Healthscope Limited
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APPENDIX 4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET

FULL YEAR REPORT FOR THE YEAR ENDED 30 JUNE 2018
INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Reporting period	**Comparative period**
Year ended 30 June 2018	Year ended 30 June 2017

Results	**$'m**	**% change increase/ (decrease)**
From continuing operations		
Revenue from ordinary activities	2,340.8	3.7%
Profit from ordinary activities after tax attributable to members	75.8	(49.9%)
Net profit attributable to members	75.8	(49.9%)
Operating EBITDA[1]	375.9	(4.4%)
Operating EBIT[2]	265.9	(7.8%)

1. *Operating EBITDA represents Statutory net profit before the allocation of depreciation, amortisation, investment revenue, finance costs, income tax expense and non-operating items (other items of income and expense).*
2. *Operating EBIT represents Statutory net profit before the investment revenue, finance costs, income tax expense and non-operating items (other items of income and expense).*

From continuing and discontinued operations		
Revenue from ordinary activities	2,421.0	2.0%
Profit from ordinary activities after tax attributable to members[3]	89.4	(19.4%)
Net profit / (loss) attributable to members[3]	89.4	(19.4%)

3. *Includes recognition of onerous lease provision of $62.5 million for Frankston Private Hospital and an impairment charge of $5.8 million in relation to certain assets held by Frankston Private Hospital. In addition to this, it also includes $19.1 million of costs directly attributable to the closure of Geelong Private Hospital and Cotham Private Hospital.*

Dividends and distributions	**Record Date**	**Payment Date**	**Amount per security**	**Franked amount per security**
Final dividend	7 September 2018	28 September 2018	3.5¢	Nil
Interim dividend	2 March 2018	23 March 2018	3.2¢	Nil

No foreign conduit income is attributable to the dividends.

Dividend reinvestment plan
Healthscope's dividend reinvestment plan (DRP) will operate in respect of the final dividend, with the last date for receipt of election notices being 10 September 2018. No discount is applicable to shares allocated to participants and no brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP. Shares will be allocated on 28 September 2018 and will rank equally in all respects with existing shares. The price at which shares are allocated is the daily volume weighted average market price of Healthscope shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of 10 trading days beginning on the second business day after the dividend record date.

Net tangible assets backing (NTA backing)	**30 June 2018**	**30 June 2017**
Net tangible asset per ordinary security	$0.34	$0.32

Other information regarding the accounts
This Appendix 4E should be read in conjunction with the Directors' Report and the audited Financial Report for the year ended 30 June 2018.

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HEALTHSCOPE 2018 FULL YEAR RESULTS

21 AUGUST 2018

FY18 – A year of transition

- Hospital Operating EBITDA of $344.7m at the top end of revised guidance[1] of $340m-$345m
  - EBITDA growth of 0.8% and improved EBITDA margin in 2H18, reflecting operational efficiencies, new leadership in Victoria and Tasmania and contributions from brownfields expansion projects
- Improved operating efficiency with Group Hospitals Best Practice Program delivering $6m in cost savings ($10m annualised)
- Strategic review of Hospital portfolio completed
  - Difficult but necessary decisions taken to close Cotham Private and Geelong Private and impairment recognised at Frankston Private
  - Future investment opportunities identified, including subsequent approval of Stage 2 development of Knox Private Hospital ($79m)
- Major brownfields hospital expansion projects on track
  - Revenue growth from hospitals with completed major expansion projects[2] of 10.2%
  - Five hospital expansion projects completed in FY18, adding 75 beds and 13 operating theatres to the portfolio with a total capital investment of $170m
- Landmark Northern Beaches Hospital continues to progress well
  - Technical completion in July 2018 as planned
  - On track to open for patient transfer on 30 October 2018
- Successfully divested Medical Centres and Asian Pathology businesses
  - Total sale proceeds of $334m
- Final unfranked dividend of 3.5 cents per share bringing the total dividend for the year to 6.7 cents per share
- Well positioned for growth and future shareholder value creation
  - Continue to target FY19 Hospital Operating EBITDA growth of at least 10%
  - Completed strategic review of freehold hospital property assets. Unlisted property trust proposed to be established with co-investor to own up to 49%. Healthscope to retain control and management rights over hospitals. Will release substantial capital for shareholders, balance sheet and growth

FY18 – summary of financial performance

- Statutory results
  - Statutory NPAT[3] (after Non-Operating Expenses) was down 19.4% to $89.4m (FY17: $110.9m). The result was impacted by Non-Operating Expenses of $75.4m (net of tax)

[1] Guidance was provided on 22 May 2018. Refer to ASX release titled “Outcomes of Portfolio Review and Updated Earnings Guidance”.
[2] Major expansion projects completed in respect of Darwin Private, Frankston Private, Gold Coast Private/Allamanda Private, Holmesglen Private/Como Private, Knox cluster (Knox, Bellbird, Ringwood), National Capital Private, Norwest Private and Newcastle Private.
[3] Statutory NPAT includes the contribution of the Asian Pathology business which was divested on 17 August 2018. Refer to the ASX release dated 30 July for details. See Appendix 2 for results of discontinued operations.

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- Continuing operations
  - Group Revenue up 3.7% to $2,340.8m (FY17: $2,256.5m)
    - Hospitals Revenue up 4.3% to $2,100.6m (FY17: $2,014.0m)
  - Group Operating EBITDA down 4.4% to $375.9m (FY17: $393.2m)
    - Hospital Operating EBITDA down by 4.1% to $344.7m (FY17: $359.4m)
  - Group Operating EBIT down 7.8% to $265.9m (FY17: $288.5m)
  - Group Operating NPAT before non-operating expenses down 10.3% to $151.2m (FY17: $168.6m)
  - Group Operating NPAT (Statutory NPAT) after non-operating expenses down 49.9% to $75.8m
  - (FY17: $151.1m)
  - Operating cash flow conversion of 97.9% (FY17: 106.4%)
  - EPS down 49.4% to 4.4 cps (FY17: 8.7 cps)
  - Full year dividend of 6.7 cps, includes a final unfranked dividend of 3.5 cps (FY17: Full year 7.0 cps)

Managing Director and CEO commentary

Healthscope Managing Director and Chief Executive Officer, Gordon Ballantyne, said:

“FY18 was a year of transition for Healthscope. We have made significant progress on a number of fronts to reset the business for improved operating performance and growth.”

“We have successfully divested our Medical Centres and Asian Pathology businesses and made the difficult but necessary decision to close underperforming hospitals. At the same time, we have continued to invest in growth, with five new hospital developments opened this year and stage two of Knox Private Hospital approved in August.”

“We are just over two months away from opening our flagship Northern Beaches Hospital in October. Revenues from hospitals with completed major expansion projects grew by more than 10% during the year, underpinning our confidence that we are investing in the right catchments.”

“We have also reset our cost base to better respond to the operating environment, achieving Group wide operating and business efficiencies totalling $6 million in the second half, with an expected annualised impact of at least $10 million.”

“The Hospitals division delivered Operating EBITDA of $344.7 million, at the top end of our revised guidance. Pleasingly, performance significantly improved in the second half reflecting the benefits of operational efficiencies, new leadership in Victoria and Tasmania and contributions from brownfields.”

“We continue to target Hospital Operating EBITDA growth of at least 10% in FY19.”

Segment results (continuing operations only)

$m	Hospitals	Change on pcp	NZ Pathology	Change on pcp	Corp	Change on pcp	Group	Change on pcp
Revenue	**2,100.6**	4.3%	**240.2**	(1.0)%			**2,340.8**	3.7%
Operating EBITDA	**344.7**	(4.1)%	**58.1**	(2.7)%	**(26.9)**	3.9%	**375.9**	(4.4)%
Operating EBIT	**251.2**	(7.8)%	**46.7**	0.3%	**(32.0)**	4.2%	**265.9**	(7.8)%
Operating net profit after tax							**151.2**	(10.3)%
Non-operating expenses after tax							**(75.4)**	(330.9)%
Net profit after tax							**75.8**	(49.9)%
Op EBITDA margin	**16.4%**	(140)bp	**24.2%**	(40)bp			**16.1%**	(130bp)
Op EBIT margin	**12.0%**	(150)bp	**19.4%**	20bp			**11.4%**	(140bp)

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Hospitals

The Hospitals division delivered revenue of $2,100.6 million, up 4.3%, and Operating EBITDA of $344.7 million, down 4.1% and in line with guidance[1]. In 2H18, Hospital Operating EBITDA increased by 0.8% year on year. This was a significant improvement on the 8.6% decline in 1H18 compared with 1H17 and was underpinned by operational efficiencies and the contribution of completed brownfield developments.

Continued private hospital market pressures and variability in patient case mix impacted Operating EBITDA growth and margins in most States, despite strong performances at a number of hospitals. Operating EBITDA for the Victoria and Tasmania portfolio, which is the second largest contributor to divisional earnings, was down $14.7 million on the prior year. The primary drivers of decline were losses at the now closed Geelong Private and Cotham Private hospitals and underperformance at Frankston Private, combined with the continued impact of wage increases for Victorian nurses which were only partially offset by health fund price increases and operating efficiencies.

Revenue growth from hospitals with completed major expansion projects was 10.2%. In FY18, five hospital expansion projects were completed adding 75 beds and 13 operating theatres to the portfolio with a total capital investment of $170 million. These projects included developments at Newcastle Private and Norwest Private in New South Wales, and Gold Coast Private (Stage 2), Sunnybank Private and Brisbane Private in Queensland.

Northern Beaches Hospital

Our landmark Northern Beaches Hospital (NBH) project continues to progress well. After three and a half years of design and planning, we achieved technical completion in July 2018 as planned. We are on track for the hospital to open for patients transferring from Manly and Mona Vale public hospitals beginning on 30 October 2018. The hospital will add 450 beds and 20 operating theatres. Once ramp up has been completed (which is expected to take four to five years) NBH is expected to deliver over $300 million in additional revenue and an EBITDA return on invested capital of at least 15%.

New Zealand Pathology

New Zealand Pathology, which operates through the Labtests, Northland Pathology, Southern Communities Laboratories and Gribbles Veterinary brands, grew revenue in local currency by 1.6% with Operating EBIT up 2.5%. After the adverse impact of currency conversion, reported revenue of $240.2 million was down 1.0%, Operating EBITDA of $58.1 million was down 2.7% and Operating EBIT of $46.7 million up 0.3%.

With the business now mature, revenue growth was moderate reflecting the sharing of operational efficiencies with District Health Boards (DHBs). We continue to explore further growth opportunities outside of new DHB contracts. Further, we saw good performance in Gribbles Veterinary revenue and margin on the back of expanded services nationwide.

Capital expenditure and depreciation

The Group invested $299.6 million (FY17: $485.4 million) in growth projects during the period, of which $141.8 million relates to the NBH development. A further seven hospital expansion projects are currently under construction.

FY18 depreciation and amortisation expense from continuing operations was $110.0 million (FY17: $104.7 million) reflecting the impact of hospital expansion projects completed in FY17 and FY18. FY19 depreciation and amortisation is expected to be approximately $124 million.

[1] Guidance was provided on 22 May 2018. Refer to ASX release titled "Outcomes of Portfolio Review and Updated Earnings Guidance".

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Cash flow and balance sheet

Operating cash flow was $367.9 million (FY17: $418.2 million) representing an Operating EBITDA to Operating cash flow conversion ratio of 97.9%.

Net debt increased by $144.6 million over the period to $1,786.9 million (30 June 2017: $1,645.3 million), primarily as a result of the NBH project. As at 30 June 2018, the Group's total gearing ratio was 4.52 times Net Debt to Group Operating EBITDA (30 June 2017: 3.92 times). Total gearing is expected to normalise following the receipt of the NBH State Capital Payment (in excess of $400 million) and with the benefit of the first year of NBH operations. The Group's gearing ratio excluding the NBH project finance facility, which is excluded from all senior debt covenants, was 2.95 times Net Debt to Group Operating EBITDA (30 June 2017: 2.66 times).

The hospital expansion program has continued to be funded through a combination of cash reserves, operating cash flow and available debt facilities.

Net interest expense decreased to $50.8 million (FY17: $52.7 million).

Final dividend

Healthscope has announced a final unfranked dividend of 3.5 cents per share bringing the total dividend for the year to 6.7 cents per share (FY17: 7.0 cents per share). The Dividend Reinvestment Plan will operate for the final dividend.

Key dates in relation to the final dividend are listed below.

Ex-dividend date:	6 September 2018
Record date:	7 September 2018
DRP election date:	10 September 2018
Dividend payment date:	28 September 2018
DRP issue date:	28 September 2018

FY19 outlook

FY18 was a year of transition for Healthscope. Significant progress was made on a number of fronts to reset the business for improved operating performance and growth.

Healthscope is targeting FY19 Hospital Operating EBITDA growth of at least 10% compared with FY18.

Further enquiries:

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Webcast:

Gordon Ballantyne, Managing Director and CEO, and Michael Sammells, Chief Financial Officer, will host a webcast on Tuesday 21 August 2018 at 10.00am (Melbourne time).

The link to the webcast is available on https://webcast.openbriefing.com/4710/

About Healthscope

Healthscope (ticker: HSO) is a leading private healthcare provider with 43 private hospitals in Australia and pathology operations across New Zealand.

In FY18 Healthscope employed over 18,000 people who, together with our 17,500 doctors, provided approximately 12 million episodes of care to patients, ranging from pathology tests to complex surgery.

We place the highest priority on quality clinical outcomes, transparency of reporting and elevating the overall patient experience. Healthscope was the first private hospital operator in Australia to report performance against quality and clinical outcome metrics publicly, just one part of our program to maintain and continually improve our high standards.

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Appendix 1: Reconciliation of Statutory net profit to Operating EBIT and Operating EBITDA

	FY18 ($m)	FY17 ($m)
Net profit after tax (Statutory NPAT)	**89.4**	**110.9**
Less		
Discontinued operations	**13.6**	**(40.2)**
Statutory net profit after tax from continuing operations	**75.8**	**151.1**
Add back		
Non-operating expenses after tax	75.4	17.5
Operating NPAT (Operating net profit after tax)	**151.2**	**168.6**
Income tax expense	63.9	67.2
Net finance costs	50.8	52.7
Operating EBIT (Operating earnings before finance costs and income tax)	**265.9**	**288.5**
Add back		
Depreciation and amortisation	110.0	104.7
Operating EBITDA (Operating earnings before finance costs, income tax, depreciation and amortisation)	**375.9**	**393.2**

Appendix 2 - Discontinued Operations - Asian Pathology and Medical Centres

The Company signed an agreement on 30 July 2018 to sell its pathology operations in Singapore, Malaysia and Vietnam for $279 million (on a cash-free, debt free basis, subject to standard completion adjustments) to entities controlled by funds which are managed by TPG Capital Asia. This transaction completed on 17 August 2018. Healthscope expects to recognise a gain on sale of approximately $165 million (before tax) which will be recorded on in FY19.

Results for these operations, along with 3 months of residual trading for the Group's Medical Centres (sale announced 18 August 2017 and completed on 30 September 2017), have been classified as discontinued operations for FY18.

The Asian Pathology businesses reported revenue of $67.0 million (FY17: $61.7 million) and Operating EBIT $15.7 million (FY17: $14.0 million) for the year. This business represented approximately 4% of Group Operating EBITDA.

Annual Report 2018

Healthscope

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Healthscope's 2018 Corporate Governance Statement is available in the Investor Centre on our website: **www.healthscope.com.au**

Healthscope's 2018 Sustainability Report will also be available in the Investor Centre on our website when it is released later this year.


0:00:00
PHILIPS

At Healthscope,
we believe patients
come first.

We're united
by our passion
for healthcare.

We're inspired
by the opportunity
to make things better.

Our success
comes from working
together as one team.

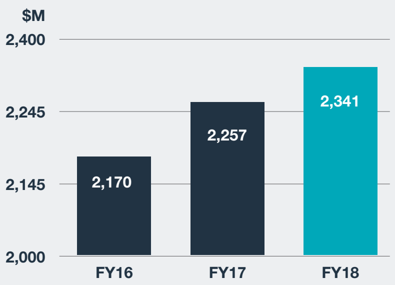
FY18 Highlights

Continuing operations[1,2,3]

In FY18, Healthscope delivered another year of revenue growth and continued its significant capital investment to expand its hospital portfolio to accommodate future demand.

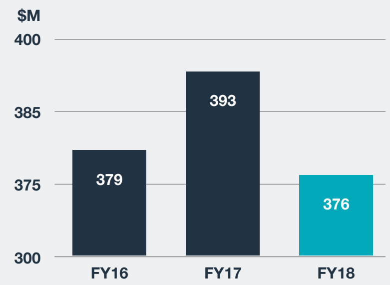
Revenue[3]

From continuing operations



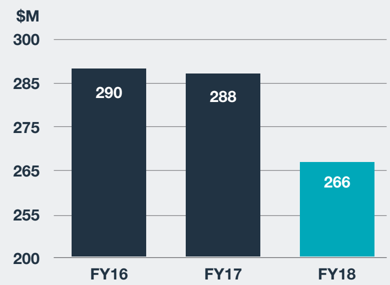
Operating EBITDA[3]

From continuing operations



Operating EBIT[3]

From continuing operations



$2.3b
FY18 REVENUE
↑3.7%

$375.9m
FY18 OPERATING EBITDA
↓4.4%

$265.9m
FY18 OPERATING EBIT
↓7.8%

$151.2m[1]
FY18 OPERATING NET PROFIT AFTER TAX

4.4 CENTS PER SHARE
EARNINGS PER SHARE (EPS)
Basic EPS from continuing operations

6.7 CENTS PER SHARE
TOTAL FY18 DIVIDEND PER SHARE (DPS)
Interim DPS of 3.2 cents and final DPS of 3.5 cents

1 Healthscope's continuing operations consist of the Hospital and New Zealand Pathology businesses.
2 "Operating" results represent statutory results from continuing operations adjusted for items of other income and expense of $107.2m (pre-tax) – refer to Note 2 of the consolidated financial report on page 64.
3 FY17 and FY16 results restated to represent continuing operations.

Significant capital investment

In excess of $299m was invested in hospital expansion projects.

Exceptional patient care

A focus on quality clinical outcomes, transparency of reporting and elevating the overall patient experience.

Diversity and inclusion

Employer that promotes diversity and inclusion, develops its people and delivers quality healthcare services.

Year in review

Healthscope's aim is to provide a healthcare offering synonymous with quality clinical outcomes and an excellent patient experience. We are committed to delivering industry leading quality of care for patients and exceptional services for doctors through our hospitals and international pathology laboratories.

