reports

This letter has been prepared for inclusion in the prospectus relating to the issue by Ramsay Health Care Limited ("the Company") of 106,000,000 ordinary shares of 50c each at par payable in full on application.

In accordance with your instructions for us to value certain properties we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary, for the purpose of providing you with our opinion of value of these properties, as at 28th November, 1986.

Further to our formal report dated 4 February, 1987, we confirm our opinion of the open market values of each private hospital and hostel, on an unencumbered going concern basis, totals $50,760,000*** and confirm the market value of each private hospital or hostel as relevant, is as set out below:

Albury Private Hospital 1125 Padman Drive, West Albury, NSW 2640	$8,800,000
Allambie Private Hospital Tamworth, NSW 2340	$1,100,000
Baringa Private Hospital McRays Road, Coffs Harbour, NSW 2450	$7,800,000
East Terrace Private Hospital 248-252 East Terrace, Adelaide, SA 5000	$6,300,000***
Evesham Clinic 1-3 Harrison Street, Cremorne, NSW 2090	$4,970,000
Kahlyn Private Hospital 40 Briant Road, Magill, SA 5072	$3,570,000***
Lynton Private Hospital 40-44 Fuller Road, Chatswood West, NSW 2066	$3,420,000
New Farm, Clinic Cnr Sargeant Street & Oxlade Drive New Farm, QLD 4005	$10,500,000
New Farm Hostel 27 Llewellyn Street, New Farm, QLD 4005	$400,000
Tamara Private Hospital 29 Piper Street, Tamworth, NSW 2340	$3,900,000
	$50,760,000***

*****Note**

We have been instructed to value East Terrace Private Hospital and Kahlyn Private Hospital on the basis that the proposed Adelaide Clinic Holdings psychiatric private hospital does not proceed. On the basis that this development is completed within approximately 15 months from the date of our valuation and materially affects the income of these hospitals, our respective market values would be: East Terrace Private Hospital $4,500,000 and Kahlyn Private Hospital $3,000,000.

Each valuation is our opinion of the open market value, or open market value for the existing use as a fully operational private hospital or hostel as appropriate which we would define as intended to mean "the best price at which an interest in a property might reasonably be expected to be sold at the date of valuation assuming:

(i) a willing seller;
(ii) a reasonable period within which to negotiate the sale, taking into account the nature of the property and the state of the market;
(iii) that values will remain static throughout the period;
(iv) that the property will be freely exposed to the market;
(v) that no account is to be taken of an additional bid by a special purchaser; and
(vi) that in the case of licensed properties, that licences will continue to run with the respective properties."

Each valuation has been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement, or any similar arrangement which would serve to increase the value of the property. Unless otherwise stated, properties owned and occupied have been valued on an unencumbered open market basis, including licences and plant and equipment, assuming sales with vacant possession.

We have not carried out structural surveys and therefore no enquiries or examination of any property or of any improvements erected thereon have been made for any sign of timber infestation, asbestos or other defect whether latent or patent.

We have relied on photostat copies of Certificates of Title and this valuation is issued on the understanding that no dealings or changes have occurred since the date of search.

This valuation has been prepared on the understanding that no easements, rights of way or encroachments exist by or on the subject a properties other than those set out in title or as detailed in our reports.

The above comprises a summary of the valuations we have prepared and is subject to the same terms and conditions as our full reports which may be inspected at any time during normal business hours, at the offices of Ramsay Health Care Limited and KMG Hungerfords, which are set out in paragraph 23 of Additional Statutory Information commencing on page 49 of the prospectus of which this report forms a part.

All valuations have been undertaken by Valuers registered in the appropriate states in accordance with the various state Acts of Parliament.

Yours faithfully

Colliers International Property Consultants

South Australia
Graeme J Martin
FAIV, FSLE, M.Sc. (Urban Land Appraisal)
Valuer's Licence No. LV00853-9

New South Wales
Stephen E Baker
FRICS, FAIV, FSLE
Registered Valuer No. 201 (NSW)

Queensland
Michael G Tidbold
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8th June, 1987

The Directors
Ramsay Health Care Limited
22 Sir John Young Crescent
Woolloomooloo NSW 2011

Dear Sirs

Valuations

1. Introduction

This report has been prepared at the request of the directors of Ramsay Health Care Limited ("Ramsay") for inclusion in the prospectus to be dated 12th June 1987. The prospectus is to be issued by Ramsay and relates to the proposed offer to the public of 106,000,000 ordinary shares of 50 cents each fully paid.

2. Purpose of Report

We have been requested by the directors of Ramsay to provide to them an independent valuation of the issued capital of:

(a) New Farm Hospitals Pty Limited ("New Farm"),
(b) Fullers Road Hospitals Pty Limited ("Fullers"), and
(c) Golden Carp Pty Limited ("Golden").

We understand that these values will be used in Ramsay's accounts to record Ramsay's investment in New Farm, Fullers and Golden and will form the basis of the purchase price by Ramsay of those companies.

3. Sources of Information

In forming our opinion we have reviewed relevant financial and other information in respect of New Farm, Fullers and Golden provided to us by the directors of Ramsay. In addition, we have held discussions with the auditors of New Farm, Fullers and Golden, Messrs P J Evans & Co, Mr Michael Siddle, a director of Ramsay, and other officers of the company. We have also obtained and reviewed the Memorandum and Articles of Association of each company and the fixed asset valuations undertaken by Colliers International Property Consultants Pty Limited ("Colliers") as reported on pages 34 and 35 of this prospectus.

Whilst we have made no attempt to verify or confirm the information provided to us for the purpose of this valuation, we have no reason to believe that it is not accurate and reliable.

4. History and Business

4.1 Introduction

New Farm was incorporated in Queensland in March 1981 as Ubirril Pty Limited and subsequently changed its name to New Farm Hospitals Pty Limited in July 1981. In May 1984 the company became part of the Paul Ramsay Group. At the date of this report the issued capital of New Farm comprises 56,000 ordinary shares of $1 each fully paid and 400 'A' class shares of $1 each fully paid. All ordinary and 'A' class shares carry the same rights in all regards.

Fullers was incorporated in New South Wales in April 1972. The company was incorporated as part of the Paul Ramsay Group. At the date of this report the issued capital of Fullers comprises 200 'A' class shares of $1 each fully paid and 100 'B' class shares of $1 each fully paid. All 'A' and 'B' class shares have equal rights in all regards.

Golden was incorporated in South Australia in 1982. The company was incorporated as part of the Paul Ramsay Group. At the date of this report the issued capital of Golden comprises 4,002 ordinary shares of $1 each fully paid.