43

43 hospitals offering inpatients and outpatient services[1,2]

17.5k

Over 17,500 Accredited Medical Practitioners

18k

Over 18,000 employees delivered exceptional care to patients

9.6m

Serviced over 9.6 million pathology episodes in New Zealand, Malaysia, Singapore and Vietnam

#1

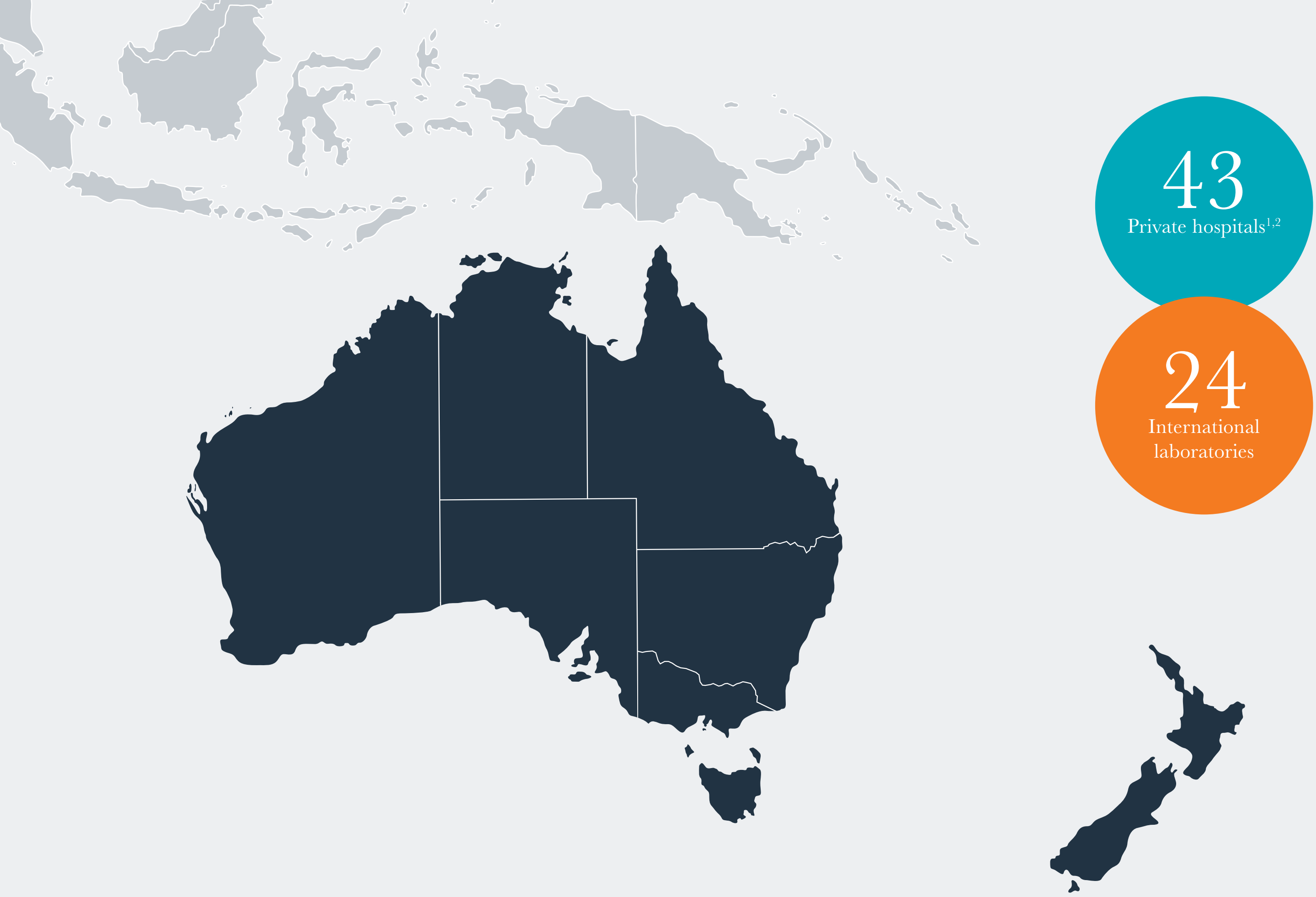
My Healthscope ranked the most comprehensive health quality indicator website available to the public[3]

1 Includes three hospitals under management for the Adelaide Community Healthcare Alliance (ACHA).
2 In June 2018, Cotham Private Hospital and Geelong Private Hospital were closed.
3 As determined by the Australian Centre for Health and Research when compared with both private and public hospitals.

Divisional overview

Continuing operations[1,2,3]

Healthscope's footprint extends across Australia and New Zealand.



Victoria

15 Private hospitals

New South Wales

11 Private hospitals

ACT

1 Private hospital

Queensland

7 Private hospitals

South Australia

5 Private hospitals[1]

Western Australia

1 Private hospital

Tasmania

2 Private hospitals

Northern Territory

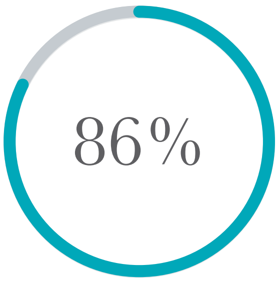
1 Private hospital

New Zealand

24 Pathology laboratories

1 Includes three hospitals under management for the Adelaide Community Healthcare Alliance (ACHA).
2 In June 2018, Cotham Private Hospital and Geelong Private Hospital were closed.
3 Map (and related data) as at 8 August 2018.

Hospitals



% of Operating EBITDA

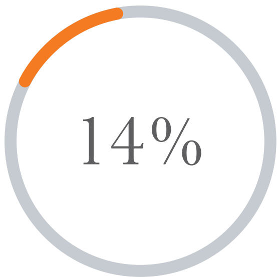
- Significant private hospital operator in Australia with a presence in all Australian states and territories
- 43 hospitals[1,2] concentrated in large metropolitan centres:
  - 30 acute hospitals
  - 7 mental health hospitals
  - 6 rehabilitation hospitals
- Market leading reputation for quality clinical outcomes and transparency
- Delivering on hospital expansion projects to meet growing demand

$2,101m
FY18 Revenue

$345m
FY18 Operating EBITDA

Over 15,200
Employees

New Zealand Pathology



% of Operating EBITDA

- Largest provider of human pathology services to New Zealand's District Health Boards (DHBs), operating under the Labtests, Southern Community Laboratories and Northland Pathology brands
- Veterinary and analytical pathology services provided through Gribbles brand

Labtests | Northland PATHOLOGY | Southern Community Laboratories | Gribbles VETERINARY

$240m
FY18 Revenue

$58m
FY18 Operating EBITDA

Over 1,900
Employees

1 Includes three hospitals under management for the Adelaide Community Healthcare Alliance (ACHA).
2 In June 2018, Cotham Private Hospital and Geelong Private Hospital were closed.
3 Divisional overview as at 30 June 2018.

Chairman's message

Dear Shareholders,

FY18 was a year of transition for Healthscope with significant progress made in reshaping the business and improving operating performance.

The hospital portfolio review was completed and we entered into an agreement to sell the Asian pathology business. Our major hospital expansion projects delivered good revenue growth, the Group Hospital Best Practice Program began to deliver operational efficiencies and the Northern Beaches Hospital project is on track to open in October. We saw a significant improvement in operating performance in the second half of the year compared with the first half. Healthscope is now well positioned to deliver further improvement in operating performance and shareholder returns from FY19.

Hospital portfolio review

In May 2018 Healthscope announced the closure of Geelong and Cotham private hospitals in Victoria. Despite exhaustive exploration and evaluation of alternatives we concluded that the site-specific challenges confronting each of these hospitals could not be overcome. On behalf of Healthscope, I would like to acknowledge the impact of the closures on our patients, employees and doctor partners as well as the local communities in which these hospitals operated and thank all for their significant efforts in implementing this difficult but necessary decision.

In addition to the hospital closures, we also reviewed the potential of Frankston Private Hospital. This resulted in a writedown in the value of assets at this site and an onerous lease charge.

We also identified future investment opportunities across our hospital portfolio, including the approval in August 2018 of a stage 2 expansion project at Knox Private Hospital in Melbourne.

Hospital expansion projects

In FY18 Healthscope continued to pursue its hospital expansion program which remains on track to deliver accelerated revenue and bottom line growth, and incremental returns on invested capital over time. Investment is targeted towards developments in population growth corridors with ageing population demographics and high levels of private healthcare insurance participation. These investments provide a strong platform for meaningful earnings growth over the medium to longer term.

Our confidence in this strategy was further strengthened during the year with revenue growth from recently completed or maturing major hospital expansion projects of 10.2%. In FY18, five hospital expansion projects with a total capital investment of $170 million were completed, adding 75 beds and 13 operating theatres to the portfolio. These projects included developments at Newcastle Private and Norwest Private in New South Wales, and Gold Coast Private (Stage 2), Sunnybank Private and Brisbane Private in Queensland.

A further eight projects are underway in New South Wales, Queensland, Victoria, Western Australia and the ACT which are planned to deliver an additional 560 beds and 29 operating theatres during FY19.

Northern Beaches Hospital

Healthscope was awarded the contract to design, build and operate Northern Beaches Hospital in New South Wales in November 2014. Northern Beaches Hospital represents the first major investment in health infrastructure in this area of NSW for decades. The hospital will provide health services for both public and private patients, supported by a large integrated emergency department, state-of-the-art intensive care and critical care units and a modern inpatient mental health facility. Northern Beaches Hospital will replace acute hospital services currently provided by Manly and Mona Vale public hospitals.

Construction of the 450 bed hospital has continued to progress well during the year, with technical completion achieved in July 2018 as planned. The project remains on track and within budget and is due to receive its first patients on 30 October 2018.

Asian Pathology

The strategic review of the Asian Pathology business led to the announcement in July 2018 of an agreement to sell the business for $279 million. This transaction completed on 17 August 2018. Proceeds of the sale will be used to pay down debt and an expected gain on sale of $165 million will be booked in FY19.

Freehold hospital property asset review

During the year we undertook a strategic review of Healthscope's freehold hospital property assets. The Company has announced it proposes to establish a new unlisted property trust which will hold the majority of Healthscope's freehold hospital property assets and lease them back to Healthscope. It is proposed that Healthscope will own a majority interest in the hospital property trust and a new co-investor will be introduced to hold an interest of up to 49% in the trust.

The proposed transaction is expected to have multiple benefits for shareholders including enhancing shareholder value by realising a material interest in these assets at a time of attractive valuations; releasing substantial capital which will be used to return capital to Healthscope shareholders, further strengthen the balance sheet and provide funds for future growth opportunities; and reducing our ongoing capital needs through the introduction of a co-investor to fund part of future brownfield capital investment. These benefits would be obtained while preserving Healthscope's control and management rights over our hospitals. Preparation for a sale process is underway, with the process expected to be completed during FY19.

Industry fundamentals remain strong

The private hospital market continues to be challenged by two adverse industry forces at play: private health insurance participation rates are declining; and at the same time, public hospitals are actively competing for privately insured patients.

Although private hospital market pressures are expected to continue in the near term, the medium to long term industry fundamentals remain robust. Like many other developed countries, Australia is facing increased demand for hospital admissions, and health services generally, fuelled by a growing and ageing population.

Healthcare expenditure in Australia is expected to exceed $200 billion by 2020. Private hospital operators such as Healthscope will continue to play an important role in the Australian healthcare system by providing efficient, cost-effective and high quality care that significantly reduces the burden on the public health system.

In FY18, the Federal Government announced major commitments designed to strengthen private healthcare and ensure an appropriately balanced private-public hospital system.

After extensive reviews, in October 2017 the Federal Government launched a comprehensive package of policies intended to improve private healthcare insurance affordability for consumers and provide policy certainty and stability for the private healthcare operators.

Healthscope welcomes initiatives such as the improved mental health cover and premium discounts for young people to improve access for those in need. Specifically, instant cover for people requiring in-hospital mental health treatment is critical. Currently, most products do not provide this level of cover, with young people having to wait up to two months before they can access care.

An important development in the past 12 months is the new Heads of Agreement for public hospital funding from 2020 to 2025 between the Commonwealth and six of the eight state and territory governments. These governments have acknowledged the need to examine the underlying reasons for growth of private patients in public hospitals and have agreed to develop reform initiatives to support better access to public hospital services by all patients on the basis of clinical need. Healthscope welcomes the review of this issue.

Rising medical costs are a major concern for consumers. Healthscope is actively participating in the Federal Government's Ministerial Advisory Committee to investigate measures and best practice to curb these out-of-pocket costs not covered by private healthcare insurance products.

Non-Binding Conditional Acquisition Proposals

The Board's confidence in our strategy and its potential to create significant value for shareholders over time underpinned our decision in May 2018 not to provide due diligence access to two parties who had made unsolicited, non-binding, indicative and highly conditional proposals to acquire the Company. The Board carefully reviewed both proposals and decided that each undervalued Healthscope, its underlying assets and future potential.

Dividend

Healthscope announced a final unfranked dividend of 3.5 cents per share, bringing the full year unfranked dividend to 6.7 cents per share. The Dividend Reinvestment Plan will operate for the final dividend.

The Board

Dr Michael Stanford joined the Board of Healthscope in March 2018. Michael's deep medical and executive healthcare experience, and focus on operational excellence and best practice patient safety and quality, complements the Board's existing skills and expertise. Michael also joins the Audit, Risk and Compliance Committee.

Conclusion

Patients come to Healthscope often in circumstances that are stressful and uncertain for them and their families. We are committed to providing the best possible experience for everyone who is in our care. Our staff and doctors welcome that responsibility and work hard to earn the trust and appreciation of all those who choose Healthscope.

In FY18 our team of over 18,000 employees worked with our doctor partners to provide quality clinical outcomes and exceptional patient care. On behalf of the Company and its shareholders I would like to acknowledge the dedication and commitment of our people and thank them for their contribution in FY18.

Finally I would like to thank our shareholders for your ongoing support and invite you to join the Board and the Senior Leadership Team at our Annual General Meeting in Melbourne on 31 October 2018.

Paula J. Dwyer

Chairman

MD & CEO's message

Dear Shareholders,

In FY18 we have made good progress on a number of fronts to tangibly improve performance and set the business up for the future.

During the year, we completed a number of strategic reviews and made some tough but necessary decisions to reshape the business. The hospital portfolio review concluded that Healthscope is well placed to grow in the private hospital market, with a stage 2 development of Knox Private Hospital approved in August 2018. One of the other outcomes identified by the review was a need for rationalisation of Heathscope's Victorian hospital portfolio, including the difficult but necessary closures of Geelong Private Hospital and Cotham Private Hospital in June and an impairment relating to Frankston Private Hospital.

In August 2018 we successfully divested our Asian Pathology operations for $279 million (subject to customary adjustments) following a strategic review and competitive sale process conducted during FY18. This divestment will allow our management team to focus on our core operations in Australia and New Zealand.

Business review

Healthscope recorded a consolidated Net Profit after Tax (NPAT) for FY18 of $89.4 million (FY17: $110.9m). The result was adversely impacted by Non-Operating Expenses after tax of $75.4m which included one off hospital closure costs and the impairment relating to Frankston Private Hospital.

Group revenue of $2.3 billion was up 3.7% on the prior year. The Hospital division delivered revenue growth of 4.3% despite private hospital market pressures. Hospital Operating EBITDA of $344.7 million, in line with guidance, was impacted by one off costs associated with decisions to reshape the business. However, momentum gathered in the second half with 0.8% growth in Hospital Operating EBTIDA year on year (a positive change from the first half in which Hospital Operating EBITDA declined year on year). Our focus on driving operational efficiency delivered expense reductions of $6 million in FY18 ($10 million annualized). Revenue from our hospitals with completed major expansion projects increased 10.2%.

In New Zealand, our pathology division delivered earnings in line with the prior year, impacted by currency translation. It has been a year of consolidation for this business on the back of strong organic growth in the last few years.

Quality clinical outcomes and exceptional patient care

Healthscope is committed to providing patients with the best possible experience. Patient experience reflects both the personal side of care as well as the clinical and we are steadfastly committed to continuously improving the experience of our patients.

We have set ourselves an ambition to be a market leader in both clinical outcomes and the delivery of exceptional patient care. During the year we established external measurable benchmarks that will indicate our progress as well as establishing new governance structures to ensure continual improvement in this critical area.

A key measure of safety and clinical quality care involves assessing the instances of Hospital Acquired Complications (HAC). A HAC refers to a patient complication for which clinical risk mitigation strategies may reduce (but not necessarily eliminate) the risk of that complication occurring. The HAC list consists of 16 hospital acquired complications set by the Australian Commission on Safety and Quality in Health Care to monitor safety and quality of care. On this front I was very pleased that we achieved a reduction in our key HAC measure in FY18 compared to the previous year.

It was also pleasing to note a significant improvement in our patient care measure of 'overall quality of treatment and care' which is measured by direct feedback provided from our patients. During FY18, 81% of patients rated us at the highest possible level, being 'very good'.

A great deal of time and energy was spent during the year preparing for the launch our comprehensive change program called ‘Back to Bedside.’ This program is centred on our core competency of in-hospital care, embedding patient-centred care systems and practices that help staff focus their time to deliver exceptional patient care. This new initiative is now running alongside our Group Hospitals Best Practice program and will be a vehicle for positive systemic change in our organisation.

Embracing the strategic challenge of exceptional patient care with a truly patient centred approach has the potential to drive benefits across all of the company’s strategic priorities. We will monitor and measure the program during FY19 but the ultimate measure of success of it will be to meet and exceed the expectations of patients in every community in which we serve. Our focus on delivering and building on this program will continue to be our top priority.

Creating extraordinary teams

The business of Healthscope is built on exceptional teams. During the year we welcomed several new executives to the Senior Leadership Team including Katherine Paroz (Group Executive Human Resources), Bronte Kumm (State Manager Victoria and Tasmania) and Arthur Yannakou (State Manager Queensland, Northern Territory and Western Australia).

In FY18 Healthscope employed more than 18,000 people who provide high quality care to patients every day. Whilst the majority of these people work in our Australian hospitals, we also have a large team of people in our New Zealand pathology business. Our people are at the very heart of our business and are vital to our delivery of quality clinical outcomes and exceptional patient care.

As a significant employer in Australia and New Zealand, our focus is on providing a safe, inclusive and rewarding workplace for our people, so in turn they are able to provide the highest quality care to our patients. We will be unrelenting in fostering and growing a workforce that reflects this.

We set ourselves an ambitious goal to create a global high performing team as measured by improvement in our Sustainable Employee Engagement.

Pleasingly, in a year of significant change, the company recorded a one percent increase in our Sustainable Employee Engagement measure compared to the previous survey conducted in 2016. The responses we received also indicated that our people experience the Healthscope culture as one that is caring and striving for excellence.

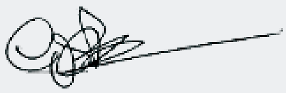
A number of key areas for improvement were also identified in the survey by both our employees and leaders and we are already actively addressing these to continuously improve the experience our people have at work each day.

Looking forward, we will measure our performance against this goal on an annual basis.

Conclusion

I would like to thank all the doctors, nurses, support staff and management for their dedication and commitment to our patients, the company and what we stand for. I am confident that we have a strong platform from which to build a leading and innovative healthcare organisation dedicated to meeting the diverse needs of the communities in which we operate for years to come.

I would also like to thank our shareholders for your ongoing support and look forward to meeting you at our Annual General Meeting later this year.



Gordon Ballantyne

Managing Director and Chief Executive Officer

Board of Directors

The details of each current Director's qualifications, special responsibilities and experience are set out below.

Paula J. Dwyer
Independent Non Executive Chairman

Paula J. Dwyer

BComm, FCA, SF Fin, FAICD

Non Executive Chairman and Chair of the Nomination Committee from June 2014. Paula is also a member of the Audit, Risk and Compliance and the People and Remuneration Committees.

Skills, experience and expertise

Paula is an established Non Executive Director who had an executive career in finance, holding senior positions in investment management, investment banking and chartered accounting with Ord Minnett (now JP Morgan) and PricewaterhouseCoopers.

Directorships of listed companies (past three years) and other directorships/appointments

Tabcorp Holdings Limited (Chairman from 2011, Director from 2005), Australia and New Zealand Banking Group Limited (from 2012), Lion Pty Limited (from 2012), Leighton Holdings Limited (Deputy Chairman from 2013 - 2014, Director from 2012 - 2014), Baker IDI Heart and Diabetes Research Institute (2003 - 2013), Suncorp Group Limited (2007 - 2012), Astro Japan Property Group Limited (2005 - 2011), Fosters Group Limited (2011) and Healthscope Limited (2010).

Gordon Ballantyne
Managing Director and Chief Executive Officer

Gordon Ballantyne

BSc (Hons), MAICD

Managing Director and Chief Executive Officer from May 2017.

Skills, experience and expertise

Gordon has extensive operating experience within public and private companies both in Australia and internationally.

He is recognised for his strong leadership, passion for putting customers first and for his 'challenger mindset'.

Most recently Gordon was Group Executive of Telstra's domestic retail business, which he helped to grow into an $18 billion business with successive years of double digit revenue growth.

While at Telstra he also founded innovative new growth businesses, including Telstra Health, a disruptive health services business focused on e-health solutions and health analytics.

Prior to Telstra, Gordon spent 20 years in senior leadership roles in leading global corporations, including Hewlett Packard, T-Mobile, Dell.com and Dell Ventures.

Directorships of listed companies (past three years) and other directorships/appointments

Managing Director: Healthscope Limited (from May 2017).

Tony Cipa
Independent Non Executive Director

Tony Cipa

BBus, Grad Dip Accounting

Non Executive Director since June 2014. Chair of the Audit, Risk and Compliance Committee and member of the People and Remuneration and Nomination Committees.

Skills, experience and expertise

Tony previously spent 20 years with CSL Limited in various senior finance roles. Tony was Chief Financial Officer, CSL (1994 - 2010) and was appointed to the Board of CSL Limited as Finance Director in 2000 until his retirement in 2010.

Directorships of listed companies (past three years) and other directorships/appointments

Navitas Limited (from May 2014), CSL Limited (2000 - 2010), SKILLED Group Limited (2011 - 2015) and Mansfield District Hospital (2011 - 2015).

Jane McAloon
Independent Non Executive Director

Jane McAloon

BEc (Hons), LLB, GDipGov, FAICD, FCIS

Non Executive Director since March 2016. Member of the Audit, Risk and Compliance and Nomination Committees.

Skills, experience and expertise

Jane brings a wealth of commercial experience from her work in highly regulated industries including rail, energy, infrastructure and resources sectors. In her executive career, Jane held senior executive positions at BHP Billiton and AGL, as well as in the NSW State Government.

Directorships of listed companies (past three years) and other directorships/appointments

Energy Australia Holdings Limited (from 2012), Cogstate Limited (from 2017), Port of Melbourne Group (from 2018) and Viva Energy Limited (from 2018).

Rupert
Myer AO
Independent
Non Executive
Director

Rupert Myer AO

BComm, MA, FAICD

Non Executive Director since June 2014. Chair of the People and Remuneration Committee and member of the Audit, Risk and Compliance and Nomination Committees.

Skills, experience and expertise

Rupert's non-executive experience includes roles in the retail and property sector, healthcare, e-commerce, investment, family office, wealth management, philanthropy services, and the community sector.

Directorships of listed companies (past three years) and other directorships/appointments

Amcil Limited (from 2000), eCargo Holdings Limited (from 2014), Mutual Trust Pty Ltd (from 2017), Australia Council for the Arts (2012 - 2018) and Myer Holdings Limited (Deputy Chairman from 2012 - 2015, Director from 2006 - 2015).

Paul
O'Sullivan
Independent
Non Executive
Director

Paul O'Sullivan

BA (Mod) Economics, Advanced Management Program of Harvard

Non Executive Director since January 2016. Member of the Audit, Risk and Compliance and Nomination Committees.

Skills, experience and expertise

Paul has extensive experience from his work in the telecommunications, banking and oil and gas sectors both in Australia and overseas. In his executive career, Paul held senior executive roles with Singapore Telecommunications (Singtel). He was previously the CEO of Optus and has also held international management roles with the Colonial Group and the Royal Dutch Shell Group.

Directorships of listed companies (past three years) and other directorships/appointments

SingTel Optus Pty Limited (Chairman from 2014, Director from 2004), WSA Co Limited (Chair from 2017), Coca-Cola Amatil Limited (from 2017), National Disability Insurance Agency (from 2017).

Dr Michael
Stanford AM
Independent
Non Executive
Director

Dr Michael Stanford AM

CitWA, MB BS, MBA, FAICD, FAIM

Non Executive Director from March 2018 and Member of the Audit, Risk and Compliance and Nomination Committees.

Skills, experience and expertise

Michael brings deep healthcare experience gained from a successful executive career in the Australian healthcare sector. In his executive career, Michael was the Group CEO of St John of God Healthcare Inc (2002 - 2018). He was previously the Managing Director of Australia Hospital Care Ltd and has held managing director roles in several significant public hospital networks.

Directorships of listed companies (past three years) and other directorships/appointments

Clinical Laboratories Pty Ltd (from 2016), Nucleus Network Ltd (from 2018), National Health Performance Authority (2015 - 2016), St Ives Group (2013 - 2016) and Curtin University (2008 - 2017).

Ziggy
Switkowski AO
Independent
Non Executive
Director

Ziggy Switkowski AO

BSc (Hons), Phd, FAICD, FAA, FTSE

Non Executive Director since April 2016. Member of the Audit, Risk and Compliance, People and Remuneration and Nomination Committees.

Skills, experience and expertise

Ziggy brings senior business experience gained over many years working in large international corporations. He has previously held positions as Chief Executive Officer of Telstra Corporation Limited and Optus Communications Ltd, and is a former Chairman and Managing Director of Kodak Australasia Pty Ltd.

He is a former Chairman of the Australian Nuclear Science and Technology Organisation. He previously served on the Healthscope Board from (2006 - 2010).

Directorships of listed companies (past three years) and other directorships/appointments

Suncorp Group Ltd (Chair from 2011, Director from 2005), Tabcorp Holdings Limited (from 2006), RMIT (Chancellor from 2011), NBN (Chair from 2013) and Oil Search Limited (2010 - 2016).

Senior leadership team

Our senior leadership team brings a commitment to quality clinical outcomes, exceptional patient care and strong support for our doctors.

1 Gordon Ballantyne

Managing Director &
Chief Executive Officer

2 Michael Sammells

Chief Financial Officer

Michael has over 18 years experience in the healthcare industry, having held a number of operational and finance senior executive roles in private hospitals, in the public health and health insurance sectors, at companies including Mayne Group, Southern Health and Medibank. Prior to joining Healthscope Michael was Chief Financial Officer for Medibank.

Michael joined the Healthscope Group as Chief Financial Officer in January 2012.

3 Mark Briscoe

General Manager Operations

Mark joined Healthscope in 2011. Prior to Healthscope, Mark was Director of Operations and Developments at Spire Healthcare Limited in the UK.

In Australia, Mark has worked in various healthcare corporate roles at Mayne Group, Affinity Health and Symbion Health.

At Healthscope, Mark is responsible for health insurance funding as well as working with the Hospital State Managers and General Managers to deliver efficiencies across the Healthscope network.

4 Dr Michael Coglin

Chief Medical Officer

Michael joined Healthscope in 1999. His current role involves executive responsibility for clinical governance, clinical risk management, patient safety, quality and compliance, claims and litigation, medical affairs, public affairs/media relations and indigenous health.

Michael serves on a number of Government and industry bodies, including the Private Hospital Sector Committee of the Australian Commission on Safety and Quality in Health Care.

For the 20 years prior to taking up his current appointment, he held senior posts in medical management in a variety of public hospitals in both metropolitan and regional settings in Victoria and the Northern Territory.

5 Stephen Gameren

Hospitals State Manager
NSW & ACT

Stephen has worked with Healthscope since 2004. He has over 20 years experience in healthcare management, spanning three countries - New Zealand, the United Kingdom and Australia.

Stephen worked as CEO at the Hills Private Hospital and was Project Director and CEO for the Norwest Private Hospital Project, successfully commissioning this new hospital in September 2009.

He commenced in the role of NSW/ACT State Manager in February 2010.

6 Richard Herman

Head of Assurance

Richard joined Healthscope in 2015 and is responsible for the risk management framework and internal audit function.

Richard has over 20 years' experience in risk management, internal audit, compliance and governance. Prior to joining Healthscope, Richard was the General Manager Internal Audit at Medibank for eight years.

Previously Richard spent 12 years as a Director for Deloitte in South Africa, UK and Australia providing risk, internal audit and compliance services.

7 Cathy Jones

National Manager
Quality & Compliance

Cathy has 25 years' experience in public and private hospitals, including 20 years in Quality and Risk Management. Her experience spans acute hospitals, rehabilitation and mental health services in both the public and private sectors.

Cathy has worked for Healthscope for 12 years and prior to this was the Director of Strategy for St Vincent's Health Melbourne. She lectures internationally on quality and safety in healthcare.

8 Bronte Kumm

Hospitals State Manager
VIC & TAS

Bronte Kumm joined Healthscope in 2018 as the State Manager for the Victoria/Tasmania region.

Bronte has over 20 years of senior management experience in both the public and private health sectors. Prior to Healthscope, Bronte was Group CEO of Ramsay Healthcare, Asia. Bronte has also managed Ramsay's hospitals across Victoria and New South Wales.

9 Alan Lane

Hospitals State Manager
SA & ACHA CEO

Alan has worked for 30 years in healthcare, and was appointed by Healthscope in 2004.

Alan's extensive involvement in healthcare spans the market sectors of hospitals, pharmacy, pathology, manufacturing, business development and logistics.

As part of his responsibility for South Australia, Alan is the CEO of the Adelaide Community Healthcare Alliance (ACHA) group.

10 Katherine Paroz

Group Executive
Human Resources

Katherine commenced with Heathscope in 2018. Katherine has 20 years of experience leading senior global human resources teams, predominantly in the telecommunications and technology sectors. Katherine has particular expertise in talent management and leadership development.

Prior to Healthscope, Katherine was at Telstra where she undertook a range of executive human resource roles.

11 Ingrid Player

Group Executive
Legal, Governance & Sustainability

Ingrid has more than 15 years commercial experience and was appointed General Counsel and Company Secretary in 2005.

Ingrid has extensive corporate, commercial litigation and governance experience.

Prior to joining Healthscope, Ingrid spent five years working for a Dutch law firm in the Netherlands, working primarily in the mergers and acquisitions space, as well as in capital markets. Previously, she worked in private practice in Melbourne.

12 Anoop Singh

General Manager
International Pathology

Anoop joined Healthscope in 2011. He has held a number of senior leadership roles in the healthcare industry in the Asia-Pacific region over the past 26 years. His breadth of experience includes a strong understanding of pathology operations, strategic health policy matters and Government relations.

Prior to joining Healthscope, Anoop held commercial and general management roles in large diversified companies such as Mayne Group and Symbion Health.

13 Arthur Yannakou

Hospitals State Manager
QLD, NT & WA

Arthur joined Healthscope in 2018. Arthur has extensive experience in leading hospital operations in Australia and internationally, in both the not for profit and for profit sectors. Prior to Healthscope he was the Group Executive for UnitingCare Health (UCH) in Queensland.

Arthur's earlier experience includes executive roles at Lifehealthcare and Affinity Health/Mayne Group. In South Africa, Arthur was Regional General Manager for Netcare Ltd.


Bay
1

Directors' report

This report provides information on the structure and progress of our business, our FY18 financial performance, our strategies and prospects for the future, as well as the key risks Healthscope faces. It covers Healthscope Limited and the entities it controlled during the year ended 30 June 2018 (referred to as "Healthscope", "Healthscope Group", "the Company" or "the Group").

Healthscope Ltd Board of Directors

The directors of Healthscope Ltd during the year ended 30 June 2018 and up to the date of this report are listed below. Directors were in office for this entire period, except where otherwise stated.

Paula J. Dwyer

Gordon Ballantyne

Antoni (Tony) Cipa

Jane McAloon

Rupert Myer

Paul O'Sullivan

Michael Stanford (appointed 26 March 2018)

Zygmunt (Ziggy) Switkowski

Details of each of the current director's qualifications, special responsibilities and experience are set out in the Board of Directors section of this Annual Report on pages 16 to 17. The Company Secretary's qualifications and experience are set out in the Senior Leadership Team section of this Annual Report in item 11 on page 19.

Attendance at Board and Committee meetings

The number of meetings of the Board of Directors and of each Board Committee held during the year, and each Director's attendance at those meetings, are set out below:

(i) Board of Directors meetings

	SCHEDULED		UNSCHEDULED	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Paula J. Dwyer (Chair)	10	10	6	6
Gordon Ballantyne	10	10	6	6
Tony Cipa	10	10	6	6
Jane McAloon	10	10	6	6
Rupert Myer	10	10	6	6
Paul O'Sullivan	10	10	6	6
Michael Stanford[1]	4	4	5	5
Ziggy Switkowski	10	10	6	6

1 Appointed as a Non Executive Director on 26 March 2018.

(ii) Board Committee meetings

	AUDIT, RISK & COMPLIANCE COMMITTEE		REMUNERATION COMMITTEE		NOMINATIONS COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Paula J. Dwyer (Chair)	4	4	4	4	1	1
Tony Cipa	4	4[2]	4	4	1	1
Jane McAloon	4	4	-	-	1	1
Rupert Myer	4	4	4	4[2]	1	1
Paul O'Sullivan	4	3	-	-	1	1
Michael Stanford[1]	1	1	-	-	1	1
Ziggy Switkowski	4	4	4	4	1	1

1 Appointed as a Non Executive Director on 26 March 2018.

2 Chair.

The table above records attendance of members of Healthscope's permanent standing Committees of the Board. Any Director is entitled to attend these meetings and from time to time Directors attend meetings of Committees of which they are not a member.

The Board also forms and delegates authority to ad hoc Committees of the Board as and when needed to carry out specific tasks.

Company Secretary

The Company Secretary is Ingrid Player. Ms Player was appointed to the position of Company Secretary on 8 November 2010.

Directors' report

Review of operations

Principal activities

Healthscope is a leading private healthcare provider with 43 private hospitals in Australia and 24 pathology laboratories in New Zealand.

During FY18, Healthscope also operated a pathology business in Singapore, Malaysia and Vietnam (Asian Pathology). Following a strategic review, an agreement was entered into to divest the Asian Pathology business on 30 July 2018 and was completed on 17 August 2018. The Asian Pathology business is shown as discontinued operations. For 3 months of the year, Healthscope also operated a medical centres business. This business was divested on 30 September 2017 and is also shown as discontinued operations.

Hospitals Australia

Healthscope's Hospital division operates facilities across every state and territory in Australia, with 43 private hospitals and more than 5,100 inpatient beds. Of these facilities, 28 facilities are owned by Healthscope, 12 are leased and three are managed on behalf of Adelaide Community Healthcare Alliance (ACHA).

Within its hospitals, Healthscope is focused on providing a range of specialist orientated, multi-disciplinary healthcare services from acute care through to rehabilitation and mental health services. The Company also has a significant hospital expansion and development program underway which will enable the Group to deliver an expanded range of services to the communities it supports over the next few years.

Across the portfolio, 30 hospitals provide acute care services to patients ranging from medical treatment to complex surgery and associated care. In addition, Healthscope provides industry leading care for patients with mental health conditions in seven dedicated hospitals. A further six facilities are dedicated to rehabilitation.

Over 17,500 Accredited Medical Practitioners are credentialed to work within Healthscope hospitals and these specialists are supported by a workforce of over 15,200 staff who seek to provide the highest quality of care to patients, and support to doctors, at all times.

All of Healthscope's hospitals are accredited under the National Safety and Quality Health Services Standards and Healthscope prides itself on providing market leading quality outcomes and in promoting transparency across the industry. Leading by example, Healthscope reports 26 quality outcomes publicly on the MyHealthscope website, and outperforms the industry benchmark and its peers on the vast majority of indicators.

New Zealand Pathology

Healthscope is a leading provider of community pathology services in New Zealand.

The New Zealand community pathology market consists of 20 government funded District Health Boards (DHBs) who each enter into exclusive contracts with providers to service their local population. During FY18, Healthscope held contracts for a majority of the DHB regions, including the major cities of Auckland, Wellington and Christchurch.

These services are delivered under three Healthscope brands, Labtests, Southern Community Laboratories and Northland Pathology.

Veterinary and analytical pathology services are also offered by Healthscope in New Zealand under the Gribbles brand.

Across the country, the Group operates 24 laboratories and 145 collection centres.

In FY18, New Zealand Pathology serviced over 6.7 million patient episodes.

Asian Pathology and Medical Centres - Discontinued Operations

Healthscope operated 39 pathology laboratories in Asia with a presence in Malaysia, Singapore and Vietnam. In Malaysia, Healthscope operated as Gribbles Pathology and had the largest community pathology network across the Malaysian peninsula, Borneo and Brunei. In Singapore and Vietnam, Healthscope operated as Quest Laboratories.

On 30 July 2018, Healthscope entered into an agreement to divest these operations for $279 million, which was completed on 17 August 2018.

The divestment will enable senior management attention to be redirected to the Group's core hospital and pathology operations.

Healthscope entered into an agreement to divest its standalone Medical Centre operations on 17 August 2017 for $55 million, subject to standard purchase price adjustments, with completion of the sale occurring on 30 September 2017. Healthscope's Medical Centre operations consisted of 43 standalone medical centres, four specialist skin clinics and one specialist breast diagnostic clinic.

Operating results

The consolidated net profit after tax (NPAT) of the Healthscope Group for the year ended 30 June 2018 (FY18) was $89.4 million (FY17: $110.9m). The result was adversely impacted by Non-Operating expenses after tax of $75.4m which includes the previously announced hospital closure costs, impairment of an onerous lease provision plus other items.

Summary of FY18 financial performance - continuing operations[1]

	FY18	FY17	MOVEMENT
	$'m	$'m	%
Revenue	2,340.8	2,256.5	3.7
Operating EBITDA[2]	375.9	393.2	(4.4)
Operating EBIT[2]	265.9	288.5	(7.8)
Operating NPAT[2]	151.2	168.6	(10.3)
Statutory NPAT	75.8	151.1	(49.9)
Earnings per share (EPS)	4.4 cps	8.7 cps	(49.4)
Diluted EPS	4.3 cps	8.6 cps	(50.0)
Dividend per share (DPS)	6.7 cps	7.0 cps	(4.3)

1 Continuing operations exclude the Medical Centres business which was divested on 30 September 2017 and the Asian Pathology business which an agreement to divest was entered into on 30 July 2018 and completed on 17 August 2018.

2 Operating results represent statutory results before other income and expense items (non-operating items). Total non-operating items from continuing operations represented an expense of $75.4m (after-tax) in FY18.

Group Revenue was up 3.7% to $2,340.8 million, driven by a 10.2% revenue growth from completed brownfield developments, which continues to provide confidence that capital is being invested in the right catchments.

Operating EBITDA from continuing operations of $375.9 million, decreased 4.4% from FY17. This decline was primarily due to the Australian private hospital market pressures.

Operating EBIT from continuing operations of $265.9 million saw a 7.8% decline which was due to the lower operating EBITDA and an increase in depreciation and amortisation associated driven by the hospital expansion program.

Operating NPAT from continuing operations of $151.2 million was down 10.3%, impacted by an increase in depreciation and interest as forecast, driven by the hospital expansion program.

Statutory NPAT from continuing operations of $75.8 million was adversely impacted by a number of non-operating items including asset write downs and the impairment of an onerous lease at Frankston Private Hospital, redundancy and closure costs relating to the Geelong Private Hospital and Cotham Private Hospital and bid assessment costs.

Earnings per share (EPS) from continuing operations of 4.4 cents per share declined 49.4%. A final unfranked dividend of 3.5 cents per share will be paid on 28 September 2018. The full year dividend for the year ended 30 June 2018 is 6.7 cents per share, a decrease of 4.3% from the prior year. The full year dividend per share represents a payout ratio of 70.0% of Statutory NPAT (continuing and discontinued) adjusted for other income and expense items.

Directors' report

Operating results (continued)

Divisional FY18 financial performance

Hospitals

	FY18	FY17	MOVEMENT
	$'m	$'m	%
Revenue	2,100.6	2,014.0	4.3
Operating EBITDA	344.7	359.4	(4.1)
Operating EBIT	251.2	272.6	(7.8)
Operating EBITDA margin (including ACHA fee)[1]	16.4%	17.8%	(140bp)
Operating EBIT margin (including ACHA fee)[1]	12.0%	13.5%	(150bp)

1 Operating EBITDA and EBIT margins include prosthetics revenue and costs.

The Hospitals division recorded an increase in revenue of 4.3% to $2,100.6 million and a decrease in Operating EBITDA of 4.1% to $344.7 million. Revenue growth was driven primarily by the impact of brownfield expansion projects, both recently completed and maturing projects with revenue from completed brownfields growing by 10.2%.