The shares in each company are held as follows:

	New Farm		Fullers		Golden
	Ordinary Shares	'A' Class Shares	'A' Class Shares	'B' Class Shares	Ordinary Shares
Paul Ramsay Hospitals Pty Limited ("Ramsay Hospitals")	55,999	400	200	100	4,002
Paul Ramsay held in trust for Ramsay Hospitals	1	–	–	–	–
	56,000	400	200	100	4,002

4.2 Business

New Farm, Fullers and Golden carry on the business of supplying professional medical services and health care to members of the public. New Farm and Fullers operate psychiatric hospitals in Brisbane and Sydney (New Farm and Lynton respectively). Golden operates two psychiatric hospitals in Adelaide (Kahlyn and East Terrace).

Each of the three companies is licenced to operate their respective hospitals. In order to operate on a day to day basis a private hospital must be approved by the appropriate State Department of Health. This approval is given to the hospital in the form of a licence to operate a specified number of beds.

5. Approach to Valuation

We are of the opinion that the most appropriate method of approaching a valuation of the whole of the issued capital of a company in most circumstances is to capitalise the anticipated future maintainable profits of the company, after tax, at a rate that represents the rate of return required by a hypothetical prudent purchaser upon this particular investment. However, in the case of the Ramsay group future maintainable profits may differ significantly from past earnings because a number of new hospitals have only recently become part of the group and so came under the group's management.

Furthermore, where a company owns substantial assets such as freehold properties, and in this case, hospital licences, it is frequently appropriate to consider the value of those assets as a basis for valuing the shares of the company. We note that the value of a hospital licence relates to the anticipated earnings from the hospital, so that in this case, the asset values are clearly related to earnings and in our opinion are an appropriate base for assessing the value of the companies owning the hospitals.

6. Assets and Liabilities

We have reviewed the balance sheets of New Farm, Fullers and Golden as at 30th June, 1986 as audited by Messrs P J Evans & Co.

We attach as Schedule 1 the pro forma balance sheets of New Farm, Fullers and Golden immediately subsequent to the acquisition by Ramsay. This balance sheet has been prepared by Mr P J Evans, auditor of the three companies.

We note the following adjustments:

1) Fixed assets have been revalued in line with the valuations undertaken by Colliers as reported on pages 34 and 35 of this prospectus.
2) We have been advised by the directors of Ramsay that construction has continued at New Farm and that the secured loan from Standard Chartered is approximately $4,000,000. We have not sought independent confirmation of this amount from Standard Chartered.
3) In addition we have been advised by the directors of Ramsay that all secured loans and loans to related parties relating to the freehold property of New Farm, Fullers and Golden will be extinguished immediately upon acquisition.
4) Since 30th June, 1986 an amount of $1,549,307 has been incurred on capital additions to New Farm hospital.

7. Valuation

As discussed in Section 5 of this report we believe that the appropriate method to value the issued capital of New Farm, Fullers and Golden in this instance is on the basis of net tangible assets backing, which we will test against projected earnings.

Upon acquisition by Ramsay of the shares in New Farm, Fullers and Golden all secured loans and inter-company balances will be discharged by an injection of cash from Ramsay. This cash injection will be recorded as a loan to Ramsay in the accounts of New Farm, Fullers and Golden. We are of the opinion that these loans from Ramsay, although akin to share capital, require adjustment in the calculation of the net tangible assets of each company. We have classified these loans as shareholders' funds in Schedule 1.

The net tangible assets can therefore be stated as follows:

	New Farm	Fullers	Golden
Net Assets	11,028,217	3,597,789	10,276,253
Less: Intangibles	16,490	117	–
	11,011,727	3,597,672	10,276,253
Less: Loan from Ramsay	5,450,478	2,317,984	9,157,291
Net Tangible Assets	$5,561,249	$1,279,688	$1,118,962

The valuation of Golden is based on the Colliers valuation assuming the construction of the proposed new private psychiatric clinic in Adelaide does not proceed. In the event the new psychiatric clinic in Adelaide is completed within the next 9 months, our valuation of Golden may be materially affected and could be reduced by $2,370,000. This reduction in net asset values would result in Golden having a deficiency of shareholders' funds of approximately $1,200,000.

The projected earnings from these companies for the year ending 30th June, 1988 before tax are set out below. We have allowed for tax equal to 50 per cent of the pre-tax profits to allow for certain non-allowable items. The group funds invested are extracted from the table above and inserted into the table below and used as a base for calculating group return on investment after tax.

Company	Projected profits year ending 30th June, 1988 before tax	after tax	Group funds invested	Percentage return of funds invested
	$000	$000	$000	%
New Farm	1,987	995	11,012	9.0
Fullers	752	375	3,598	10.5
Golden	2,237	1,120	10,276	10.9

The projected returns after tax on funds invested in the range of 9.0 per cent to 10.9 per cent appear reasonable and do not suggest that the values adopted are inappropriate.

8. Conclusion

In our opinion the fair values for the whole of the issued capital of New Farm, Fullers and Golden are as follows:

	New Farm	Fullers	Golden
Value of Issued Capital	$5,561,249	$1,279,688	$1,118,962
No. of Shares on Issues	56,400	300	4,002
Value per Share	$98.60	$4,265.63	$279.60

As discussed in Section 7 of this report the valuation of Golden could be affected by a new private psychiatric hospital in Adelaide which may be completed in the next 9 months. If so, the current valuation of the hospitals in Golden is reduced by $2,370,000. In this event we are of the opinion that the value of Golden shares would be no more than their par value of $1 each.

In forming this opinion we have relied on:

a) the valuations undertaken by Colliers on 28th November, 1986;

b) the directors undertaking that all secured loans and loans to related parties in New Farm, Fullers and Golden will be settled and/or paid out immediately after the transfer of the shares, by an advance from Ramsay;

c) New Farm, Fullers and Golden continuing to utilise the properties for the provision of health care;

d) the market valuations of the properties not altering materially from 28th November, 1986 up to the time the shares are transferred.

e) other pertinent information supplied by officers of Ramsay and by Ramsay's auditors.

Due to the specialised nature of these assets we are unable to determine the fair value of these companies should the underlying assets be utilised for any purpose other than that outlined above.

KMG Hungerfords does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of New Farm, Fullers or Golden or that its assessment has revealed any matter which an audit or more extensive examination might disclose. KMG Hungerfords is not qualified to undertake technical appraisals of properties and has relied on the report provided by Colliers.

This report, has been prepared for inclusion in a prospectus to be dated 12 June, 1987 relating to the issue to the public of 106,000,000 ordinary shares of 50 cents each fully paid. KMG Hungerfords does not accept any responsibility to any person other than the directors of Ramsay if this report is used for any purpose other than that for which it was intended.

9. Qualifications

Mr Allen Robinson is a partner in KMG Hungerfords and is responsible for the preparation of this report. He has an Honours degree in Commerce from the University of New South Wales, is a Fellow of the Institute of Chartered Accountants in Australia, has been a partner in this firm for in excess of eleven years and has significant experience in the preparation of reports on the values of shares in companies and the valuation of businesses.

10. Interests

KMG Hungerfords has no interest in the transactions by Ramsay and its associated companies. KMG Hungerfords has not had any relationships or associations with Ramsay (or its directors) in the past 2 years other than the preparation of reports for the inclusion in this prospectus.

Yours faithfully
KMG Hungerfords

A R Robinson
Partner

Schedule 1

Ramsay Health Care Limited

Pro Forma Balance Sheets immediately subsequent to Public issue

	New Farm	Fullers	Golden
Share Capital and Reserves			
Issued Capital	56,400	300	4,002
Asset Revaluation Reserve	5,338,676	1,268,370	1,120,756
Capital Profits Reserve	127,500	–	2,739
Shareholders Loan from Ramsay Health Care Limited	5,450,478	2,317,984	9,157,291
Retained Earnings/(Accumulated Losses)	55,163	11,135	(8,535)
Total Share Capital and Reserves	11,028,217	3,597,789	10,276,253
Current Assets			
Cash at Bank	950	1,131	330
Debtors	200,291	235,010	590,526
Other Current Assets	28,829	5,936	19,638
	230,070	242,077	610,494
Current Liabilities			
Provision for Long Service Leave	22,245	10,000	44,874
Sundry Creditors	96,098	54,405	159,367
	118,343	64,405	204,241
Working Capital	111,727	177,672	406,253
Fixed Assets — Land	1,130,000	300,000	1,095,000
— Buildings	4,495,000	1,340,000	3,075,000
— Plant & Equipment	65,000	40,000	174,000
— Licence	5,210,000	1,740,000	5,526,000
Fixed assets as per Colliers valuation	10,900,000	3,420,000	9,870,000
Intangible Assets — Formation Expenses	1,786	117	–
Future Income Tax Benefit	14,704	–	–
	$11,028,217	$3,597,789	$10,276,253

1. There are no founders or management or deferred shares.

2. a) The Articles of Association of the Company do not require a Director to hold shares in the Company.

b) The provisions of the Articles of Association of the Company dealing with the remuneration of the Directors are as follows:

"100.The Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors of the Company and define limit and restrict his or their powers and fix his or their remuneration and duties and may from time to time (subject to the provisions of any contract between him or them and the Company) remove him or them from office and appoint another or others in his or their place or places.

103. Subject to the provisions of any contract between the Company and a Managing Director the remuneration of an executive Director shall from time to time be fixed by the Directors and may be by way of fixed salary but shall not be by way of commission on or percentage of turnover of the Company and unless otherwise determined by the Company in general meeting may be in addition to any remuneration which he may receive as a Director of the Company.

104. The Directors shall be paid out of the funds of the Company as remuneration for their ordinary services as Directors such sum as may from time to time be determined by the Company in general meeting. Such remuneration shall in the case of non-executive directors be by a fixed sum and not by a commission on or a percentage of the turnover of the Company or its profits. The sum so fixed shall be divided amongst the Directors in such proportion and manner as they shall from time to time agree or in default of agreement equally.

105. The Directors shall also be entitled to be paid their travelling and other expenses incurred in connection with their attendance at board meetings and otherwise in the execution of their duties as Directors.

106. Any Director who being willing is called upon to perform extra services or to make any special exertions or to undertake any executive or other work for the Company beyond his ordinary duties or to go or reside abroad or otherwise for any purposes of the Company shall be remunerated either by a fixed sum or a salary as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided.

107. In the event of a proposal to increase the remuneration of the Directors for their ordinary services the notice calling the general meeting at which such increase is to be proposed shall state the amount of the proposed increase and the maximum sum that may be paid.

108. The remuneration of each Director for his ordinary services shall be deemed to accrue from day to day and shall be apportionable accordingly. A resolution of Directors cancelling suspending reducing or postponing payment of such remuneration or any part thereof shall bind all the Directors for the time being.

109. a) Upon a Director ceasing or at any time after his ceasing, whether through retirement or otherwise, to hold that office, the Directors may pay to the former Director, or in the case of his death to his legal personal representatives, or to his dependents or any of them a lump sum payment in respect of past services of such Director of an amount not exceeding the amount permitted by the Code. The Company may contract with any Director to secure payment of any such sum to him, to his legal personal representatives or to his dependents or any of them.

b) A determination made by the Directors in good faith that a person is or was at the time of the death of such Director a dependent of such Director shall be conclusive for all purposes of paragraph (a) of this Article."

3. The names, descriptions and addresses of all Directors of the Company are set out on page 6 of this prospectus. There are no other persons proposed as Directors of the Company.

4. The time and date for the opening of the subscription lists is set out on page 16 of this prospectus.

5. No shares will be allotted or issued on the basis of this prospectus later than six (6) months after the date of issue hereof.

6. The amount payable on application of each share is 50 cents and nil on allotment. This amount will not vary during the currency of this prospectus. The Company has not previously made an offer of shares to the public.

7. (a) No person or corporation has, or is entitled to be given, an option to subscribe for any debenture of the Company; and

(b) No person or corporation has, or is entitled to be given, an option to subscribe for any shares in the Company save that Paul Ramsay Hospitals of Level 4, 22 Sir John Young Crescent, Woolloomooloo, NSW, has assignable options to subscribe for 20,000,000 ordinary fully paid shares of 50 cents each in the Company. The options are exerciseable between the 20th May, 1987 and 31st December, 1991 and were issued by the Company for a total consideration of $1.00. The price per share payable on exercise of the aforesaid options is:

i) the sum of 70 cents per share (that is a premium of 20 cents per share) if exercised between 20th May, 1987 and 31st December, 1988;

ii) the sum of 80 cents per share (that is a premium of 30 cents per share) if exercised between 1st January, 1989 and 31st December, 1989;

iii) the sum of 90 cents per share (that is a premium of 40 cents per share) if exercised between 1st January, 1990 and 31st December, 1990 and;

iv) the sum of $1.00 (that is a premium of 50 cents per share) if exercised between 1st January, 1991 and 31st December, 1991.

The options may be exercised in whole or in part (but in parcels of not less than 100,000 shares) at anytime and from time to time.

Any shares arising from the exercise of such options will be held in escrow for 12 months from the date that the Company's shares are first quoted on the Australian Stock Exchange.

8. No shares in or debentures of the Company have been issued or agreed to be issued as fully or partly paid up otherwise than in cash within two (2) years preceding the date of this prospectus.

9. Apart from the assets described in paragraph 19 hereto, no property has been purchased or acquired by the Company or any subsidiary of the Company, or is proposed so to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription, or the purchase or acquisition of which has not been completed at the date of issue of this prospectus, other than property the contract for the purchase or acquisition of which was entered into in the ordinary course of business of the Company, the contract not being made in contemplation of the issue or the issue in consequence of the contract.

10. The only amounts payable by the Company in cash, shares or debentures for any property are as set out in paragraph 19 hereof. No amounts are payable by the Company in cash, shares or debentures for goodwill other than as set out in paragraph 19 (h) hereof.