Hospitals Operating EBITDA increased by 0.8% in 2HFY18 compared to 2HFY17, improving on the 8.6% decline in 1HFY18, as a result of operational efficiencies and the contribution of completed brownfield developments.

Hospitals Operating EBITDA for the Victoria and Tasmania portfolio, which is the second largest contributor to divisional earnings, declined by $15.6 million with the balance of the portfolio in line with expectations.

New Zealand Pathology

	FY18	FY17	MOVEMENT
	$'m	$'m	%
Revenue	240.2	242.5	(1.0)
Operating EBITDA	58.1	59.7	(2.7)
Operating EBIT	46.7	46.6	0.3
Operating EBITDA margin	24.2%	24.6%	(40)bp
Operating EBIT margin	19.4%	19.2%	+20bp

The New Zealand Pathology division recorded revenue decline of 1.0% to $240.2 million, however on a local currency basis, revenue growth increased by 1.6%. Revenue growth was moderated by the sharing of operational efficiencies with District Health Boards (DHBs) through re-contracting, combined with no new DHB contract work.

Discontinued Operations

Discontinued Operations consist of Healthscope's Other division (pathology operations in Singapore, Malaysia and Vietnam) and Medical Centres.

On 30 July 2018, Healthscope entered into a binding agreement to sell its Asian Pathology operations in Singapore, Malaysia and Vietnam for $279 million (on a cash-free and debt-free basis, subject to customary completion adjustments). The sale completed on 17 August 2018.

Healthscope entered into an agreement to divest its standalone Medical Centre operations on 17 August 2017 for $55 million, subject to standard purchase price adjustments, with completion of the sale occurring on 30 September 2017.

Non-Operating expenses

Non-Operating expenses had a significant impact on the statutory reported profit in FY18 as a number of actions were taken to remove loss making hospitals and strengthen the base business following the completion of the portfolio review.

	FY18	FY17
	$'m	$'m
Restructure and other costs	5.0	2.4
Loss relating to appointment of liquidators for a supplier group	0.2	5.7
Hospital commissioning costs	1.6	2.7
Hospital closure costs	19.1	-
Acquisitions and tender costs	-	0.2
Impairment of Hospital assets	5.8	11.5
Onerous leases and related costs	62.5	2.2
Bid assessment costs	13.0	-
Total pre tax	107.2	24.7
Tax	(31.8)	(7.2)
Total post tax	75.4	17.5

Financial position

The financial position of the Group remains strong, with $4.9 billion in assets, underpinned by $2.4 billion in shareholder funds. This position is further supported by a strong cash position of $156.8 million in cash and $300 million available in debt facilities. The 'Other' Asian Pathology business was held as an asset for sale as at 30 July 2018, the proceeds will be used to pay down debt and fund Healthscope's expansion pipeline. The Group gearing ratio of 43% (net debt / net debt + equity) increased by 260 basis points from 30 June 2017 with the continued development of the Northern Beaches Hospital. The capital requirements of the Northern Beaches Hospital are secured via project finance debt facilities.

Healthscope continues to generate strong operating cash flows and has capacity to fund continued investment in the hospital expansion program.

Cash flow

Cash flow from operations of $367.9 million represents a decrease of 12% from FY17 with cash conversion (cash flow from operations / Operating EBITDA) remaining strong at 97.9% (FY17: 106.4%).

Capital expenditure

Total capital expenditure for continuing operations of $378.4 million decreased from $564 million in FY18 as a result of continued investment in a number of major hospital expansion projects, including the development of the Northern Beaches Hospital.

Directors' report

Operating results (continued)

Dividends

Final dividend 2018

A final unfranked dividend of 3.5 cents per share will be paid on 28 September 2018. The record date is 7 September 2018. The final dividend has not been included as a liability in these financial statements as the decision to pay the dividend occurred in FY19.

Dividends paid during the financial year

	DIVIDEND PER SHARE	DIVIDEND AMOUNT	DATE OF PAYMENT
	CENT	$'m	
Interim dividend 2018	3.2	55.7	23 March 2018
Final dividend 2018	3.5	60.9	28 September 2018

The 2018 interim dividend of 3.2 cents per share, together with the 2018 final dividend of 3.5 cents per share, brings the total dividends for the year ended 30 June 2018 to 6.7 cents per share.

Further details regarding dividends for the year ended 30 June 2018 are set out in Note 6 to the financial statements.

Business strategies and prospects for future years

Healthscope has been pursuing a range of operational and growth strategies for each of the Group's businesses, and these, together with the favourable long term fundamentals of increasing demand for healthcare services across each market in which the Company operates, continues to provide a strong platform for growth in the medium to long-term.

Hospitals

Organic growth

Healthscope operates in an industry with attractive medium to long-term demand characteristics for private hospital services. However, the industry and Healthscope's own business are currently facing a number of short term challenges which have impacted the division's performance in FY18 and are expected to continue into FY19. As a result, in 2017 management established four key "must win" imperatives to drive performance improvement across the portfolio:

1. Accelerating profitable topline growth
2. Driving greater operational efficiency
3. Optimising the portfolio; and
4. Continuing to successfully execute on the Group's hospital expansion program.

Significant progress has been made on all of these initiatives during FY18.

Brownfields and "relocate and grow" projects

Healthscope has significant experience and knowledge in designing and building private hospital facilities. Deep knowledge of the industry means the Group is well positioned to forecast and meet additional patient demand by expanding its hospital facilities through brownfield and "relocate and grow" projects. Healthscope has focused on expansion in strategic locations where there is unmet demand or in population growth corridors where the potential for future demand is high.

Brownfield projects are those where an existing hospital is expanded through the addition of new beds and theatres, and in some cases other additional infrastructure such as consulting suites and car parking. "Relocate and grow" projects involve the construction of a new hospital close to an existing hospital and the transfer of services from the existing hospital to the new facility which typically has increased capacity, expanded services and higher quality amenities.

In FY18, Healthscope completed five construction projects which increased capacity by 75 beds and added 13 operating theatres. These projects included Stage 2 of Gold Coast Private (30 beds and 2 theatres), the addition of 29 beds at Brisbane Private, an additional 16 beds and 2 operating theatres at Newcastle Private and 3 operating theatres (2 at Sunnybank Private and 1 at Norwest Private).

In addition to the landmark Northern Beaches Hospital project, Healthscope has 7 brownfield projects currently under construction with a total estimated project cost of $154 million. A further 3 projects have been approved and are scheduled to start construction in FY19 with a total estimated project cost of $52 million.

PROJECTS UNDER CONSTRUCTION	BEDS	OPERATING THEATRES
Sydney Southwest Private (NSW)	-	2
Northern Beaches (NSW)	450	20
Brisbane Private (QLD)	-	2
John Fawkner Private (VIC)	41	2
The Melbourne Clinic (VIC)	44	-
The Geelong Clinic (VIC)	7	-
The Mount Private (WA)	-	2
National Capital Private – Stage 2 (ACT)	18	1
Total	**560**	**29**

Healthscope also has a number of other projects in the planning stages where fundamental long-term demand has been identified and supports the addition of capacity to the existing portfolio.

New Zealand Pathology

The priority for Healthscope in New Zealand remains in maintaining strong relationships with the DHBs by delivering high quality services and superior operational efficiencies. Healthscope is focused on extracting further economies of scale, including cost synergies, through the operational integration made in its expanded laboratory network. As part of this process, Healthscope shares some of the long-term efficiencies generated with its DHB partners to strengthen existing relationships. Healthscope will seek to secure additional DHB contracts when opportunities arise and continue to expand its range of commercial non-government revenue streams.

Directors' report

Operating results (continued)

Material business risks

Healthscope has a risk management framework in place to help in the identification, assessment and reporting of material business risks at a business and Group level. Healthscope's risk management framework is reviewed annually by the Audit, Risk and Compliance Committee, and the Committee reports to the Board in relation to its effectiveness. A review of the key strategic and operational risks is performed with the Senior Leadership Team twice annually and considered by the Audit, Risk and Compliance Committee. The material business risks that have the potential to impact achievement of the Group's strategic priorities and business objectives, with relevant mitigation strategies, are outlined below.

The Company does not consider it has any material environmental risks (as defined by the Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council).

These risks should not be taken to be a complete or exhaustive list of the risks and uncertainties associated with Healthscope. Many of the risks are outside the control of the Directors. There can be no guarantee that Healthscope will achieve its stated objectives, that it will meet trading performance or financial results guidance that it may provide to the market, or that any forward looking statements contained in this report will be realised or otherwise eventuate. The more generic risk areas that affect most companies or general economic factors that may impact Healthscope have not been included below.

INHERENT RISK AND UNCERTAINTY	MITIGATION STRATEGIES
1. Government policy and regulation Healthscope operates in the healthcare industry which is subject to extensive laws and regulations relating to, among other things, the conduct of operations, the licencing and accreditation of facilities and the addition and development of facilities and services. There are a number of government policies and regulations that, if changed, may have a material adverse impact on Healthscope's financial and operational performance.	To manage this risk, Healthscope actively engages, participates and monitors policy and regulatory developments and engages with the relevant stakeholders direct as well as through industry associations
2. Private health insurance funds The majority of Healthscope's revenue is derived from private health insurance funds. The profitability of Healthscope's business is influenced by its ability to reach ongoing commercial agreements with private health insurance funds. A failure to reach a satisfactory commercial agreement with a key private health insurance fund has the potential to negatively impact Healthscope's financial and operational performance.	Healthscope maintains a regular dialogue with each of the private health insurance funds and continues to work closely with them on various strategies, including pay-for-quality initiatives, to deliver mutually beneficial outcomes to both parties as part of the on-going contract negotiations.
3. Private health insurance fund membership and level of cover A deterioration in the economic climate, changes to economic incentives, annual increases in private health insurance premiums and other factors may affect the participation rate or the level of private health insurance coverage of members in private health insurance funds. This has the potential to reduce demand for Healthscope's services, resulting in decreased revenues. In addition if the profitability of private health insurance funds deteriorates, there is a risk of increased pricing pressures on private hospital operators such as Healthscope.	Healthscope monitors private health insurance participation rates and engages with the private health insurers and other stakeholders, including government, on a regular basis to explain the industry's value proposition.

INHERENT RISK AND UNCERTAINTY	MITIGATION STRATEGIES
4. Relationships with Accredited Medical Practitioners Accredited Medical Practitioners prefer to work at hospitals which, amongst other things, provide high quality facilities, equipment and nursing staff; exceptional clinical safety outcomes and which are conveniently located. Accredited Medical Practitioners could cease to practice or stop referring patients to Healthscope facilities if the hospitals become a less attractive place to work. This, would adversely impact Healthscope's financial and operational performance.	Healthscope seeks to maintain a strong relationship with its Accredited Medical Practitioners through regular engagement to understand their preferences and requirements. Its hospital portfolio operates within a strict quality and clinical framework to mitigate the risk of poor quality outcomes.
5. Licences and accreditation If Healthscope is unable to secure or retain licences or accreditations for the operation of its hospitals and pathology laboratories (where required) in the future, or any of its existing licences or accreditations are adversely amended or revoked, this may adversely impact Healthscope's ability to operate its businesses.	This risk is mitigated by Healthscope's comprehensive quality and clinical framework which seeks to ensure that facilities are maintained and operations are conducted to the standards required to retain licences and accreditation.
6. Competition There is a risk that the actions of Healthscope's current or potential future competitors will negatively affect Healthscope's ability to: • attract and retain Accredited Medical Practitioners to practice in Healthscope hospitals; and • successfully tender for DHB contracts in New Zealand.	Healthscope is focused on providing high quality healthcare services and maintaining facilities to a high standard to effectively compete in its each of its markets.
7. Nursing labour The most significant cost in Healthscope's hospital operations is nursing labour, with any increase in cost or tightening of supply likely to have a material impact on financial and operational performance.	Healthscope has a comprehensive recruitment program for both graduate and experienced nurses. Healthscope employs nurses with different levels of experience and qualifications, with nursing labour matched to clinical needs.
8. Medical indemnity claims and associated costs Current or former patients may, in the normal course of business, commence or threaten litigation for medical negligence against Healthscope. Subject to indemnity insurance arrangements, future medical malpractice litigation, or threatened litigation, could have an adverse impact on Healthscope's financial performance and position and future prospects.	Healthscope's hospital portfolio operates within a strict quality and clinical framework to mitigate the risk of poor quality outcomes. Healthscope actively monitors and manages potential and actual claims and disputes
9. Insurance Insurance coverage is maintained by Healthscope consistent with industry practice, including workers compensation, business interruption, property damage, public liability and medical malpractice. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover all or any future claims.	Healthscope's insurance coverage is managed by an experienced team who works closely with respective insurers, and also ensures that any claims are appropriately handled.

Directors' report

Operating results (continued)

INHERENT RISK AND UNCERTAINTY	MITIGATION STRATEGIES
10. Development projects Healthscope enters into development projects in its regular course of business such as brownfield and "relocate and grow" hospital developments. The Northern Beaches Hospital is a current major project which Healthscope is developing in partnership with NSW Health. There are a number of risks associated with development projects, including business disruption during construction, cost overruns, and delays in anticipated revenues flowing from proposed developments.	Healthscope has project specific risk management and reporting systems in place and the progress and performance of material projects is regularly reviewed by senior management and the Board. Healthscope has developed a strong partnership relationship with the NSW Government since 2013 to jointly deliver a successful Northern Beaches Hospital.
11. New Zealand pathology contracts Healthscope currently has contracts in place with a large number of DHBs for the provision of pathology services in New Zealand. There is a risk that each time a contract is set to expire, the relevant DHB selects another party or renews the contract on less favourable terms with Healthscope.	The majority of these contracts are multi-year contracts and Healthscope seeks to maintain strong relationships with each DHB to mitigate the risk that a contract is not renewed or renewed on unfavourable terms.
12. Information Security and Cyber Attacks Healthscope may be affected by cyber-attacks or failure in critical data, processes or systems.	Information Technology controls are continually under review and are protected through the use of detective, preventative and response tools. Healthscope employs robust Disaster Recovery planning, as well as Business Continuity planning to mitigate operational disruptions.

Operating EBITDA

The following table reconciles, for continuing operations, statutory net profit to Operating EBITDA, which is the key performance metric used by management to assess financial performance of the Group and its operating segments:

	YEAR ENDED 30 JUNE 2018	YEAR ENDED 30 JUNE 2017
	$'m	$'m
Continuing operations		
Statutory net profit for the year	75.8	151.1
Add back:		
Income tax expense	32.1	60.0
Net finance costs	50.8	52.7
Depreciation and amortisation	110.0	104.7
Earnings before finance costs, income tax, depreciation and amortisation (EBITDA)	**268.7**	**368.5**
Add back:		
Other income and expense items	107.2	24.7
Operating earnings before finance costs, income tax depreciation and amortisation (Operating EBITDA) from continuing operations	**375.9**	**393.2**

The following table outlines the Operating EBITDA achieved by each reportable segment in the Group including both continuing and discontinued operations:

	YEAR ENDED 30 JUNE 2018	YEAR ENDED 30 JUNE 2017
	$'m	$'m
Operating EBITDA from continuing operations		
Hospitals Australia	344.7	359.4
Pathology New Zealand	58.1	59.7
Total continuing operations before corporate costs	**402.8**	**419.1**
Corporate	(26.9)	(25.9)
Total continuing operations	**375.9**	**393.2**
Operating EBITDA from discontinued operations[1]		
Asian Pathology	20.3	18.2
Medical Centres	1.5	8.8
Total discontinued operations	**21.8**	**27.0**
Total all segments	**397.7**	**420.2**

1 Further details regarding discontinued operations are disclosed in Note 20.

Operating EBITDA represents profit before income tax expense, net finance costs, depreciation and amortisation adjusted for certain income and expense items that are unrelated to the underlying performance of the business. The Company believes that presenting Operating EBITDA provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

Operating EBITDA is presented with reference to the Australian Securities and Investments Commission Regulatory Guide 230 “Disclosing non-IFRS financial information”.

Directors' report

Subsequent events

On 30 July 2018, Healthscope entered into an agreement to sell its Asian Pathology operations in Singapore, Malaysia and Vietnam for $279 million (on a cash-free and debt-free basis, subject to customary completion adjustments). The sale completed on 17 August 2018.

On 21 August 2018, Healthscope announced that the strategic review of its freehold hospital property assets had completed. Healthscope proposes to establish a new unlisted property trust which will hold the majority of Healthscope's freehold hospital property assets and lease them back to Healthscope. Healthscope will own a majority interest in the hospital property trust and a new co-investor will be introduced to hold an interest of up to 49% in the trust. The hospital properties expected to be transferred into the property trust (and leased back to Healthscope) have a book value for land and buildings of approximately $1.0 billion. Healthscope has announced it will commence a competitive process to select a preferred co-investor for the property trust. This process is expected to be completed during FY19.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods other than the dividend declared in Note 20.

Environmental regulations

Healthscope's environmental obligations are regulated under both state and federal laws. Healthscope monitors its environmental legal obligations and has to the best of its knowledge, having made reasonable inquiries, received no notice of breach from a government agency during the reporting period.

Indemnification and insurance of officers and auditors

During the financial year, the Healthscope Group paid a premium in respect of a contract insuring the Directors of Healthscope Limited, the Company Secretary and Executives of the Healthscope Group against liability to the extent incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. It is a condition of the insurance contract that its limits of indemnity, the nature of the liability indemnified and the amount of the premium are not to be disclosed. The Healthscope Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Healthscope Group or of any related body corporate against liability incurred as such an officer or auditor.

Rounding off of amounts

The Company is an entity to which the ASIC Class Order 2016 / 191 applies, and in accordance with the class order the Directors' Report and financial statements are rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 22 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit, Risk and Compliance Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor independence

The auditor's independence declaration is included on page 35 for the financial year ended 30 June 2018.

Paula J. Dwyer
Chairman

Melbourne, 21 August 2018

Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Healthscope Limited
Level 1, 312 St Kilda Road
Melbourne VIC 3004

21 August 2018

Dear Board Members,

Healthscope Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Healthscope Limited.

As lead audit partner for the audit of the financial statements of Healthscope Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Reid
Partner
Chartered Accountants

Remuneration report

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Dear Shareholder,

On behalf of the Healthscope Board of Directors, we are pleased to present the 2018 Remuneration Report. We will seek your approval of the report at our Annual General Meeting to be held on 31 October 2018.

Healthscope delivered a consolidated net profit after tax (NPAT) of $89.4 million (FY17: $110.9m), the result being impacted by non-operating expenses after tax of $75.4m. Hospital Operating EBITDA was down 4.1% for the year, with the second half EBITDA being 0.8% up on the prior year, reflecting the positive impact of measures taken across the business. This year was an important one for Healthscope. Technical completion was achieved on time and on budget for the landmark Northern Beaches Hospital project. A series of strategic reviews were completed and actioned resulting in the divestment of Asian Pathology, closures of Geelong and Cotham Private Hospitals and an impairment and onerous lease provision for Frankston Private Hospital. The actions on hospitals incurred material one-off expenses setting up the portfolio for growth into the future.

Your Board has worked to ensure that remuneration outcomes for executives are aligned with shareholder experience and long term interests. Our incentive plans have operated as they were designed to deliver remuneration outcomes that appropriately balance rewarding and encouraging executive performance, and reflecting financial outcomes. This year, below target payments of Short Term Incentives have been made to Senior Executives and all performance rights associated with the FY16 Long Term Incentive have lapsed.