11. Underwriting commission and brokerage will be paid as set out on page 16 of this prospectus. No amount has been paid within the two preceding years or is payable as a commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions whether absolute or

conditional for any shares in or debentures of the Company. No Directors, promoters, experts or proposed Director of the Company has received or is entitled to receive any such commission except as disclosed in the paragraph headed Directors' Benefits and Control in the Information Summary on page 3 hereof.

12. The estimated amount for preliminary expenses payable by the Company which includes stamp duty on the transfer of assets, valuations and legal fees is $607,000. The estimated amount for expenses to the issue including underwriting commission is $1,336,000.

13. No amount or benefit has been paid or given within the two preceding years nor is any amount or benefit intended to be paid or given by the Company to any promoter other than as set out in paragraph 19 hereof.

14. The share capital of the Company is not divided into different classes of shares.

15. The name and address of the Auditors of the Company is P J Evans & Co, Level 2, 22 Sir John Young Crescent, Woolloomooloo, NSW, 2011.

16. The Company was incorporated as Presike Limited on 24th October, 1986 under the Companies (New South Wales) Code and became entitled to commence business on that date. On 22nd December, 1986 the Company changed its name to Ramsay Health Care Limited.

17. The minimum amount which in the opinion of the Directors, must be raised by the issue of shares offered for subscription by this prospectus is $53,000,000. This amount will provide the sums required for the following:

a) The purchase of 5 hospital freeholds and licences and 100 per cent of 3 private companies which own the freeholds and licences to a further 4 hospitals from Paul Ramsay Hospitals	30,629,899 ×
b) Retirement of debts owed by the 3 private hospital companies being acquired	16,925,773
c) Retirement of debts incurred on purchase of Tamara Private Hospital	3,500,000
d) Payment of preliminary expenses including underwriting commission	1,336,000
e) Acquisition cost of fixed assets	607,000
f) Working capital	1,328
	$53,000,000

No amounts are to be provided in respect of any of the matters aforesaid otherwise than out of the proceeds of the issue of shares.

18. Terry Cuthbertson and Allen Robinson both of KMG Hungerfords, Accountants; Graeme J. Martin, FAIV, FSLE, M.Sc., Stephen E. Baker, FRICS, FAIV, FSLE, Michael G. Tidbold, FAIV, FREI of Colliers International Property Consultants Pty. Limited and Andrew Stevenson of Westgarth Baldick have given their written consent to the issue of this prospectus with their reports included in the form and context in which such reports appear and have not withdrawn their consents before delivery of a copy of this prospectus for registration.

19. The dates of, parties to, and general nature of every material contract (not being a contract entered into during the normal course of business carried on or intended to be carried on by the Company or by its subsidiaries or a contract entered into more than two years before the date of issue of this prospectus) are as follows:

a) Agreements for Sale of Land, all dated 28th November, 1986 between the Company of the one part and Paul Ramsay Hospitals Pty. Limited of the other part whereby the Company agreed to buy and Paul Ramsay Hospitals Pty. Limited agreed to sell the properties listed below for the prices ascribed to each and otherwise in accordance with the 1986 form of agreement approved by the Law Society of New South Wales and the Real Estate Institute of New South Wales and otherwise upon and subject to the terms and conditions therein contained:

100 Marius Street, North Tamworth	$300,000
1-3 Harrison Street, Cremorne	$2,400,000
1125 Pemberton Street, West Albury	$4,210,000
McKays Road, Coffs Harbour	$4,000,000

b) Agreement dated 28th November, 1986 between the Company of the one part and Paul Ramsay Hospitals Pty. Limited of the other part whereby the Company has agreed to buy and Paul Ramsay Hospitals Pty. Limited has agreed to sell all moveable and tangible assets and chattels situated at the premises referred to in paragraph (a) above for $697,000, completion being subject to and conditional upon the issue of shares offered by this prospectus being subscribed for an amount which is not less than $53,000,000 and being further subject to and conditional upon and interdependent with the completion of the Agreements referred to in paragraphs 19 (a), (c) and (g) hereof and otherwise upon and subject to the terms and conditions therein contained;

c) Agreement dated 20th May, 1987 between the Company of the one part and Paul Ramsay Hospitals Pty. Limited of the other part whereby Paul Ramsay Hospitals Pty. Limited has agreed to transfer or to procure the transfer of certain liabilities of Paul Ramsay Hospitals Pty. Limited relating to the private hospital business conducted by Paul Ramsay Hospitals Pty. Limited from the premises referred to in paragraph 19 (a) hereof and the Purchaser has agreed to accept the transfer thereof for the sum of 10.00 completion of the Agreement being subject to the issue of shares offered by this prospectus being subscribed for an amount which is not less than $53,000,000 and being further conditional upon and interdependent with the simultaneous completion of the Agreements referred to in paragraphs 19 (a), (b) and (g) hereof and otherwise upon and subject to the terms and conditions therein contained;

d) Agreement dated 20th May, 1987 between the Company of the one part and Paul Ramsay Hospitals Pty. Limited of the other part whereby the Company has agreed to purchase and Paul Ramsay Hospitals Pty. Limited has agreed to sell all of the issued shares in New Farm Hospitals Pty. Limited for the consideration of $5,561,249, completion of the Agreement being subject to and conditional upon the issue of shares offered by this prospectus being subscribed in an amount of not less than $53,000,000 and otherwise upon and subject to the terms and conditions therein contained;

e) Agreement dated 20th May, 1987 between the Company of the one part and Paul Ramsay Hospitals Pty. Limited of the other part whereby the Company has agreed to purchase and Paul Ramsay Hospitals Pty. Limited has agreed to sell all of the issued shares in Fullers Road Hospital Pty. Limited for the consideration of $1,279,688, completion of the Agreement being subject to and conditional upon the issue of shares offered by this prospectus being subscribed in an amount not less than $53,000,000 and otherwise upon and subject to the terms and conditions therein contained;

f) Agreement dated 20th May, 1987 between the Company of the one part and Paul Ramsay Hospitals Pty. Limited of the other part whereby the Company has agreed to purchase and Paul Ramsay Hospitals Pty. Limited has agreed to sell all of the issued shares in Golden Carp Pty. Limited for the consideration of $1,118,962, completion of the Agreement being subject to and conditional upon the issue of shares offered by this prospectus being subscribed in an amount not less than $53,000,000 and otherwise upon and subject to the terms and conditions therein contained;

g) Agreement dated 28th November, 1986 between the Company of the one part and Paul Ramsay Hospitals Pty. Limited of the other part whereby in consideration of the payment of the sum of $11,063,000 by the Company to Paul Ramsay Hospitals Pty. Limited, Paul Ramsay Hospital Pty.

Limited agrees with the Company to procure Paul Joseph Ramsay to join with the Company in making application to the Health Commission of New South Wales for the hospital licences listed in the Schedule to the Agreement to be transferred to Michael Stanley Siddle to be held by him on behalf of the Company and otherwise on and subject to the terms and conditions thereof, being subject to the simultaneous completion of the agreements for the acquisition the Company of land and chattels referred to in sub paragraphs 19 (a), (b) and (c) hereof and also to the issue of shares offered by this prospectus being subscribed for an amount which is not less than $53,000,000.

Mr Paul Ramsay, Paul Ramsay Pty. Limited and the Company have no reason to believe that any applications for the transfer of the hospital licences for the benefit of the Company shall be unsuccessful;

h) Agreement dated 28th November, 1986 between the Company as purchaser, Pugesa Pty. Limited ("Pugesa") as vendor and James Geoffrey Harris and Wilfred Timothy Harris as warrantors whereby the Company agreed to purchase and Pugesa agreed to sell the business of a private hospital carried on by Pugesa in accordance with a licence issued pursuant to the Private Hospitals Act 1908 at 29-33 Piper Street, Tamworth for the price of $115,834 apportioned as between goodwill as to $2,500 and plant fittings and chattels as to $113,334 (plus stock in trade) and whereby the warrantors and each of them severally covenant with the Company that each of them shall not without the prior written consent of the Company carry on or be engaged or concerned in any business of the nature of the business sold within the New England region of New South Wales for a period of five years after completion, completion of the agreement being subject and conditional upon, inter alia, the approval of the Department of Health to the transfer of the existing licences necessary for the carrying on of the said business and otherwise upon and subject to the terms and conditions therein contained, which agreement was completed on 28th January, 1987;

i) Agreements for sale of land all dated 28th November, 1986 between the Company of the one part and Peel Private Hospital Pty. Limited of the other part whereby the Company agreed to purchase and Peel Private Hospital Pty. Limited agreed to sell the properties listed below for the prices ascribed to each and otherwise in accordance with the 1986 form of agreement approved by the Law Society of New South Wales and the Real Estate Institute of New South Wales and upon and subject to the terms and conditions therein contained:

4 Dean Street, Tamworth	$75,071
29-33 Piper Street, Tamworth	$3,157,930
35 Piper Street, Tamworth	$56,000
1 Adams Street, Tamworth	$48,305
6 Dean Street, Tamworth	$46,860

All of the above agreements were completed on 28th January, 1987.

j) Deed of Option dated 20th May, 1987 between the Company of the one part and Paul Ramsay Hospitals Pty. Limited of the other part whereby the Company has granted to Paul Ramsay Hospitals Pty. Limited assignable options to subscribe for the allotment of up to 20,000,000 shares in the capital of the Company. Any shares issued as a consequence of the exercise of such options will be held in escrow for 12 months from the date that the Company's shares are first quoted on the Australian Stock Exchange, and any such shares or options will not be capable of being assigned during that period.

Details of further principal terms and conditions to which the Deed of Option are subject appear in paragraph 7 (b) hereof;

k) Subscription Agreement dated 20th May, 1987 between the Company of the one part and Ramcorp Limited of the other part whereby Ramcorp Limited has agreed to subscribe and pay for at par, and the Company has agreed to issue, 47,700,000 shares in the capital of the Company, such subscription and issue to be in all respects pursuant to and in accordance with this prospectus;

l) Management Agreement dated 20th May, 1987 between the Company of the one part and Paul Ramsay Hospitals Pty. Limited of the other part whereby the Company has agreed to appoint Paul Ramsay Hospitals Pty. Limited as consultant to and Manager of the Company in the day to day operation of the health care facilities owned or operated by the Company and Paul Ramsay Hospitals Pty. Limited has agreed to such appointment on and subject to the terms and conditions therein contained including:

i) the Manager has been appointed for a period of five (5) years from the date of the Agreement and thereafter until terminated by either party giving to the other not less than twelve (12) months' prior notice in writing of its intention to terminate the Agreement;

ii) the Manager may notwithstanding the above, terminate the Agreement if there is any change in the ownership of the Company by reason of the acquisition by any party (other than a party associated with Paul Joseph Ramsay) of a relevant interest in 40 per cent or more of the issued share capital of the Company;

iii) in consideration of providing management services to the Company the Manager is entitled to receive a fee calculated as a percentage of total earnings before interest and taxes, but after deducation of management fees, (subject to appropriate adjustments to reflect changes in the annual Consumer Price Index published by the Australian Bureau of Statistics), on an accelerating sliding scale as follows:

Annual Earnings before Interest and Tax, but after deduction of Management Fees	**Management Fee**
Less than $ 9,000,000	Nil
$ 9,000,000 – $ 9,270,000	all earnings over $9,000,000
$ 9,270,001 – $11,000,000	$278,100 plus 3 per cent of earnings over $9,270,001
$11,000,001 – $12,000,000	$330,000 plus 4 per cent of earnings over $11,000,001
$12,000,001 – $13,000,000	$480,000 plus 5 per cent of earnings over $12,000,001
$13,000,001 – $14,000,000	$650,000 plus 6 per cent of earnings over $13,000,001
$14,000,001 – $15,000,000	$840,000 plus 7 per cent of earnings over $14,000,001
$15,000,001 – $16,000,000	$1,050,000 plus 8 per cent of earnings over $15,000,001
More than $16,000,001	$1,280,000 plus 9 per cent of earnings over $16,000,001

Such fees shall be payable quarterly in arrears based upon the Managers' estimates, but subject to verification by the auditor of the Company;

iv) the Company shall bear and pay all expenses incurred by it in and about the operation of its business and the Manager shall bear and pay certain expenses incurred by it in providing management services;

v) the Manager has covenanted and agreed with the Company to provide, inter alia, the following services:

A) generally supervising and overseeing the operations of the Company's private hospital and health care businesses;

B) generally supervising and overseeing accounting of the Company's businesses;

C) promoting and advertising the Company's business activities;

D) liaising within the health care industry generally including with appropriate government departments and authorities; and

E) advising as to the operation of the Company's business and its future development;

vi) Mr Paul Ramsay and the Manager have covenanted with the Company that they shall not, while companies associated with Mr Paul Ramsay or the Manager continue to manage the Company, develop, acquire or manage any medical or health care facilities within Australia except through the Company, and that furthermore it is their present intention that the

Company be offered participation in any future development, acquisition or management contract of medical or health care facilities outside Australia by the Manager, or any persons or company associated with the Manager;

vii) The Manager may notwithstanding the above, manage and operate other existing medical and health care facilities or investments presently owned by the Paul Ramsay Group

m) Underwriting Agreement dated 25th May, 1987 between Hambros Securities Limited, MacDougall & Co Limited and the Company to underwrite the issue of 58,300,000 ordinary shares to the public. This Agreement provides that the underwriters may terminate the Agreement without cost or liability to themselves and may be relieved of all their obligations if any of the following circumstances occur after the date of the Underwriting Agreement and prior to the allotment of shares offered by this prospectus:

i) the Company, Paul Ramsay Pty. Limited, or any officer of the Company or Paul Ramsay Pty. Limited contravenes in a material way any applicable legislation of the Commonwealth of Australia or any State or Territory thereof, or the United States of America or any State or Territory thereof, regulating the operations or activities of corporations or the issue of securities which in the reasonable opinion of the underwriter, materially affects the issue including but not limited to;