Where appropriate, Senior Executives have received some recognition for steering Healthscope well through a challenging year. It is important that Healthscope's planning process is rigorous and leads to challenging goals. Other factors such as the need to pay a fair reward for executive performance and the role remuneration play in our ability to attract and retain the best executive talent. To this end, Healthscope's Short Term Incentive plan acknowledges the challenging nature of annual budgets. A threshold level of performance of 90% of budget is required in all financial measures prior to any payment being made.

Our remuneration framework has been designed to reflect best practice which includes the following key elements:

- Our LTI plan includes two effective and conventional performance conditions, Relative Total Shareholder Return (RTSR) and Earnings Per Share (EPS), equally balanced.
- An Absolute Total Shareholder Return Hurdle is in place to ensure that the outcome of the RTSR performance condition always reflects shareholder experience.
- We have moved to a 3 year Compound Annual Growth Rate EPS measure disclosed prior to grant of performance rights to give greater transparency to stakeholders.
- We have implemented a STI deferral plan that defers part of any STI payment into deferred rights that further aligns executive reward with shareholder interests.
- We have implemented minimum shareholding policies for both Non-Executive Directors and the Senior Leadership Team to encourage a meaningful investment in Healthscope shares to further enhance alignment with shareholders.

Your Board is careful to ensure that our remuneration structures continue to ensure reward for executives appropriately reflects company performance. We will continue to engage with our stakeholders in relation to remuneration structures and to monitor market developments to ensure that Healthscope's remuneration framework continues to serve the long term interests of the Company.

Paula J. Dwyer
Chairman

Rupert Myer
People and Remuneration Committee Chairman

Remuneration report

2. Who does this report cover?

This Remuneration Report sets out the remuneration arrangements for the Healthscope Group's Key Management Personnel (KMP), who are listed in the table below. For the remainder of this Report, the KMP are referred to as either Senior Executives or Non-Executive Directors. All Non-Executive Directors and Senior Executives held their positions for the duration of FY18, unless noted otherwise.

NAME	POSITION
Non Executive Directors	
Paula J. Dwyer	Chairman (Non Executive)
Tony Cipa	Non Executive Director
Jane McAloon	Non Executive Director
Rupert Myer	Non Executive Director
Paul O'Sullivan	Non Executive Director
Michael Stanford[1]	Non Executive Director
Ziggy Switkowski	Non Executive Director
Senior Executives	
Gordon Ballantyne	Managing Director and CEO
Michael Sammells	CFO
Mark Briscoe	General Manager Operations
Anoop Singh	General Manager International Pathology

1 Michael Stanford was appointed as a Non-Executive Director on 26 March 2018.

3. Remuneration governance framework

3.1 Role of the Board and Remuneration Committee

The Board is responsible for ensuring that Healthscope's remuneration structures are equitable and aligned with the long-term interests of Healthscope and its stakeholders. The Remuneration Committee, established by the Board, is made up of a majority of independent directors, with responsibility for reviewing key aspects of Healthscope's remuneration structure and arrangements.

The Remuneration Committee reviews and recommends to the Board:

- fixed remuneration and incentive arrangements for the Senior Executives and other executives reporting to the MD & CEO;
- major changes and developments to employee incentive plans; and
- remuneration arrangements for Non-Executive Directors.

3.2 Remuneration consultants and other advisors

The Remuneration Committee consulted with various external advisers during the process of developing Healthscope's remuneration framework. The Committee intends to continue to obtain external independent advice when required and will use it to guide and inform their considered decision-making.

Healthscope did not receive any 'remuneration recommendations' as defined under the *Corporations Act 2001* (Corporations Act) in FY18.

4. FY18 remuneration policy

4.1 Non Executive Directors (NEDs)

Healthscope's remuneration policy for NEDs aims to ensure that Healthscope can attract and retain suitably qualified and experienced NEDs having regard to:

- the level of fees paid to NEDs of other major Australian companies;
- the size and complexity of Healthscope's operations; and
- the responsibilities and work requirements of Board members.

NEDs receive a base fee for being a Board Director and additional fees for being a Chairman or Member of a Board Committee (except Nomination Committee). The Board Chairman does not receive any additional fees for serving on a Board Committee.

The fees are unchanged in FY18 from FY17 and are set out below. Fees include superannuation contributions in accordance with the current Superannuation Guarantee legislation.

POSITION	BOARD FEES		
	Base fee	Audit, Risk and Compliance Committee	Remuneration Committee
Board Chairman	$485,000[1]	-	-
Board NED	$155,000	-	-
Committee Chairman	-	$40,000	$35,000
Committee Member	-	$25,000	$20,000

1 The Board Chairman is a member of all Board Committees and does not receive any additional fees for serving on a Board Committee.

The current NED fee pool is $2,000,000 per annum (set by shareholders at the 2014 AGM) and the total fees for FY18 including superannuation contributions were within this agreed limit.

NEDs may also receive other payments for additional services outside the scope of Board and Board Committee duties. NEDs are also entitled to be reimbursed for all travel and other expenses reasonably incurred in attending to Healthscope's affairs. In order to maintain independence, NEDs are not eligible for any performance-based payments.

NED shareholding policy

The Board recognises the importance of aligning NED interests with the long term interests of shareholders and considers that a meaningful investment in Healthscope shares demonstrates this alignment. Healthscope operates a NED shareholding policy which encourages NEDs to accumulate and maintain a holding in Healthscope shares that is equivalent to at least 100% of the NED base fee which is currently $155,000 (200% of this fee in the case of the Chairman) within three years of appointment.

Remuneration report

4. FY18 remuneration policy (continued)

4.2 Senior Executives

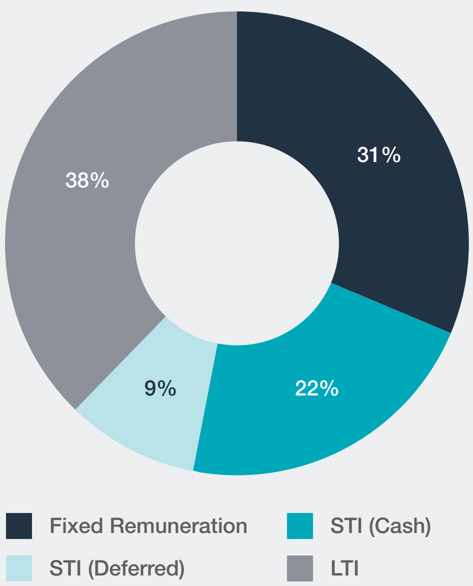
Healthscope's remuneration philosophy is to attract and retain talented employees through an engaging and equitable reward framework. It aims to encourage and recognise high performance in a manner which is aligned with the long-term interests of Healthscope and its shareholders.

This philosophy resulted in a Senior Executive remuneration framework for FY18 consisting of both fixed and variable remuneration components. The objectives and key elements of each component are presented below:

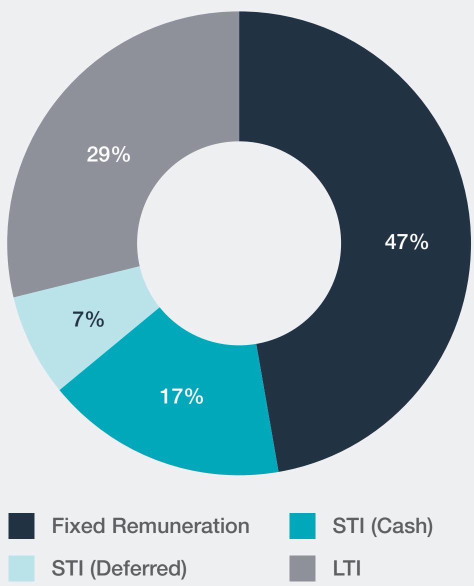
REMUNERATION FRAMEWORK FY18				
	Fixed	Variable 'At-Risk'		
Objective	The fixed component is in place to attract and retain key talent	The variable component is performance-based and aligned with Healthscope's strategic direction to deliver both short and long term value creation to shareholders		
Component	Fixed remuneration	STI		LTI
Basis of Quantum	Fixed remuneration reflects seniority, complexity, nature and size of the role and is reviewed annually	Awards based on achievement of annual financial and non-financial targets with a portion deferred as equity for two years		Awards based on long-term value creation though the achievement of relative TSR and absolute EPS targets over three years
Vehicle	Cash	Cash	Performance Rights	Performance Rights

The FY18 remuneration framework for all Senior Executives is unchanged from FY17. The applied remuneration mix for target performance is shown in the diagrams below.

CEO & CFO



Other Senior Executives



5. FY18 company performance

Healthscope listed on the ASX in July 2014. As a result, it is not possible to address the statutory requirement that Healthscope provides a five-year discussion of the link between performance and reward in this Remuneration Report as Healthscope has not been listed for a sufficient time.

The link between the Company's performance and STI and LTI outcomes is considered at sections 6.3.2 and 6.4.3.

	SHARE PERFORMANCE			EARNINGS PERFORMANCE				
	Closing share price (A$)[2]	Dividend p/share (cents)	TSR[1] (%)	EPS[3] (cents)	Operating EBITDA[4,5] ($M)	Operating EBIT[4,5] ($M)	Operating NPAT[4,5] ($M)	Statutory NPAT[4,5] ($M)
FY18	**2.21**	**6.7**	**3**	**4.4**	**396.2**	**281.6**	**163.3**	**89.4**
FY17	2.21	7.4	(20)	9.4	411.4	302.5	180.0	110.9
FY16	2.86	7.2	8	10.3	397.4	304.6	190.8	181.1
FY15	2.72[2]	3.3	31	10.0	380.8	291.0	155.6	140.8

1 Dividends include only those amounts declared and paid up to 30 June of the relevant financial year, hence FY18 includes the interim dividend from FY18 and the final dividend from FY17.

2 The opening share price on 28 July 2014 was $2.10.

3 FY18 EPS is based on statutory NPAT for continuing operations - however, FY15 – FY17 EPS includes Asian Pathology which were included as continuing operations in the financial performance of these respective years.

4 FY18 Operating earnings performance includes Asia Pathology business as it was included at the time as part of the performance measurement.

5 FY15 Operating earnings performance includes Medical Centre business as it was included at the time as part of the performance measurement.

Remuneration report

6. Senior Executive remuneration in detail

6.1 Received remuneration

The table below provides a non-statutory disclosure for the total remuneration received during FY18 and FY17 by Senior Executives. This information is supplementary to the remuneration disclosure prepared in accordance with the statutory requirements and Accounting Standards as detailed in section 8 of this Report.

	FIXED		VARIABLE			Total received remuneration
Senior Executive	Fixed remuneration[1]	Non-monetary benefits[2]	STI Cash[3]	Vested STI Performance Rights[4]	Vested LTI Performance Rights	
Current Senior Executives						
Gordon Ballantyne (MD & CEO)[4]						
FY18	1,557,474	6,136	-	-	-	**1,563,610**
FY17	213,336	-	-	-	-	213,336
Michael Sammells (CFO)						
FY18	783,115	7,451	217,104	-	318,572	**1,326,242**
FY17	775,317	7,024	650,799	-	-	1,433,140
Mark Briscoe (GM Operations)						
FY18	465,609	6,136	64,051	-	95,055	**630,851**
FY17	460,937	5,789	141,306	-	-	608,032
Anoop Singh (GM International Pathology)						
FY18	385,307	6,136	125,101	-	71,779	**588,322**
FY17	381,478	5,750	129,942	-	-	517,170

1 Fixed Remuneration is made up of cash salary, superannuation and other approved benefits.
2 The amounts disclosed as non-monetary benefits relate to car spaces, professional memberships and other similar items.
3 Cash paid during year relating to the previous year's STI performance (i.e., cash paid in FY18 relates to FY17 STI performance; cash paid in FY17 relates to FY16 STI performance).
4 Appointed MD & CEO from 15 May 2017.

6.2 Fixed Remuneration

Fixed Remuneration is made up of cash salary, superannuation and other approved benefits and is reviewed annually to assess its alignment to individual performance and market practice.

6.3 Short Term Incentive (STI)

6.3.1 STI Policy

PURPOSE

The STI Plan (including its performance conditions) is designed to provide increased focus on and reward for performance against those areas that most significantly drive the delivery of Healthscope's strategic initiatives.

PERFORMANCE PERIOD

Targets were set at the commencement of FY18 and assessed at the end of the financial year, based on the Company's audited annual results and individual performance against non-financial targets.

PERFORMANCE CONDITIONS

A gateway is in place for all Senior Executives which means a minimum of 90% of the Group Operating EBIT target must be achieved before any incentives can be paid.

For FY18, all STI targets for Senior Executives were aligned with the balanced scorecard approach in place across the group. The composition of these targets is set out below for eligible STI participants in FY18.

Targets and Weightings (as a percentage of STI opportunity for target performance)					
Senior Executive	**Position**	**Group Operating NPAT**	**Group Operating EBIT**	**Divisional Financial Measure(s)**	**Non-Financial Measures**
Gordon Ballantyne	Managing Director and CEO	70%			30%
Michael Sammells	CFO	70%			30%
Mark Briscoe	GM Operations		10%	60%[1]	30%
Anoop Singh	GM International Pathology		10%	60%[2]	30%

1 For GM Operations these targets are based on State and Hospital Division EBIT

2 For GM International Pathology this target is based on International Pathology Division EBIT.

As the MD & CEO and CFO have responsibility for the whole business, including capital management, their STI financial measure is based on Operating Net Profit After Tax (Operating NPAT). Operating NPAT is statutory NPAT, excluding non-operating items unrelated to business as usual operations.

Financial targets for other Senior Executives are based on the 'Operating EBIT' measure at a Group or Divisional level. Operating EBIT is statutory EBIT excluding non-operating items unrelated to business as usual operations. This hurdle has been in place for several years and takes into account that there are certain matters of a non-recurring nature which may not accurately reflect underlying performance.

For FY18, the non-operating items excluded from statutory results reflect an impairment of an onerous lease at Frankston Private Hospital and the closure and redundancy costs relating to the closure of Geelong Private Hospital and Cotham Private Hospital.

For the purposes of measuring FY18 STI the Operating EBIT and Operating NPAT targets include Continuing and Discontinued Operations being consistent with the way targets were set at the commencement of FY18.

Non-financial measures comprise specific targets and goals in relation to:

- Delivering Quality Clinical Outcomes (e.g. improved Hospital Acquired Complication Rate (HACR))
- Patient Satisfaction
- Creating Extraordinary Teams (e.g. employee engagement outcomes)
- Individual objectives.

All of these are areas which are aligned with Healthscope's strategic pillars and are key to positive outcomes for Healthscope and its stakeholders. A gate continued to apply to the people measure, with an internal metric related to safety reporting culture required to be achieved before assessment can be made against other objectives.

Remuneration report

6. Senior Executive remuneration in detail (continued)

6.3.1 STI Policy (continued)

PERFORMANCE CONDITIONS (CONTINUED)

Performance against targets is assessed by the Board based on the Company's annual audited results and financial statements. The methods adopted to assess performance have been chosen as the Board believes they are the most appropriate way to assess the true financial performance of the company and determine remuneration outcomes.

STI OPPORTUNITY AND VESTING OUTCOMES

Potential awards are expressed as a percentage of fixed remuneration with target and stretch STI opportunities based on the schedule set out below.

Senior Executive	STI payout - Target performance	STI payout - Stretch performance
CEO & CFO	100%	150%
GM Operations	50%	75%
GM International Pathology	50%	75%

For FY18, the determination of any STI payouts was based on the performance of the relevant group financial metric for each Senior Executive as follows:

Performance - Achievement of target group financial metric	Payout - Percentage of total STI target
≤ 90% of Target	Nil payout
> 90% to less than 100% of Target	Straight-line between 1% and 99.9% of Target STI
100% to less than 102% of Target	100% of Target STI
102% to less than 110% of Target	Straight-line between 110% and 150% of Target
≥ 110% of Target	150% of Target STI

STI DEFERRAL

In relation to FY18, 30% of any STI award to Senior Executives will be made as STI Performance Rights, which are rights to receive ordinary Healthscope shares on vesting. Once the STI Performance Rights have been issued, there are no further performance measures, however vesting will be subject to continued service during a two year deferral period and to the terms of the EIP. Any STI Performance Rights that do not vest will automatically lapse.

STI Performance Rights are granted at no cost and no payment is required to be made in order for the STI Performance Rights to vest and convert to shares. STI Performance Rights do not carry any voting or dividend entitlements.

The number of STI Performance Rights to be issued to Senior Executives is calculated by dividing the deferred portion of the STI reward by the Volume Weighted Average Price (VWAP) of Healthscope shares in the five days following the announcement of the Company's full year financial results. Accordingly, as at the date of this Report, the actual number of STI Performance Rights related to FY18 cannot be calculated and have not yet been issued. For the purposes of calculating diluted earnings per share in Note 5 to the financial statements, the Company has used the share price as at 30 June 2018 ($2.21) and, based on this share price, 250,320 STI Performance Rights would be issued.

The actual number of STI Performance Rights issued to Senior Executives in relation to FY18 will be reported in the FY19 Remuneration Report.

TREATMENT ON CESSATION	On cessation of employment, Senior Executives are not entitled to any unpaid STI, other than where the Senior Executive resigns for illness or other approved reasons, or where employment is terminated due to redundancy. In such cases, the Senior Executive, subject to Board discretion, may receive a pro-rata STI award based on performance over the period of the year that they were employed. For unvested STI Performance Rights that are held as a deferred STI award, where a participant ceases employment for cause or due to resignation (other than due to death, ill health or disability) all unvested STI Performance Rights will automatically lapse. However, pursuant to the Equity Incentive Plan Rules, the Board retains absolute discretion to determine to vest or lapse some or all STI Performance Rights in all circumstances.
CHANGE OF CONTROL AFFECTING STI PERFORMANCE RIGHTS	In the event of a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change in control of the Company, the STI Performance Rights will vest in part or full, unless the Board determines otherwise.
CLAWBACK	The Board has broad "clawback" powers to determine that any Performance Rights granted under the STI Plan may lapse or be forfeited, or be repaid in certain circumstances (e.g. in the case of serious misconduct). This protects Healthscope against the payment of benefits where participants have acted inappropriately.

6.3.2 STI awards for FY18

Details of FY18 STI outcomes for Senior Executives

STI awards for Senior Executives ranged between threshold and target opportunity, reflecting relative achievement of financial and non-financial metrics. Both STI gateways (Group EBIT and People, Safety and Culture) were met. The table below summarises the STI outcomes for each scorecard measure for eligible FY18 participants.

Senior Executives	Group Operating NPAT	Group Operating EBIT	Divisional Financial Measure (s)	Non-Financial Measures	Overall Performance Relative to Objectives	Achievement of Target Opportunity[1]	Adjusted STI Outcome	Percentage of Maximum STI	
								% Awarded	% Lapsed
Gordon Ballantyne MD & CEO	◍	n/a	n/a	◍	◍	◍	◍	45%	55%
Michael Sammells CFO	◍	n/a	n/a	◍	◍	◍	◍	45%	55%
Mark Briscoe GM Operations	n/a	◍	◍	◍	◍	◍	◍	15%	85%
Anoop Singh GM International Pathology	n/a	◍	●	◍	◍	◍	◍	58%	42%
Key	● At target	◍ Between threshold & target							

Remuneration report

6. Senior Executive remuneration in detail (continued)

6.3.3 STI awards for FY17

The following table details Performance Rights granted during FY18 as a result of the FY17 Deferred STI (30% of Total STI). The Volume Weighted Average Price utilised to calculate the number of Performance Rights was $1.76

SENIOR EXECUTIVES	NO. OF RIGHTS GRANTED	VALUE OF RIGHTS GRANTED
Gordon Ballantyne MD & CEO	-	-
Michael Sammells CFO	52,862	$93,037
Mark Briscoe GM Operations	15,598	$27,452
Anoop Singh GM International Pathology	30,463	$53,615

6.4 Long Term Incentive (LTI)

6.4.1 LTI Policy FY18

Summary:

- 3 year plan (FY18-FY20)
- Evenly Weighted performance conditions
    - o 50% EPS
    - o 50% RTSR
- EPS performance set at the commencement of performance period rewarding growth over the performance period
- Threshold for RTSR component is absolute TSR of 7.5%.