A) any provision of the Companies Code of a State or of a Territory of the Commonwealth of Australia;

B) any of the Official Listing requirements of the Australian Stock Exchange; and

C) any provision of the Securities Industry Code of a State or of a Territory of the Commonwealth or Australia;

ii) any Director of the Company or Paul Ramsay Hospitals Pty. Limited is charged with an indictable offence relating to any financial or corporate matter which in the reasonable opinion of the underwriter materially affects the issue;

iii) any of the statements reports representations matters or things contained in the prospectus are or become materially untrue or incorrect or materially misleading in the context in which they appear;

iv) if after the date of this Agreement and before the Closing Date there is announced or introduced into the Parliament of the Commonwealth of Australia or any of the legislatures of the States or Territories of Australia any prospective law or any other measure, or any such law or other measure is passed or becomes effective, which restricts capital issues or company profits or imposes any excess profits tax or imposes any other measure which would materially affect the projected profits of the Company (excluding any law relating to measures announced prior to the date of this Agreement including Dividend Imputation);

v) the Company or Paul Ramsay Hospitals Pty. Limited commits any material breach of this Agreement or fails in a material respect to carry out any of their obligations hereunder;

vi) there is any item, transaction or event of a material and unusual nature directly affecting the Company or Paul Ramsay Hospitals Pty. Limited not made public before the date of this Agreement which if made public could adversely affect in a material way the success of the issue;

vii) unless rectified within a period of seven days the Company or Paul Ramsay Hospitals Pty. Limited or any of their subsidiaries contravenes in a matter of substance any provisions of their Memorandum and Articles of Association or the Official Listing Requirements of the Australian Stock Exchange;

viii) there occurs an event of default or breach by the Company or Paul Ramsay Hospitals Pty. Limited or failure to observe or perform any of the terms or conditions of any agreement deed or document to which the Company or Paul Ramsay Hospitals Pty. Limited is a party (and whether or not the underwriter is a party thereto) and as a result thereof any present or future indebtedness of the Company or Paul Ramsay Hospitals Pty. Limited in respect of money borrowed or raised in any amount in excess of one hundred thousand dollars ($100,000) shall become due and payable prior to the due date for repayment thereof or any such indebtedness shall not be paid when due;

ix) there is an outbreak of hostilities not presently existing or an escalation of present hostilities (whether war has been declared or not) after the date hereof and prior to the Closing Date involving as a participant any one or more of the Commonwealth of Australia, Japan, the United Kingdom, the United States of America, the Union of Soviet Socialist Republics or the People's Republic of China which in the reasonable opinion of the underwriter would have a material adverse effect on the success of the issue;

x) the Australian Stock Exchange's All Ordinaries Share Price Index falls by 125 points or the All Industrials Share Price Index falls by 200 points from the date of the agreement;

xi) during the currency of the issue, the Company or Paul Ramsay Hospitals Pty. Limited alters their capital structure or their Memorandum or Articles of Association without the prior consent of the underwriter such consent not to be unreasonably withheld;

xii) at any time before the Closing Date an event occurs which would be a prescribed occurrence for the purposes of the Companies (Acquisition of Shares) (New South Wales) Code if the Company or Paul Ramsay Hospitals Pty. Limited was a target company for the purposes of that Code;

xiii) any material adverse change in condition or financial position of the Company or Paul Ramsay Hospitals Pty. Limited or any of their subsidiaries occurs during the currency of the issue;

xiv) there is any material default by the Company or Paul Ramsay Hospitals Pty. Limited or any other party under, or a change not approved by the underwriter in any of the Contracts referred to in the Additional Statutory Information in the prospectus which default or change remains unremedied for five (5) business days after the underwriter gives notice to the Company or Paul Ramsay Hospitals Pty. Limited requiring the Company or Paul Ramsay Hospitals Pty. Limited to remedy the default or change;

xv) the Australian Stock Exchange fails to grant or withdraws approval for the admission of the Company to its Official Lists and Official Quotation of the shares of the Company or imposes a condition not acceptable to the underwriter;

xvi) the Corporate Affairs Commission refuses to register or revokes registration of the prospectus or imposes conditions reasonably unacceptable to the underwriter;

xvii) any legal proceedings are commenced or threatened against the Company or Paul Ramsay Hospitals Pty. Limited or any of their subsidiaries which in the reasonable opinion of the underwriter could be expected to adversely affect in a material way the success of the issue;

xviii) any fall below sixty United States cents (US$0.60) (calculated on the selling rate of exchange on the relevant date as published by Westpac Banking Corporation) in the selling rate of exchange of the Australian Dollar occurring on two consecutive days after the date of this Agreement and prior to the Closing Date; and

xix) a valid application from Ramcorp Limited for forty seven million seven hundred thousand (47,700,000) shares in the capital of the Company has not been received by the Company or on prior to the Opening Date.

In the event one or both of the joint underwriters terminates this agreement the underwriters have undertaken to immediately notify the Australian Stock Exchange.

20. Allambie Private Hospital was acquired by Paul Ramsay Hospitals Pty. Limited as to the businesses from Tofonia Pty. Limited of 117 Faulkner Street, Armidale, New South Wales by a contract dated 26th May, 1986 for a consideration of $550,000 and as to the land from Elkurba

Pty. Limited of 5 Billabong Street, Kenmore, Queensland by a contract of the same date for a consideration of $450,000. No businesses acquired by the Company have been operating for less than three (3) years.

21. MacDougall & Co Limited, a joint underwriter and sponsoring broker for the Company, is 35.7 per cent owned by the Paul Ramsay Group.

22. No Director or expert of any firm in which a Director or expert is a partner has any interest in the promotion of or any property acquired or proposed to be acquired by the Company and no sums have been paid or agreed to be paid to such Director, proposed Director, expert or firm in cash or shares or otherwise by any persons in the case of a Director or proposed Director, either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him or the firm in connection with the promotion or formation or the Company save:

a) as set out in the paragraph headed Directors' Benefits and Control in the Information Summary commencing on page 2 hereto; and

b) that the usual professional fees will be paid to Hambros Securities Limited, as financial advisers, P.J. Evans & Co as Auditors, KMG Hungerfords as Investigating Accountants, Valuers and Industry Experts, Colliers International Property Consultants Pty. Limited as valuers and Westgarth Baldick as solicitors.