PURPOSE	The LTI is designed to align the interests of Senior Executives with the interests of shareholders by providing the opportunity for participants to receive an equity interest in Healthscope through the granting of Performance Rights and subject to the achievement of dual performance conditions and the terms of the EIP. Growth remains a key aspect of Healthscope's strategic plan and it is appropriate that Senior Executives be incentivised to achieve targets which demonstrate sustainable growth. The LTI also acts to retain key executives who have the capacity to influence Company strategy and direction and therefore supports Company performance and aligns with the interests of shareholders over the longer term.
PARTICIPATION	All Senior Executives participated in the LTI in FY18.
VEHICLE AND ALLOCATION METHODOLOGY	The FY18 LTI delivered awards in the form of Performance Rights. The number of LTI Performance Rights granted were determined by use of a face value methodology. The LTI award was divided by the VWAP of Healthscope shares traded on the ASX over the five trading days following the announcement of the FY18 full year financial results. Each LTI Performance Right, as is the case with all Performance Rights issued by the Company, entitles the holder to one ordinary share in Healthscope following a satisfactory achievement of performance conditions. LTI Performance Rights are granted at no cost and no payment is required to be made in order for the Performance Rights to vest and for participants to receive their share allocation. LTI Performance Rights do not carry any voting or dividend entitlements.
PERFORMANCE PERIOD	LTI vesting is based on the achievement of performance conditions that are assessed following a three year performance period commencing at the beginning of FY18 and concluding at the end of FY20, based on the Company's audited annual results at the end of this period.

PERFORMANCE CONDITIONS	The LTI had dual performance hurdles – Earnings Per Share (EPS) and Relative Total Shareholder Return (RTSR) (with an absolute TSR gateway of 7.5% to be achieved before RTSR can be assessed for vesting). For FY18, the EPS and RTSR hurdles are equally weighted. The mix of measures means that both lead indicators (indicative of Healthscope business operations) and lag indicators (reflecting the market's reaction to the Company's past performance) are utilised. The EPS measure was selected because of its correlation with long term shareholder return and its lower susceptibility to short term share price volatility. This measure also provides a greater 'line of sight' between Senior Executives' actions and the way in which their performance is measured. RTSR measures the performance of an ordinary Healthscope share (including the value of any dividend and any other shareholder benefits paid during the period) against total shareholder return performance of a comparator group of companies, comprising the S&P ASX100 Index, over the same period. The Board believes RTSR is an appropriate hurdle, as it links Senior Executive reward to Healthscope's relative share performance which is consistent with creating shareholder value relative to Healthscope's peer group. The S&P ASX100 is considered an appropriate peer group as a comparator group for RTSR performance, as it represents a meaningful statistical sample and an appropriate group of alternative potential investments for shareholders with which to compare Healthscope's performance. These hurdles and vesting schedules are set out below:

EPS Performance	Relative TSR Performance	Portion of LTI award that will vest against relevant target
(50% weighting)	(50% weighting)	
Less than the threshold target	Less than the 50th percentile	Nil
Equal to the threshold target	At 50th percentile	50%
Greater than the threshold target, up to maximum target	Between 50th and 75th percentile	Straight line vesting between 50% and 100%
At or above maximum target	At or above the 75th percentile	100%

LTI ASSESSMENT AND VESTING	The performance period for the FY18 LTI runs from 1 July 2017 to 30 June 2020. RTSR performance is independently assessed over the performance period against the constituents of the S&P ASX 100 index as at 1 July 2017. EPS is calculated using Operating NPAT, divided by the weighted average number of shares on issue during the year. A threshold hurdle has been set at 5% CAGR and the maximum hurdle at 10% CAGR.
TESTING	Testing of the FY18 LTI is expected to occur in early FY21, shortly after the end of the performance period. These methods of assessing RTSR performance and EPS have been chosen as the Board believes they are the most appropriate way to assess the true financial performance of the company and determine remuneration outcomes.
RE-TESTING	No retesting is permitted in relation to either performance condition. Any Performance Rights that do not satisfy the performance conditions automatically lapse.
TREATMENT ON CESSATION	Where a participant ceases employment for cause or due to resignation (other than due to death, ill health or disability) all unvested Performance Rights will automatically lapse. In all other circumstances, the Performance Rights will remain on foot and subject to the original performance conditions, as if the participant had not ceased employment. However, pursuant to the EIP Rules, the Board retains absolute discretion to determine to vest or lapse some or all Performance Rights in all circumstances.

6. Senior Executive remuneration in detail (continued)

6.4.1 LTI Policy FY18 (continued)

CHANGE OF CONTROL	Where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the Performance Rights. Where only some of the Performance Rights are vested on a change of control, the remainder of the Performance Rights will immediately lapse. If a change of control occurs before the Board exercises its discretion, a pro-rata portion of the Performance Rights (equal to the portion of the relevant Performance Period that has elapsed up to the change of control) will immediately and automatically vest.
CLAWBACK	The Board has broad "clawback" powers to determine that any Performance Rights granted under the LTI or STI Plan may lapse, or be forfeited, or be repaid in certain circumstances (e.g. in the case of serious misconduct). This protects Healthscope against the payment of benefits where participants have acted inappropriately.

6.4.2 LTI Performance Rights granted in FY18

Senior Executive	Position	Number of Performance Rights Granted[1,2]	Grant Date	Fair Value on Grant Date ($)
Gordon Ballantyne	MD & CEO	1,090,910	19 October 2017	1.26
Michael Sammells	CFO	533,905	10 November 2017	1.28
Mark Briscoe	GM Operations	158,707	10 November 2017	1.28
Anoop Singh	GM International Pathology	131,349	10 November 2017	1.28

1 Vesting of LTI Performance Rights is subject to the meeting of performance hurdles as set out in section 6.4.1. Figures therefore represent the maximum possible shares that could be granted following the end of the performance period, should all conditions be met. The number of LTI Performance Rights granted was determined by dividing the KMP's LTI opportunity by the VWAP of Healthscope shares in the five days following the announcement of the Company's FY17 financial results ($1.76 per share).

2 The estimated total value of the grants for each KMP, at the maximum number of rights that can be granted is as follows: G Ballantyne ($1,374,547); M Sammells ($683,398); M Briscoe ($203,145); A Singh ($168,127). This is based on the fair value as at the grant date. The minimum possible total value of the grant is nil.

6.4.3 LTI Performance Rights – performance period ended 30 June 2018

FY16 LTI

The performance period for the FY16 LTI Performance Rights ended on 30 June 2018. The FY16 LTI Performance Rights were subject to two performance conditions – EPS and RTSR.

Following testing of performance against the two performance conditions, 100% of the FY16 LTI Performance Rights lapsed. The overall vesting outcomes for the Performance Rights granted to Senior Executives as part of the FY16 LTI are summarised in the table below.

FY16 LTI			
Hurdle	**Weighting**	**Vested %**	**Lapsed %**
EPS	75%	0%	100%
RTSR[1]	25%	0%	100%
Overall outcome		**0%**	**100%**

1 The associated RTSR performance conditions are set out in section 6.4.1 are as per the FY18 LTI grant, the relevant peer group being the S&P/ASX 100 Index (with no exceptions) as at the commencement of the performance period.

The detail of the targets and performance outcomes for each condition are disclosed below in accordance with the Board's commitment to disclose the performance conditions, which applied to the FY16 LTI Performance Rights, after the conclusion of the performance period.

- The RTSR performance condition had an absolute TSR gateway of 7.5% which had to be achieved before RTSR could be assessed for vesting. The absolute TSR outcome achieved was -10.9%%, this did not meet the threshold vesting condition of 7.50 and therefore the performance rights subject to this performance condition lapsed.
- The EPS Performance condition required an average vesting outcome across the three years of the plan of 50% each year measured to a target set annually. The condition was met at the maximum level in FY16 (100%), however did not meet threshold level for FY17 and FY18, therefore performance rights subject to this performance condition lapsed (see following table).

The following Table details the EPS performance condition outcomes in regard to the FY16 LTI:

	Threshold	Actual	Achieved	Vested	Lapsed
EPS					
FY16	10.45	11.23	YES	0%	25%
FY17	10.70	10.57	NO	0%	25%
FY18	10.95	9.39	NO	0%	25%
TSR					
FY16-18	7.50	-10.9	NO	0%	25%
Total				**0%**	**100%**

Remuneration report

7. Executive service agreements

All Senior Executives are party to a written executive service agreement with Healthscope Operations Pty Ltd (ACN 006 405 152) (a wholly owned subsidiary of Healthscope Limited).

7.1 Key terms of executive service agreement for Gordon Ballantyne (MD & CEO)

DURATION	ONGOING
Periods of notice required to terminate	12 months notice by either party in writing is required to terminate the contract other than where employment is terminated for serious negligence, breach of the service agreement, fraud or misconduct (in which case no notice is required). Payment in lieu of all or a portion of the notice period may be made at the Company's discretion. Executive may terminate immediately in the case of a fundamental change in his role and responsibilities and is entitled to 12 months' TFR.
Termination payments	May not exceed the maximum amount which the Company is permitted to pay the MD & CEO under the Corporations Act. STI is not payable where the MD & CEO has resigned and terminates before the payment becomes payable (as determined at the sole discretion of the Board). STI is payable if the STI becomes due and employment is terminated by the Company, other than for cause. Unvested securities will be treated in accordance with the relevant Plan Rules.
Restraint of trade	The MD & CEO is restrained from competing with Healthscope or other members of the Healthscope Group during his employment and for up to 12 months post termination of his employment.

7.2 Key terms of executive service agreement for other Senior Executives

DURATION	ONGOING
Periods of notice required to terminate	CFO – 12 months' notice by either party in writing is required to terminate the contract other than where employment is terminated for dishonesty, fraud, wilful disobedience or misconduct (in which case no notice is required). Other Senior Executives have 6 month notice periods (other than where employment is terminated for serious misconduct, in which case no notice is required). Payment in lieu of all or a portion of the notice period may be made at the Company's discretion.
Termination payments	May not exceed the maximum amount which the Company is permitted to pay the Senior Executive under the Corporations Act. STI is not payable where the Senior Executive has resigned and terminates before the payment becomes payable (as determined at the sole discretion of the Board). STI is payable if the STI becomes due and employment is terminated by the Company, other than for cause. Average base salary is payable during any restraint period. Unvested securities will be treated in accordance with the relevant Plan Rules.
Restraint of trade	The CFO is restrained from competing with Healthscope or other members of the Healthscope Group during his employment and for up to 12 months post termination of his employment. For other Senior Executives, non-solicitation provisions (relating to employees, contractors and medical officers) of between 6 and 12 months are in place.

The Corporations Act restricts the termination benefits that can be provided to KMP on cessation of their employment, unless shareholder approval is obtained. The shareholders of the Company and Healthscope Operations Pty Ltd approved the termination arrangements of Michael Sammells at a general meeting on 28 June 2014.

8. Statutory remuneration disclosures

8.1 Senior Executive remuneration – statutory disclosures

The following table sets out the statutory disclosures required under the Corporations Act and in accordance with the Accounting Standards

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG TERM BENEFITS	SHARE-BASED PAYMENTS			TOTAL
	Cash Salary	Bonuses[1]	Non-Monetary Benefits[2]	Superannuation Benefits	Long Service Leave[3]	Value of STI – Performance Rights[4 5]	Value of LTI – Performance Rights[6]	Value of LTI Performance Rights[7] - Prior periods expense write-back	
Current Senior Executives									
Gordon Ballantyne[8]									
FY18	**1,532,474**	755,402	6,136	25,000	6,815	88,294	803,736	-	**3,217,856**
FY17	208,668	-	-	4,668	688	-	56,622	-	270,646
Michael Sammells									
FY18	**758,115**	**369,722**	**7,451**	**25,000**	**21,493**	**171,678**	**883,718**	**(744,017)**	**1,493,161**
FY17	740,317	217,104	7,024	35,000	15,651	121,402	670,421	(318,572)	1,488,346
Mark Briscoe									
FY18	**440,609**	**48,383**	**6,136**	**25,000**	**12,944**	**36,108**	**193,931**	**(221,164)**	**541,946**
FY17	430,937	64,051	5,789	30,000	9,509	28,574	190,866	(95,055)	664,671
Anoop Singh (GM International Pathology)									
FY18	**360,307**	**117,309**	**6,136**	**25,000**	**10,490**	**51,728**	**160,501**	**(183,041)**	**548,431**
FY17	361,862	125,101	5,750	19,616	9,634	34,945	153,255	(71,779)	638,384
Former Senior Executives									
Robert Cooke (until May 2017)	1,345,002	385,139	5,028	30,397	36,662	215,365	1,208,938	(665,557)	2,560,975
Total-FY18	**3,091,505**	**1,290,816**	**25,859**	**100,000**	**51,742**	**347,808**	**2,041,887**	**(1,148,222)**	**5,801,394**
Total-FY17	3,086,786	791,395	23,591	119,681	72,145	400,286	2,280,101	(1,150,962)	5,623,023

1 Bonus payments relate to the cash component of the FY18 STI and will be paid in FY19.

2 The amounts disclosed as non-monetary benefits relate to car spaces, professional fees and other similar items.

3 Reflects the value of the movement in long service leave entitlement and was not actually paid to the employee.

4 For accounting purposes, deferred STI is treated as an equity settled share-based payment which is expensed over the relevant vesting period. The total value of the deferred STI granted to Senior Executives in the current year was $553,207. The amount disclosed for each Senior Executive represents the current year vesting period expense only. The residual amount will be expensed on a straight line over the remaining vesting period. These Performance Rights were granted at no cost and no payment is required to be made in order for the Performance Rights to vest.

5 The estimated maximum possible total value of the STI Performance Rights for each KMP is as follows: G.Ballantyne ($323,744); M Sammells ($158,452); M Briscoe ($20,735); A Singh ($50,275). This is based on the face value of the deferred STI. The minimum possible total value of the grant is nil.

6 In FY17 Mr Ballantyne's Performance Rights and 355,872 of Mr Sammells' Performance Rights were issued as EIP Performance Rights (which are subject to service conditions). The value is calculated at grant date, based on the fair value, measured using a Black Scholes valuation model. The remaining Performance Rights (issued as LTI Performance Rights) granted to the Senior Executives is based on the fair value at grant date, measured using a Monte Carlo simulation for the RTSR Performance Rights and a Black Scholes valuation model for the EPS Performance Rights. The factors and assumptions used in determining the fair value on grant date are set out in Note 19 of the financial statements. These Performance Rights were granted at no cost and no payment is required to be made in order for the Performance Rights to vest.

7 Represents the accounting value of performance rights that have lapsed or are expected to lapse as a result of actual or expected performance against performance conditions.

8 Mr Ballantyne was appointed MD & CEO from 15 May 2017.

Remuneration report

8. Statutory remuneration disclosures (continued)

8.2 Movements in Performance Rights held by Senior Executives

The following table sets out the movement during FY18, by number and value, of Performance Rights held by each Senior Executive and their personally related entities. This includes Performance Rights issued under the STI, LTI and EIP rules.

	BALANCE 1 JULY 2017	GRANTED		VESTED			LAPSED			BALANCE 30 JUNE 2017
		Number	Value[1]	Number	Value[2]	Percentage	Number[3]	Value	Percentage	
Current Executive Director										
Gordon Ballantyne	444,836	1,090,910	1,374,547	-	-	-	-	-	-	1,535,746
Other Senior Executives										
Michael Sammells	1,095,345	586,767	773,766	-	-	0%	341,684	$744,017	100%	1,340,428
Mark Briscoe	212,463	174,305	229,804	-	-	0%	101,568	$221,164	100%	285,200
Anoop Singh	177,670	161,812	221,085	-	-	0%	84,060	$183,041	100%	255,422

1 The value of LTI Rights granted in the year is the fair value of the Rights calculated at grant date using the Monte Carlo simulation model for the RTSR Performance Rights and a Black Scholes valuation model for the EPS Performance Rights. For EIP Performance Rights (which are only subject to service conditions), the value of Rights granted in the year is calculated at grant date based on the fair value, measured using a Black Scholes valuation model. For STI Performance Rights (which are only subject to service conditions), the value of Rights granted in the year is calculated based on the face value of the deferred STI. The factors and assumptions used in determining the fair value on grant date are set out in Note 19 of the financial statements.

2 The value of vested or lapsed Performance Rights is calculated based on the fair value at the time of grant.

3 This column represents Performance Rights that were granted as part of the FY16 LTI grant that have lapsed during FY18.

8.3 Non Executive Director remuneration – statutory disclosures

The following table sets out the statutory disclosures required under the Corporations Act and in accordance with the Accounting Standards.

	SHORT -TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS			TOTAL
	Board & Committee Fees	Non-Monetary Benefits	Other Benefits (non-cash)	Termination Benefits	Superannuation Benefits	Remuneration for Services as Non Executive Director
Paula J. Dwyer (Chairman)						
FY18	**464,951**	**-**	**-**	**-**	**20,049**	**485,000**
FY17	465,384	-	-	-	19,616	485,000
Tony Cipa						
FY18	**196,347**	**-**	**-**	**-**	**18,653**	**215,000**
FY17	196,347				18,653	215,000
Jane McAloon						
FY18	**164,384**	**-**	**-**	**-**	**15,616**	**180,000**
FY17	164,384	-	-	-	15,616	180,000
Rupert Myer						
FY18	**196,347**	**-**	**-**	**-**	**18,653**	**215,000**
FY17	196,347	-	-	-	18,653	215,000
Paul O'Sullivan						
FY18	**164,384**	**-**	**-**	**-**	**15,616**	**180,000**
FY17	164,384	-	-	-	15,616	180,000
Michael Stanford						
FY18	**43,028**	**-**	**-**	**-**	**4,088**	**47,116**
Ziggy Switkowski						
FY18	**182,648**	**-**	**-**	**-**	**17,352**	**200,000**
FY17	182,648	-	-	-	17,352	200,000
Total - FY17	**1,412,089**	**-**	**-**	**-**	**110,027**	**1,522,116**
Total - FY16	1,369,494	-	-	-	105,506	1,475,000

1 Michael Stanford was appointed 26 March 2018. As such, FY18 remuneration was accordingly pro-rated.

Remuneration report

8. Statutory remuneration disclosures (continued)

8.4 KMP shareholdings

The following table summarises the movements in the shareholdings of KMP (including relevant interests) for FY18.

	NO. OF SHARES HELD AT BEGINNING OF FY18	RECEIVED AS REMUNERATION	ON VESTING OF PERFORMANCE RIGHTS	OTHER NET CHANGE[1]	HELD AT 30 JUNE 2018	NO. OF SHARES NOT VESTED AT YEAR END
Directors						
Paula J. Dwyer	225,000	-	-	25,000	250,000	-
Gordon Ballantyne	444,836	-	-	-	444,836	-
Tony Cipa	96,364	-	-	31,234	127,598	-
Jane McAloon	241,848	-	-	9,154	251,002	-
Rupert Myer	40,000	-	-	30,270	70,270	-
Paul O'Sullivan	81,000	-	-	30,000	111,000	-
Michael Stanford	-	-	-	-	-	-
Ziggy Switkowski	70,000	-	-	50,000	120,000	-
Senior Executives						
Michael Sammells	250,000	-	190,477	-	440,477	-
Mark Briscoe	-	-	56,834	-	56,834	-
Anoop Singh	67,880	-	42,917	(57,880)	52,917	-

1 Reflects shares sold or on market share purchases made by KMP over the course of FY18.

8.5 Transactions and loans with KMP

There were no transactions or loans between KMP and the Company or any of its subsidiaries during.