23. Copies of the material contracts mentioned in paragraph 19 above, the Memorandum and Articles of Association of the Company mentioned in paragraph 2 above, the valuation reports set out in this prospectus, and the consents referred to in paragraph 18 above shall be deposited at the registered office of the Company Level 4, 22 Sir John Young Crescent, Woolloomooloo, NSW, 2011 and at the principal office of KMG Hungerfords in the capital city of the States and Territories in which this prospectus is issued, within seven (7) days of the registration of a copy of the prospectus and shall be kept there for a period of at least six (6) months after such registration for inspection during normal business hours by any person without charge.

The principal offices of KMG Hungerfords in each of the capital cities of the States and Territories of Australia in which this prospectus is issued are as follows:

New South Wales:	167 Macquarie Street Sydney NSW 2000
Victoria:	80 Collins Street Melbourne VIC 3000
Australian Capital Territory:	City Mutual Building Hobart Place Canberra City ACT 2601
Queensland:	123 Eagle Street Brisbane QLD 4000
South Australia:	13 Grenfell Street Adelaide SA 4000
Western Australia:	190 St. George's Terrace Perth WA 6000
Tasmania (Associated Firm):	Cox Miller & Robinson 86 Collins Street Hobart TAS 7000
Northern Territory (Associated Firm):	Mal Sciacca & Associates Eagle House 37 McMinn Street Darwin NT 5790

24. The Directors advise that the Company was incorporated on 24th October, 1986. They anticipate that the Company will be taxed as a public company.

25. There are no royalty payments or compensation to landowners to be made as distinct from consideration payable to holders of leases, licences, lease applications or similar rights and titles.

26. No expert whose report appears in this prospectus has:

a) any shareholding in the Company; or

b) the right (whether legally enforceable or not) to subscribe for securities in the Company; or

c) the right (whether legally enforceable or not) to nominate persons to subscribe for securities in the Company.

27. There are no shares for which persons have agreed for payment by way of brokerage or commission to subscribe absolutely.

28. The maximum amount of shares available for subscription after allowing for the portion of the issue over which the underwriter has the right to nominate allottees is 47,700,000 shares.

29. The Directors of the Company report, after due enquiry by them in relation to the interval between the date of incorporation and 12th June, 1987 (being a date not earlier than 14 days before the issue of this prospectus) that they have not become aware of:

a) any circumstances which in their opinion materially have affected or will affect the trading or profitability of the company or of its subsidiaries or the value of assets of the Company or its subsidiaries; or

b) any contingent liabilities of the Company other than those disclosed in the Investigating Accountant's Report.

This prospectus including the Directors' Report has been signed by each of the Directors of the Company whose names appear below and is dated 12th June, 1987:

Paul Joseph Ramsay	Michael Stanley Siddle
Kenneth Henry Gourlay	Marjorie Lysle Brislee

WESTGARTH
BALDICK
ATTORNEYS
SOLICITORS AND
NOTARIES

Prudential Building
39 Martin Place Sydney
NSW 2000 Australia
Telephone (02) 233 6500
Fax GP2.3 (02) 233 5070
Telex AA 121733 (WBSOL)

9th June, 1987

The Directors
Ramsay Health Care Limited
22 Sir John Young Crescent
Woolloomooloo NSW 2011

Dear Sirs

Hospital Licences and Material Contracts

This report has been prepared for inclusion in a prospectus to be dated 12th June, 1987 for the issue by Ramsay Health Care Limited ("the Company") of 106,000,000 ordinary shares of 50 cents each at par and payable in full on application.

We confirm that we are the solicitors for the Company. We report as follows:

(a) We have searched and caused searches to be conducted at the Department of Health in New South Wales, Queensland and South Australia of the licences in respect of the health care facilities listed on page 10 of the prospectus.

(b) Details of the licences are as follows:

Hospital	Type of Licence	Status	Holder
Baringa Private Hospital	Private Hospital Act (NSW)	Current	Paul Joseph Ramsay
Albury Private Hospital	Private Hospital Act (NSW)	Current	Paul Joseph Ramsay
Lynton Private Hospital	Private Hospital Act (NSW)	Current	Michael Stanley Siddle
Allambie Private Hospital	Private Hospital Act (NSW)	Current	Paul Joseph Ramsay
Tamara Private Hospital	Private Hospital Act (NSW)	Current	Paul Joseph Ramsay
Evesham Clinic	Mental Health Act (NSW)	Renewal pending	Paul Joseph Ramsay (Applicant)
New Farm Clinic	Private Hospitals Act (Qld)	Current	Esther Norma Seeley
Kahlyn Private Hospital	Health Commission Act (SA)	Current	Paul Ramsay Hospitals Pty. Limited
East Terrace Private Hospital	Health Commission Act (SA)	Current	Paul Ramsay Hospitals Pty. Limited

(c) The Company has entered into an agreement with Paul Ramsay Hospitals Pty. Limited (the general nature of which is set out in paragraph 19(g) on page 44) whereby Paul Ramsay Hospital Pty. Limited as the beneficial owner of the licences held by Paul Joseph Ramsay agrees to procure Paul Joseph Ramsay to join with the Company to secure the transfer of the licences to Michael Stanley Siddle. Following completion of this agreement and pending transfer of the licences to Michael Siddle, Paul Ramsay will hold the benefit of the licences for the Company.

(d) The licence for Lynton Private Hospital, which is registered in the name of Michael Stanley Siddle, is held by him on behalf of Fullers Road Hospital Pty. Limited. The Company has contracted to purchase all the issued shares of Fullers Road Hospital Pty. Limited (see paragraph 19(e) on page 44). The licences to be transferred to Michael Siddle by virtue of the agreement referred to in clause (c) above are to be held by him on behalf of the Company.

WESTGARTH BALDICK

(e) We are instructed that Esther Norma Seeley is an employee of New Farm Hospitals Pty. Limited and holds the licence for New Farm Clinic as nominee for New Farm Hospitals Pty. Limited. The Company has contracted to purchase all the issued shares of New Farm Hospitals Pty. Limited (see paragraph 19(d), page 44).

(f) Paul Ramsay Hospitals Pty. Limited has agreed to transfer the benefit of licences in respect of Kahlyn and East Terrace Private Hospitals to Golden Carp Pty. Limited. The Company has contracted to purchase all the issued shares of Golden Carp Pty. Limited (see Paragraph 19(f) on page 44).

(g) Enquiries of the Health Commission of New South Wales reveal that all inspections and investigations for the issue of the licence in respect of Evesham Clinic have been completed and the licence is expected to be renewed in the near future.

(h) We know of no reason why the Ministers of the respective Departments of Health ought not to consent to the transfer of the licences for the benefit of the Company to which we have referred above.

We have reviewed the material contracts referred to in paragraph 19 of the Additional Statutory Information to the Prospectus (hereinafter called "the Material Contracts") and advise that the general nature of the Material Contracts has been adequately set out in the prospectus.

The only amounts which will be paid to Westgarth Baldick by the Company are reasonable legal fees.

Yours faithfully,
Westgarth Baldick

Andrew Stevenson

Ramsay Health Care Limited

(Incorporated under the Companies (New South Wales) Code)

Issue of 106,000,000 ordinary shares of 50 cents each payable in full on application.

Application for Shares

To: The Directors
Ramsay Health Care Limited

(Block Letters Please)

Applications should be completed and lodged in accordance with the Instructions to Applicants on the subsequent page of this prospectus dated 12th June, 1987 of which this Application Form forms part.

Mr/Mrs/Miss____

(Block Letters) First Names (initials not acceptable) Surname

Address____

(Block Letters) No Street

____

(Block Letters) City/Town State Postcode

I/We whose full name(s) and address(es) appear above apply in terms of this prospectus dated 12th June, 1987 for the number of ordinary shares shown hereon (or such lesser number as may be allocated to me/us by the Company in respect of this application).

I/We agree to be bound by the Memorandum and Articles of Association of the Company.

If this application is signed by an attorney, the attorney states that he has no notice of revocation of the Power of Attorney under the authority of which this application is signed.

Number of ORDINARY SHARES Applied For: ____________________

Application Money enclosed at 50 cents per ordinary share: $ ____________________

Usual Signature(s): ____________________

Date______/________ 1987

The COMMON SEAL of:

____

was hereunto affixed in accordance with its Articles of Association in the presence of:

____

Director

____

Secretary

Applicant to complete details of cheque

Drawer	Bank	Branch	Amount

To meet the requirements of the Companies (New South Wales) Code this Application Form must not be handed on unless attached to the prospectus. The prospectus expires on 11th December, 1987 and no securities shall be offered on the basis of this prospectus later than that date.

Instructions to Applicants

1. This application must be signed by the applicant personally, or by his or her Attorney. If signed by an Attorney, the relevant Power of Attorney must be submitted with this application for noting and return. The Attorney states that he has had no notice of revocation of the Power of Attorney under which authority this application is signed.

2. In the case of joint applications, each applicant must sign.

3. Where the applicant is an incorporated body, its Common Seal is to be affixed and the proper Attestation Clause must be inserted and signed by its authorised signatories.

4. Applications for shares offered by this prospectus must be made on the Application Form and lodged at any time after the issue of this prospectus. Applications MUST be accompanied by payment in Australian currency of 50 cents per share. Cheques should be made payable to Ramsay Health Care Limited and crossed "Not Negotiable". Receipts will not be forwarded and excess moneys will be returned to unsuccessful applicants no later than ten (10) days after closing of the subscription lists.

5. Completed application forms and cheques must be lodged with the underwriters, Hambros Securities Limited and MacDougall & Co Limited, at the following offices:

   Hambros Securities Limited
   167 Macquarie Street
   Sydney NSW 2000

   MacDougall & Co Limited
   55 Hunter Street
   Sydney NSW 2000

   or with any Member of the Australian Stock Exchange.

6. Applications for shares must be for a MINIMUM of 2,000 shares and in whole multiples of 1,000 thereafter.

7. Subscription lists will open at 12 noon Australian Eastern Standard Time on 26th June, 1987 and will remain open until 5.00 pm Australian Eastern Standard Time on 24th July, 1987 subject to the right of the Directors of the Company to close the issue at an earlier time or date without prior notice.

For convenience, a schedule of total amounts payable for various quantities of shares appears below:

Table of Amounts Payable

Number of Shares	Total Amount Payable $
2,000	1,000
10,000	5,000
20,000	10,000
100,000	50,000
200,000	100,000

Ramsay Health Care Limited

(Incorporated under the Companies (New South Wales) Code)

Issue of 106,000,000 ordinary shares of 50 cents each payable in full on application.

Application for Shares

To: The Directors
Ramsay Health Care Limited

(Block Letters Please)

Applications should be completed and lodged in accordance with the Instructions to Applicants on the subsequent page of this prospectus dated 12th June, 1987 of which this Application Form forms part.

Mr/Mrs/Miss____
(Block Letters) First Names (initials not acceptable) Surname

Address____
(Block Letters) No Street

____
(Block Letters) City/Town State Postcode

I/We whose full name(s) and address(es) appear above apply in terms of this prospectus dated 12th June, 1987 for the number of ordinary shares shown hereon (or such lesser number as may be allocated to me/us by the Company in respect of this application).

I/We agree to be bound by the Memorandum and Articles of Association of the Company.

If this application is signed by an attorney, the attorney states that he has no notice of revocation of the Power of Attorney under the authority of which this application is signed.

Number of ORDINARY SHARES Applied For: ____________________

Application Money enclosed at 50 cents per ordinary share: $ ____________________

Usual Signature(s): ____________________

Date______/______ 1987

The COMMON SEAL of:

____
was hereunto affixed in accordance with its Articles of Association in the presence of:

____
Director

____
Secretary

Applicant to complete details of cheque

Drawer	Bank	Branch	Amount

To meet the requirements of the Companies (New South Wales) Code this Application Form must not be handed on unless attached to the prospectus. The prospectus expires on 11th December, 1987 and no securities shall be offered on the basis of this prospectus later than that date.

Instructions to Applicants

1. This application must be signed by the applicant personally, or by his or her Attorney. If signed by an Attorney, the relevant Power of Attorney must be submitted with this application for noting and return. The Attorney states that he has had no notice of revocation of the Power of Attorney under which authority this application is signed.

2. In the case of joint applications, each applicant must sign.

3. Where the applicant is an incorporated body, its Common Seal is to be affixed and the proper Attestation Clause must be inserted and signed by its authorised signatories.

4. Applications for shares offered by this prospectus must be made on the Application Form and lodged at any time after the issue of this prospectus. Applications MUST be accompanied by payment in Australian currency of 50 cents per share. Cheques should be made payable to Ramsay Health Care Limited and crossed "Not Negotiable". Receipts will not be forwarded and excess moneys will be returned to unsuccessful applicants no later than ten (10) days after closing of the subscription lists.

5. Completed application forms and cheques must be lodged with the underwriters, Hambros Securities Limited and MacDougall & Co Limited, at the following offices:

   Hambros Securities Limited
   167 Macquarie Street
   Sydney NSW 2000

   MacDougall & Co Limited
   55 Hunter Street
   Sydney NSW 2000

   or with any Member of the Australian Stock Exchange.

6. Applications for shares must be for a MINIMUM of 2,000 shares and in whole multiples of 1,000 thereafter.

7. Subscription lists will open at 12 noon Australian Eastern Standard Time on 26th June, 1987 and will remain open until 5.00 pm Australian Eastern Standard Time on 24th July, 1987 subject to the right of the Directors of the Company to close the issue at an earlier time or date without prior notice.

For convenience, a schedule of total amounts payable for various quantities of shares appears below:

Table of Amounts Payable

Number of Shares	Total Amount Payable $
2,000	1,000
10,000	5,000
20,000	10,000
100,000	50,000
200,000	100,000

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