Financial report

for the year ended 30 June 2018

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Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2018

		2018	2017
	Note	$'m	$'m
Continuing operations			
Revenue	2	2,340.8	2,256.5
Employee benefits expense	2	(1,071.2)	(1,018.7)
Medical and consumable supplies		(289.7)	(272.9)
Prosthetics expenses		(302.1)	(290.8)
Occupancy costs		(72.0)	(60.8)
Service costs		(229.9)	(220.1)
Other income and expense items	2	(107.2)	(24.7)
Profit before finance costs, income tax, depreciation and amortisation		**268.7**	**368.5**
Depreciation and amortisation	11, 12	(110.0)	(104.7)
Profit before finance costs and income tax		**158.7**	**263.8**
Net finance costs	2	(50.8)	(52.7)
Profit before income tax		**107.9**	**211.1**
Income tax expense	3	(32.1)	(60.0)
Profit for the year from continuing operations		**75.8**	**151.1**
Discontinued operations			
Net profit / (loss) for the year from discontinued operations	20	13.6	(40.2)
NET PROFIT FOR THE YEAR		**89.4**	**110.9**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchanges differences arising on translation of foreign operations		(7.5)	(1.0)
Gain on cash flow hedges taken directly to equity		9.3	11.6
Income tax expense relating to other comprehensive income		(4.1)	(3.3)
Other comprehensive income for the year, net of tax		**(2.3)**	**7.3**
Total comprehensive income for the year		**87.1**	**118.2**
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)	5	5.2	6.4
Diluted (cents per share)	5	5.1	6.3
From continuing operations			
Basic (cents per share)	5	4.4	8.7
Diluted (cents per share)	5	4.3	8.6

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

for the year ended 30 June 2018

		2018	2017
	Note	$'m	$'m
CURRENT ASSETS			
Cash and cash equivalents	10(a)	156.8	195.9
Trade and other receivables	4	543.0	165.8
Consumables supplies at cost		52.9	54.6
Prepayments		15.8	16.4
Assets classified as held for sale	13	136.9	58.8
TOTAL CURRENT ASSETS		**905.4**	**491.5**
NON-CURRENT ASSETS			
Other financial assets		8.2	8.1
Other receivable	4	-	298.3
Investments in joint ventures		1.2	0.9
Property, plant and equipment	11	2,235.9	2,077.0
Intangibles	12	1,642.2	1,739.1
Deferred tax assets	3	77.6	86.1
TOTAL NON-CURRENT ASSETS		**3,965.1**	**4,209.5**
TOTAL ASSETS		**4,870.5**	**4,701.0**
CURRENT LIABILITIES			
Trade and other payables	4	236.7	251.6
Current tax liabilities	3	15.3	3.6
Borrowings	8	690.4	3.8
Derivative financial instruments	9	5.7	10.7
Other financial liabilities		3.9	3.6
Provisions	16	141.2	123.5
Liabilities directly associated with assets classified as held for sale	13	22.1	6.3
TOTAL CURRENT LIABILITIES		**1,115.3**	**403.1**
NON-CURRENT LIABILITIES			
Borrowings	8	1,224.9	1,802.4
Derivative financial instruments	9	22.0	23.8
Other payables	4	22.5	23.8
Deferred tax liabilities	3	49.6	49.2
Provisions	16	90.6	31.0
TOTAL NON-CURRENT LIABILITIES		**1,409.6**	**1,930.2**
TOTAL LIABILITIES		**2,524.9**	**2,333.3**
NET ASSETS		**2,345.6**	**2,367.7**
EQUITY			
Issued capital	7	2,713.4	2,708.2
Reserves		(247.5)	(247.2)
Accumulated losses		(120.3)	(93.3)
TOTAL EQUITY		**2,345.6**	**2,367.7**

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2018

	Note	2018 $'m	2017 $'m
Continuing and Discontinued Operations			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,436.6	2,410.7
Payments to suppliers and employees		(2,068.7)	(1,992.5)
Cash generated from operations		**367.9**	**418.2**
Interest received		3.1	3.7
Interest and costs of finance paid		(53.8)	(54.1)
Income tax paid		(15.4)	(13.7)
Other income and expense items		(18.4)	(23.1)
Net cash provided by operating activities	**10(b)**	**283.4**	**331.0**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		0.8	4.0
Proceeds from disposal of operations		55.4	-
Payments for property, plant and equipment		(79.2)	(75.8)
Brownfield developments		(157.7)	(179.7)
Northern Beaches facility development		(154.4)	(309.5)
Payments for operating rights		-	(1.1)
Net payments for business combinations		(0.2)	(0.1)
Net cash used in investing activities		**(335.3)**	**(562.2)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend reinvested though Dividend Reinvestment Plan		5.2	2.1
Proceeds from project finance (Northern Beaches)		113.1	280.9
Net proceeds from receivables securitisation		20.0	0.8
Finance leasing		(5.2)	(6.5)
Dividends paid		(116.4)	(128.5)
Facility fees paid		(0.3)	(0.1)
Net cash provided by financing activities	**8**	**16.4**	**148.7**
Net decrease in cash and cash equivalents		**(35.5)**	**(82.5)**
Cash and cash equivalents at the beginning of the year		195.9	278.8
Cash and cash equivalents transferred to assets classified as held for sale	10(a)	(3.7)	(0.2)
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.1	(0.2)
Cash and cash equivalents at the end of the year	10(a)	**156.8**	**195.9**

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 30 June 2018

	ISSUED CAPITAL	ACCUMULATED LOSSES
2016	**$'m**	**$'m**
Opening balance at 1 July 2016	**2,706.1**	**(75.7)**
Profit for the year	-	110.9
Other comprehensive income / (loss) for the year net of tax	-	-
Total comprehensive income / (loss) for the year	**-**	**110.9**
New shares issued	2.1	-
Recognition of share based payments	-	-
Dividends paid	-	(128.5)
Balance at 30 June 2017	**2,708.2**	**(93.3)**
2017		
Opening balance at 1 July 2017	**2,708.2**	**(93.3)**
Profit for the year	-	89.4
Other comprehensive income / (loss) for the year net of tax	-	-
Total comprehensive income / (loss) for the year	**-**	**89.4**
New shares issued	5.2	-
Recognition of share based payments	-	-
Dividends paid	-	(116.4)
Closing balance at 30 June 2018	**2,713.4**	**(120.3)**

The above statement should be read in conjunction with the accompanying notes.

Group reorganisation reserve

The Group reorganisation reserve initially arose through a series of “common control” transactions related to a Group reorganisation on 12 October 2010.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different from the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Group’s net investment in a foreign subsidiary.

Hedge reserve (cash flow hedging)

This reserve comprises the cumulative net change in the fair value of the effective portion of cash flow hedging instruments related to hedged transactions that have not yet occurred.

GROUP REORGANISATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGE RESERVE	EQUITY SETTLED EMPLOYEE BENEFITS RESERVE	TOTAL EQUITY
$'m	$'m	$'m	$'m	$'m
(282.2)	**41.3**	**(20.6)**	**3.8**	**2,372.7**
-	-	-	-	110.9
-	(1.0)	8.3	-	7.3
-	**(1.0)**	**8.3**	**-**	**118.2**
-	-	-	-	2.1
-	-	-	3.2	3.2
-	-	-	-	(128.5)
(282.2)	**40.3**	**(12.3)**	**7.0**	**2,367.7**
(282.2)	**40.3**	**(12.3)**	**7.0**	**2,367.7**
-	-	-	-	89.4
-	(7.5)	5.2	-	(2.3)
-	**(7.5)**	**5.2**	**-**	**87.1**
-	-	-	-	5.2
-	-	-	2.0	2.0
-	-	-	-	(116.4)
(282.2)	**32.8**	**(7.1)**	**9.0**	**2,345.6**

Share based payment reserve

The share based payment reserve relates to performance rights granted by the Group to its employees. Further information about share based payments is set out in Note 19.

Key accounting policies

Foreign operations

The assets and liabilities of the Group's foreign operations are translated at applicable exchange rates at 30 June. Income and expense items are translated at the average exchange rates for the period. Foreign exchange gains and losses arising on translation are recognised in the foreign currency translation reserve (FCTR).

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of transaction. Foreign currency monetary items at 30 June are translated at the exchange rate existing at reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

General information and basis of preparation

General Information

Healthscope Limited is a public company listed on the Australian Securities Exchange (trading under the code 'HSO'), incorporated and domiciled in Australia, with trading operations in Australia, New Zealand and South East Asia.

The principal place of business of the Group is:

Level 1
312 St Kilda Road
Melbourne VIC 3004
Tel: (03) 9926 7500

The principal activities of the Healthscope Group during the financial year ended 30 June 2018 were the provision of healthcare services through the ownership and management of hospitals and the provision of pathology diagnostic services.

Basis of preparation and consolidation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and assets held for sale that are measured at revalued amounts or fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial results and financial position of the Group are expressed in Australian dollars, which is the presentation currency for the consolidated financial statements.

The consolidated financial statements were authorised for issue by the Directors on 21 August 2018.

Subsidiaries

Subsidiaries are those entities that are controlled by the Group. The financial results and financial position of the subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

A list of the Group's subsidiaries in included in Note 24.

Joint ventures

A joint venture is an arrangement where the parties have right to the net assets of the venture.

Investments in joint ventures are accounted for using the equity method. They are initially recognised at cost, and subsequent to initial recognition, the consolidated financial statements include Group's share of the profit or loss and other comprehensive income of the investees.

The Group has a 50% ownership interest in the following joint venture entities:

- Mount Hospital Cath Labs Pty. Ltd.; and
- Mount Hospital Cardiology Services Pty. Ltd.

Working capital position

The working capital position of the Group as at 30 June 2018 reflects a net current liability position of $209.9 million (30 June 2017: $88.4 million net current asset position). The factors that contribute to the net current liability position include:

- The project finance debt of $690.0 million related to the development of Northern Beaches Hospital has been re-classified as current (refer to Note 8 for further information); and
- The NSW Government Receivable of $376.5 million in relation to Northern Beaches Hospital has been re-classified as current (refer to Note 4 for further information).

The Northern Beaches Hospital project finance debt will be repaid via the receipt of the NSW Government Receivable and the drawdown of an established corporate debt facility.

Excluding the impact of the above project finance debt and related receivable, the Group has net current assets of $103.6 million.

The Group has continued to generate cash flows from operating activities, after servicing debt costs of $283.4 million (30 June 2017: $331.0 million) and consistently recorded a cash conversion ratio of greater than 90%, representing operating EBITDA divided by cash generated from operations.

The Directors continually monitor the Group's working capital position including forecast working capital requirements in light of Group's existing debt facilities and available cash reserves and are satisfied that the Group will be able to pay its debt as and when they fall due for a period of 12 months from the date of this financial report.

On 30 July 2018, Healthscope entered into an agreement to divest Asian Pathology operations for $279.0 million, which was completed on 17 August 2018. The net cash proceeds of the sale of Asian Pathology operations will be used to pay down debt and fund Healthscope's future capital investments and growth.

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS) and interpretations. The company is a for-profit entity.

Rounding of amounts

The Company is an entity to which the ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016 / 191 applies, and in accordance with that the Directors' Report and financial statements are rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 1: Segment information

On 30 July 2018, Healthscope announced that it had entered into an agreement to sell its Asian Pathology operations. The transaction completed on 17 August 2018. As a result of the sale of Asian Pathology operations and the completed divestment of Medical Centres, the reportable segments were reclassified to reflect the continuing business.

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of Healthscope Limited that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Under AASB 8, the reportable segments of Healthscope Limited are as follows:

- Hospitals Australia - the management and provision of surgical and non-surgical private hospitals; and
- Pathology New Zealand - the provision of pathology services in New Zealand.

CONTINUING OPERATIONS	SEGMENT REVENUE		SEGMENT OPERATING EBITDA[1]		SEGMENT OPERATING EBIT[2]	
	2018	2017	2018	2017	2018	2017
	$'m	$'m	$'m	$'m	$'m	$'m
Hospitals Australia	2,100.6	2,014.0	344.7	359.4	251.2	272.6
Pathology New Zealand	240.2	242.5	58.1	59.7	46.7	46.6
Total all segments	**2,340.8**	**2,256.5**	**402.8**	**419.1**	**297.9**	**319.2**
Corporate			(26.9)	(25.9)	(32.0)	(30.7)
Total all segments after Corporate			**375.9**	**393.2**	**265.9**	**288.5**
Other income and expense items (Note 2)					(107.2)	(24.7)
Finance costs (Note 2)					(50.8)	(52.7)
Profit before income tax					**107.9**	**211.1**
Income tax expense (Note 3)					(32.1)	(60.0)
Net profit from continuing operations					**75.8**	**151.1**

DISCONTINUED OPERATIONS	SEGMENT REVENUE		SEGMENT OPERATING EBITDA[1]		SEGMENT OPERATING EBIT[2]	
	2018	2017	2018	2017	2018	2017
	$'m	$'m	$'m	$'m	$'m	$'m
Asian Pathology[3]	67.0	61.7	20.3	18.2	15.7	14.0
Medical Centres	13.2	54.3	1.5	8.8	0.5	4.6
Total all segments	**80.2**	**116.0**	**21.8**	**27.0**	**16.2**	**18.6**
Other income and expense items					1.0	(55.2)
Finance costs					(0.2)	-
Profit / (Loss) before income tax					**17.0**	**(36.6)**
Income tax expense					(3.4)	(3.6)
Profit / (Loss) from discontinued operations					**13.6**	**(40.2)**
Net profit from continuing & discontinued operations					**89.4**	**110.9**

1 Segment Operating EBITDA represents the profit earned by each segment without the allocation of central administrative costs, depreciation, amortisation, investment revenue, finance costs, income tax expense and other items of income and expense.

2 Segment Operating EBIT represents the profit earned by each segment without the allocation of central administrative costs, investment revenue, finance costs, income tax expense and other items of income and expenses.

3 Previously reported within the "Other" segment. Asian Pathology is principally engaged in the provision of pathology services in Malaysia, Singapore and Vietnam.

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 1: Segment information (continued)

Other segment information

	HOSPITALS AUSTRALIA	PATHOLOGY NEW ZEALAND	CORPORATE	TOTAL CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
2018	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**
Total assets	4,465.3	263.9	20.1	4,749.3	121.2	**4,870.5**
Total liabilities	(2,455.7)	(47.1)	-	(2,502.8)	(22.1)	**(2,524.9)**
2017						
Total assets	4,235.9	270.5	19.8	4,526.2	174.8	**4,701.0**
Total liabilities	(2,272.2)	(27.6)	-	(2,299.8)	(33.5)	**(2,333.3)**

Note 2: Revenue and expenses

An analysis of revenue and expenses from continuing operations is presented below:

		2018	2017
	Note	$'m	$'m
REVENUE			
Continuing operations			
Revenue from rendering services		2,269.2	2,188.6
Rental revenue		30.7	28.3
Management fees		33.1	32.7
Other revenue		7.8	6.9
Total revenue		**2,340.8**	**2,256.5**
EXPENSES			
Continuing operations			
Finance Income			
Bank deposits		3.0	3.7
Finance Expenses			
Interest on bank overdrafts and loans		(80.6)	(74.8)
Interest capitalised on qualifying assets[1]		29.3	21.5
Amortisation of facility fees		(1.7)	(1.9)
Interest on obligations under finance leases		(0.8)	(0.9)
Unwinding of discount on provisions		-	(0.3)
		(53.8)	**(56.4)**
Net finance costs		**(50.8)**	**(52.7)**
Employee benefits expense			
Superannuation contributions		(74.6)	(70.8)
Termination benefits		(0.7)	(1.2)
Other employee benefits		(993.9)	(943.5)
Share based payments expense	19	(2.0)	(3.2)
Total employment benefits expense		**(1,071.2)**	**(1,018.7)**
Minimum lease payments for operating leases		**33.0**	**29.0**

1 The weighted average capitalisation rate on funds borrowed is 5.01% p.a. (2017: 5.01% p.a.).

		2018	2017
	Note	$'m	$'m
EXPENSES (continued)			
Continuing operations			
Other income and expense items			
Restructure and other costs[1]		5.0	2.4
Loss relating to appointment of liquidators for a supplier group[2]		0.2	5.7
Hospital commissioning costs[3]		1.6	2.7
Hospital closure costs[4]		19.1	-
Acquisitions and tender costs[5]		-	0.2
Impairment of hospital assets[6]		5.8	11.5
Onerous leases and related costs[7]		62.5	2.2
Bid assessment costs[8]		13.0	-
Total other income and expense items		**107.2**	**24.7**

1 Restructure and other costs primarily relate to redundancies as a result of restructure within the Hospital Division.

2 Represents write-off in relation to deposit paid to an insolvent supplier for the maintenance contract of theatre equipment. The prior year expense relates to costs written off in relation to stock in transit and deposits paid for the purchase of theatre equipment from a supplier group which entered into liquidation. These costs have not been recovered.

3 The current year costs primarily relate to costs incurred in relation to pre-opening of the Northern Beaches Hospital and commissioning of the completed brownfield projects at Brisbane Private Hospital and Sunnybank Private Hospital. The prior year expense relates to the commissioning of Holmesglen Private Hospital.

4 Hospital closure costs relate to the costs incurred directly in relation to the closure of Geelong Private Hospital and Cotham Private Hospital. These costs include write-downs, redundancies and other costs directly attributable to the closure of these hospitals.

5 The prior year expense relates to professional costs incurred in relation to the Maitland Hospital tender.

6 The current year expense relates to impairment of leasehold improvements and fittings held by the Frankston Private Hospital. The prior year expense relates to impairment of plant and equipment held by the Geelong Private Hospital.

7 The Group recognised certain property lease contracts as having contractual obligations greater than the economic benefits expected to be received under the contracts. The current year expense relates to recognition of onerous lease provisions for Frankston Private Hospital property leases.

8 The current year expense relates to the professional advisory fees for the assessment of unsolicited and conditional acquisition proposals.

Key accounting policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable by the Group.

Rendering of services: Revenue from patients is recognised on the date the services are provided to the patient.

Rental income: Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Management fees: Revenue received from managing hospitals on behalf of Adelaide Community Healthcare Alliance (ACHA) is recognised in accordance with the relevant agreement.

Operating lease rental expense

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. Under the terms of an operating lease, the Group does not assume the risks and benefits associated with ownership of the leased asset.

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 2: Revenue and expenses (continued)

Standards in issue but not yet effective

AASB 15 *Revenue from Contracts with Customers*

AASS 15 is effective for the years commencing 1 July 2018. The standard requires revenue to be recognised on satisfaction of the performance obligations specified under contracts.

The Directors have undertaken a final detailed assessment of the impact of applying requirements of AASB 15, the effect of which has been assessed as follows:

Hospital services

Each surgical and non-surgical service provided to a patient represents a performance obligation. Accordingly, revenue will be recognised for each of these performance obligations over the period from admission of the patient to discharge. The timing of revenue recognition for each performance obligation is expected to be broadly in line with current practice.

Pathology services

In relation to the provision of pathology services in New Zealand, the Directors have preliminary assessed that each pathology service contract represents a single performance obligation which is satisfied over time. The obligation is to provide pathology testing to eligible patients during the contract term.

In respect of pathology operations in Malaysia and Singapore, each pathology service provided to a patient represents a performance obligation. Accordingly, revenue will be recognised for each of these performance obligations upon the provision of results to the doctor or patient. The timing of revenue recognition for each performance obligation is expected to be broadly in line with current practice.

Hospital management services

The recognition of management fee income will occur over time in accordance with the relevant agreement. The timing of revenue recognition is expected to be in line with current practice.

Based on the work performed to date of this report, the timing of revenue recognition for each material revenue stream is expected to be broadly in line with current practice.

No material impact is expected on the financial statements of the Group upon adoption on 1 July 2018 (year ending 30 June 2019).

AASB 16 *Leases*

AASB 16 is effective for the year commencing 1 July 2019. The standard requires operating leases to be recognised on balance sheet.

Broadly, this standard will require the calculation and recognition of a right-of-use asset and corresponding liability based on the discounted value of committed lease payments. These payments, currently expense within EBIT, will be replaced by the straight-line amortisation of the right-of-use asset and will reduce the lease liability. As the lease liability will be carried at present value, an interest expense will arise over the period of the lease. The principle component of lease payments will be reclassified in the statement of cash flows from operating to financing activities.

As disclosed in the financial statements for the year ended 30 June 2017, AASB 16 is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements.

As at 30 June 2018, the Group had commitments for future operating lease payments totalling $503.2 million, which is largely reflected by leases over land and building assets.

The Group has identified certain areas where further work is required, including the need to assess option or renewal periods identified in lease agreements. Where such options are reasonably certain of exercise, payments in excess of those currently disclosed as operating lease commitments will be included in the calculation of the lease liability and right-of-use asset.

The Group's detailed impact assessment is ongoing and a reliable estimate of the impact is still being determined.

Note 3: Income taxes

Income tax recognised in the profit or loss

	2018	2017
	$'m	$'m
Income tax expense from continuing and discontinued operations		
Current tax expense	(30.0)	(15.1)
Deferred tax benefit expense relating to the origination and reversal of temporary differences	(4.7)	(48.3)
Other adjustments recognised in the current year	(0.8)	(0.2)
Total income tax expense	**(35.5)**	**(63.6)**
Income tax expense from continuing and discontinued operations		
Tax expense from continuing operations	(32.1)	(60.0)
Tax expense from discontinued operations	(3.4)	(3.6)
Total income tax expense	**(35.5)**	**(63.6)**

The income tax expense for the year from continuing and discontinued operations can be reconciled to the accounting profit before tax as follows:

Income tax recognised in the income statement

	2018	2017
	$'m	$'m
Profit before income tax for continuing and discontinued operations		
Continuing operations	107.9	211.1
Discontinued operations	17.0	(36.6)
	124.9	**174.5**
Income tax calculated at 30%	(37.5)	(52.4)
Increase in income tax expense due to:		
Effect of expenses that are not deductible in determining taxable profit	(1.9)	(17.6)
Decrease in income tax expense due to:		
Effect of tax rate in foreign jurisdictions	2.3	2.3
Effect of non-assessable income	1.1	0.7
Adjustments recognised in the current year in relation to the current tax of prior years	0.3	0.2
Adjustments recognised in the current year in relation to the deferred tax of prior years	-	2.4
Other adjustments recognised in the current year	0.2	0.8
Income tax expense	**(35.5)**	**(63.6)**
Deferred tax		
Arising from income and expenses recognised in other comprehensive income:		
Fair value re-measurement of cash flow hedges	**(4.1)**	**(3.3)**
Current tax liabilities		
Income tax payable		
Australia	9.1	-
New Zealand	6.2	2.5
Asian Pathology	1.9	1.1
Transferred to liabilities directly associated with assets classified as held for sale	(1.9)	-
	15.3	**3.6**
Franking credits		
Franking credits available for subsequent reporting periods	**17.0**	**12.7**

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 3: Income taxes (continued)

DEFERRED TAX BALANCES	OPENING BALANCE	CHARGED TO INCOME	CHARGED TO OTHER COMPREHENSIVE INCOME	CHARGED TO EQUITY	TRANSFERRED TO ASSETS CLASSIFIED AS HELD FOR SALE	CLOSING BALANCE
	$'m	$'m	$'m	$'m	$'m	$'m
2018						
Gross Deferred Tax Liabilities						
Property, plant and equipment	30.0	2.4	-	-	(0.4)	32.0
Intangibles	11.5	(0.8)	-	-	-	10.7
Inventories	14.5	(0.1)	-	-	-	14.4
Other	0.2	-	-	-	(0.2)	-
Derivative financial instruments	(7.0)	(0.9)	0.4	-	-	(7.5)
	49.2	**0.6**	**0.4**	**-**	**(0.6)**	**49.6**
2018						
Gross Deferred Tax Assets						
Provisions	43.4	22.5	-	-	(0.1)	65.8
Accruals	6.3	3.2	-	-	(0.2)	9.3
Borrowing costs	0.1	(0.1)	-	-	-	-
Transaction costs	8.3	(3.3)	-	-	-	5.0
Borrowings (hedge accounting)	(5.0)	-	(1.2)	-	-	(6.2)
Tax losses	27.5	(27.5)	-	-	-	-
Derivative financial instruments	3.3	-	(2.5)	-	-	0.8
Other	2.2	1.1	-	-	(0.4)	2.9
	86.1	**(4.1)**	**(3.7)**	**-**	**(0.7)**	**77.6**
2017						
Gross Deferred Tax Liabilities						
Property, plant and equipment	29.0	1.0	-	-	-	30.0
Intangibles	13.2	(1.0)	-	-	(0.7)	11.5
Inventories	15.5	(0.8)	-	-	(0.2)	14.5
Other	0.3	(0.1)	-	-	-	0.2
Derivative financial instruments	5.5	(9.0)	(3.5)	-	-	(7.0)
	63.5	**(9.9)**	**(3.5)**	**-**	**(0.9)**	**49.2**
2017						
Gross Deferred Tax Assets						
Provisions	43.6	0.5	-	-	(0.7)	43.4
Accruals	7.4	(1.0)	-	-	(0.1)	6.3
Borrowing costs	0.3	(0.2)	-	-	-	0.1
Transaction costs	12.4	(4.1)	-	-	-	8.3
Borrowings (hedge accounting)	8.5	(9.4)	(4.1)	-	-	(5.0)
Tax losses	71.6	(44.1)	-	-	-	27.5
Derivative financial instruments	6.5	(0.5)	(2.7)	-	-	3.3
Other	1.6	0.6	-	-	-	2.2
	151.9	**(58.2)**	**(6.8)**	**-**	**(0.8)**	**86.1**

	2018	2017
	$'m	$'m
The following deferred tax assets have not been brought to account as assets:		
Tax losses - capital	**44.6**	**33.2**

Key accounting policies

Income tax expense

Income tax expense comprises current tax (amounts payable within 12 months) and deferred tax (amounts payable or receivable after 12 months). Tax expense is recognised in the profit or loss, unless it relates to items that have been recognised in equity (as part of comprehensive income). In this instance, the related tax expense is also recognised in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year. It is calculated using tax rates applicable at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised for all taxable temporary differences and is calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

Tax consolidation

Except for the entities disclosed in footnote 1 in Note 24 to the Financial Statements, the Company and its wholly-owned Australian resident entities have formed a tax-consolidated group. As a result it is taxed as a single entity. The head entity of the tax consolidated group is Healthscope Limited.

Critical accounting judgements

Current tax liabilities

In July 2018, ATO completed a streamlined assurance review of Healthscope's Australian business. The ATO has indicated that it may undertake a more detailed review in respect of various matters that relate to the pre-IPO period, and Healthscope's utilisation in the post-IPO period of tax losses.

The ATO reserves the right to request further information on these matters in future periods. No new tax liabilities have arisen as a result of streamlined assurance review.

The Group is regularly subject to information requests and audit activities by the tax authorities. The outcome of these reviews depend upon several factors which may result in further tax payments or refunds of tax payments already made to the Group. Provisions for potential further payments will be recognised if a present obligation in relation to taxation liability is assessed as probably and can be reliably measured.

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 4: Trade and other assets and liabilities

	2018	2017
	$'m	$'m
Trade and other receivables		
CURRENT		
Accrued revenue	96.6	84.5
Trade receivables	68.2	76.7
Provision for doubtful debts	(0.8)	(1.2)
	164.0	**160.0**
Receivable from NSW State Government[1]	376.5	-
Goods and services tax recoverable	2.5	4.6
Other	-	1.2
	543.0	**165.8**
NON-CURRENT		
Receivable from NSW State Government[1]	**-**	**298.3**

1 The receivable is due upon completion of the NSW government review process following the commissioning of Northern Beaches Hospital, which is currently scheduled to open during the next financial year. Due to the expected timing of the completion and review process, the receivable has been reclassified as a current asset.

	2018	2017
	$'m	$'m
Age of trade receivables that are past due but not impaired		
30 - 60 days	3.6	4.5
60 - 90 days	2.0	6.1
90 - 120 days	1.5	1.2
120 - 150 days	1.9	0.6
150 - 180 days +	5.3	3.2
Total	**14.3**	**15.6**

The average credit period for the provision of services is 28 days (2017: 28 days).

As at 30 June 2018, $132.1 million (2017: $112.1 million) of trade receivables were sold under the Receivables Securitisation Program. The proceeds from the sale were used for working capital purposes.

	2018	2017
	$'m	$'m
Trade and other payables		
CURRENT		
Trade creditors	117.4	107.8
Sundry creditors and accruals	64.2	67.2
Labour accruals	44.2	43.7
Capital accruals	10.9	32.9
	236.7	**251.6**
NON-CURRENT		
Rent received in advance[1]	**22.5**	**23.8**

1 Rent primarily represents rent received in advance in relation to the operating leases of certain hospital car parks and consulting suites.

The average credit period on purchases of goods is 30 days (2017: 30 days). No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

Key accounting policies

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost less any provisions for expected impairment losses or actual impairment losses. Credit losses and recoveries of items previously written off are recognised in the profit or loss.

Trade and other payables

Trade and other payables are stated at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid at the reporting date.

Goods and services tax

Revenues, expenses, assets and liabilities (other than receivables and payables) are recognised net of the amount of goods and services tax (GST). The only exception is where the amount of GST incurred is not recoverable from the relevant taxation authorities. In these circumstances, the GST is recognised as part of the cost of asset or as part of the item of expenditure.

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 5: Earnings per share

	2018	2017
Basic earnings per share (cents per share)		
From continuing operations	4.4	8.7
From discontinued operations	0.8	(2.3)
Total basic earnings per share	**5.2**	**6.4**
Diluted earnings per share (cents per share)		
From continuing operations	4.3	8.6
From discontinued operations	0.8	(2.3)
Total diluted earnings per share	**5.1**	**6.3**

(a) Reconciliation of earnings used in calculating earnings per share

	2018	2017
	$'m	**$'m**
Basic and diluted earnings per share		
Profit / (Loss) for the year attributable to owners of the Company		
- from continuing operations	75.8	151.1
- from discontinuing operations	13.6	(40.2)
	89.4	**110.9**

Refer to below for further information on calculation of earnings per share:

(b) Weighted average number of shares used in calculating earnings per share

	2018	2017
	Number 'm	**Number 'm**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,738.1	1,735.4
Adjustments for calculation of diluted earnings per share:		
- LTI Performance rights	4.3	3.9
- STI Performance rights	2.4	1.6
Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating diluted earnings per share	**1,744.8**	**1,740.9**

(c) Information concerning the classification of securities

Performance rights and share rights granted to participants are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The performance rights and share rights have not been included in the determination of basic earnings per share.

Note 6: Dividends

	2018		2017	
	Cents per share	$'m	Cents per share	$'m
Fully paid ordinary shares				
Interim dividend	3.2	55.7	3.5	60.7
Final dividend	3.5	60.9	3.5	60.7

On 21 August 2018, the Directors resolved to pay a dividend of 3.5 cents per share to the holders of fully paid, ordinary shares in respect of the financial year ended 30 June 2018, to be paid to shareholders on 28 September 2018. This dividend has not been included as a liability in these consolidated financial statements. The total estimated dividend to be paid is $60.9 million.

Key accounting policies

Dividends

The financial effect of the dividend is recognised in the reporting period in which the dividends are paid.

Note 7: Issued Capital

	NUMBER OF SHARES	SHARE CAPITAL $'m
Balance at 1 July 2015	1,735,093,472	2,706.1
New shares issued	946,442	2.1
Balance at 30 June 2016 and 1 July 2017	1,736,039,914	2,708.2
New shares issued	3,663,372	5.2
Balance at 30 June 2018	**1,739,703,286**	**2,713.4**

Ordinary shares

Ordinary shares issued are classified as equity and are fully paid, have no par value and carry one vote per share and the right to dividends. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any related income tax benefit.

Note 8: Borrowings and other financial liabilities

	2018	2017
	$'m	$'m
CURRENT		
Secured - at amortised cost		
Finance lease liabilities	2.0	3.8
Project finance[1]	690.0	-
Capitalised facility costs	(1.6)	-
	690.4	**3.8**
NON-CURRENT		
Unsecured - at amortised cost		
Bank loans	850.0	850.0
Capitalised facility costs	(2.4)	(3.6)
	847.6	**846.4**
US Private Placement[2]	374.3	378.4
Capitalised facility costs	(2.5)	(2.7)
	371.8	**375.7**
Secured - at amortised cost		
Finance lease liabilities	5.5	8.7
Project finance[1]	-	576.9
Capitalised facility costs	-	(5.3)
	-	**571.6**
	1,224.9	**1,802.4**

1 The project finance debt is related to the development of Northern Beaches Hospital. Upon successful commissioning of Northern Beaches Hospital, the Group expects to repay the project finance debt using proceeds from the settlement of NSW Government Receivable and the drawdown of an existing corporate debt facility. As a result, the project finance debt has been reclassified to current borrowings.

2 During the current financial year, there were no repayments of the principal. The movement in this balance relates to foreign exchange translation and fair value adjustments arising from the application of hedge accounting.

Key accounting policies

Borrowings

Borrowings are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest recognised on an effective yield basis. However, where an effective fair value hedge is in place, borrowings are carried at amortised cost adjusted for the change in fair value of the related interest rate hedge, which is recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. Refer to Note 18 for further details of measuring fair value of interest-bearing loans and borrowings

Borrowing costs

Borrowing costs include interest on borrowings and the amortisation of premiums relating to borrowings. Borrowing costs are expensed as incurred, unless they relate to qualifying assets. Where such costs relate to qualifying assets, the borrowing costs are capitalised and depreciated over the asset's expected useful life.

Finance leases

Under the terms of a finance lease, the Group assumes most of the risks and benefits associated with ownership of the leased asset. Assets subject to finance leases are measured at the present value of the minimum lease payments. The leased asset is amortised on a straight-line basis over the period that benefits are expected to flow from its use. A corresponding liability is established for the lease payments. Each lease payment is allocated between finance charges and reduction of the liability.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Note 8: Borrowings and other financial liabilities (continued)

		2018			2017		
		Drawn	Unused	Total	Drawn	Unused	Total
	Notes	$'m	$'m	$'m	$'m	$'m	$'m
FINANCE FACILITIES DENOMINATED IN AUD							
Bank loans - Syndicated debt facility	(i)	850.0	300.0	1,150.0	850.0	300.0	1,150.0
- Facility A1		155.0	-	155.0	155.0	-	155.0
- Facility A2		195.0	-	195.0	195.0	-	195.0
- Facility A3		500.0	-	500.0	500.0	-	500.0
- Facility B		-	300.0	300.0	-	300.0	300.0
Project finance	(ii)	690.0	-	690.0	576.9	113.1	690.0
Bank overdraft credit facility		-	5.0	5.0	-	5.0	5.0
Receivables securitisation facility	(iii)	132.1	7.9	140.0	112.1	27.9	140.0
DENOMINATED IN USD							
US Private Placement (USD)	(iv)	300.0	-	300.0	300.0	-	300.0

Summary of borrowing arrangements

(i) Syndicated debt facility

Facility	Maturity date
- Facility A1	October 2019
- Facility A2	October 2019
- Facility A3	October 2020
- Facility B	October 2019

The syndicated facility is subject to financial undertakings as to gearing and interest cover.

As at 30 June 2018 the Group has complied with the above financial covenants and forecast to be able to continually comply with these financial covenants during the course of the 2019 financial year.

(ii) Project finance

Project finance relates to:

- *Northern Beaches Hospital development:* 5-year limited recourse syndicated construction facility totalling $690.0 million. This facility is secured against entities of the Group which are not obligors of the syndicated facility. Interest has been fixed via the use of a designated Interest Rate Swap (further details of which are set out in Note 9).

(iii) Receivables securitisation

Under the terms of the receivables securitisation facility, the Group has de-recognised $132.1 million (2017: $112.1 million) of eligible receivables and used the proceeds for working capital purposes. This facility was renewed during the financial year. The facility now has a maturity date of 28 July 2019.

(iv) US Private Placement

On 23 March 2016, Healthscope entered into a commitment to issue US$300.0 million of US Private Placement notes, which were settled on 24 May 2016. The US Private Placement comprises a single tranche of notes with a 10 year tenor, maturing on 26 May 2026. The notes were issued in US dollars at a fixed coupon. The notes were converted back to Australian dollar principal and floating interest rate via a Cross Currency Interest Rate Swap (further details of which are set out in Note 9).

The US Private Placement is carried at amortised cost translated at spot rate as at 30 June 2018, adjusted for changes in the fair value of the related interest rate hedge.

The principal drawn is US$300.0 million which translates to AU$405.1 million at spot rate as at 30 June 2018 (2017: $404.0 million). The difference to the carrying amount of $371.8 million (2017: $375.7 million) represents the fair value adjustment arising from the application of hedge accounting.

Reconciliation of movements in liabilities arising from financing activities to net financing cash flows

DEFERRED TAX BALANCES	OPENING BALANCE	CASH FLOWS	FAIR VALUE ADJUSTMENTS	FOREIGN EXCHANGE	OTHER MOVEMENTS	CLOSING BALANCE
CURRENT						
2018	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**
Bank loans	850.0	-	-	-	-	850.0
US Private Placement	378.4	-	(19.1)	15.0	-	374.3
Project Finance	576.9	113.1	-	-	-	690.0
Finance lease liabilities	12.5	(5.2)	-	-	0.2	7.5
Facility costs	(11.6)	(0.3)	-	-	5.5	(6.5)
Total liabilities from financing activities	**1,806.2**	**107.6**	**(19.1)**	**15.0**	**5.7**	**1,915.3**
Dividend reinvested through Dividend Reinvestment Plan		5.2				
Dividends paid		(116.4)				
Net repayment of receivables securitisation		20.0				
Net financing cash flows		**16.4**				
CURRENT						
2017	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**
Bank loans	850.0	-	-	-	-	850.0
US Private Placement	422.2	-	(31.4)	(12.4)	-	378.4
Project Finance	296.0	280.9	-	-	-	576.9
Finance lease liabilities	10.9	(6.5)	-	-	8.1	12.5
Facility costs	(17.2)	(0.1)	-	-	5.7	(11.6)
Total liabilities from financing activities	**1,561.9**	**274.3**	**(31.4)**	**(12.4)**	**13.8**	**1,806.2**
Dividends reinvested through Dividend Reinvestment Plan		2.1				
Dividends paid		(128.5)				
Net repayment of receivables securitisation		0.8				
Net financing cash flows		**148.7**				

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 9: Derivative financial instruments

	2018	2017
	$'m	$'m
DERIVATIVE FINANCIAL LIABILITIES		
CURRENT LIABILITIES		
Interest rate swaps	2.8	8.1
Cross currency interest rate swaps	2.9	2.6
	5.7	**10.7**
NON-CURRENT LIABILITIES		
Interest rate swaps	-	3.0
Cross currency interest rate swaps	22.0	20.8
	22.0	**23.8**

Cross currency interest rate swaps

The cross currency interest rate swap has been used to convert the US Private Placement from US dollars at a fixed coupon, to Australian dollars at floating rate. In effect, Healthscope will pay floating rate on AUD$395.1 million of principal over the term of the arrangement.

The cross currency interest rate swap is stated at fair value and has been designated into a series of hedge relationships with the US Private Placement (refer to Note 8).

Changes in the fair value of the US Private Placement and Cross Currency Interest Rate Swap attributable to:

- Interest rate movements: Are recognised in profit or loss (fair value hedge relationship).
- Currency and credit margin movements: Are recognised in equity (cash flow hedge relationship).

Interest rate swap contracts

The interest rate swaps have been used to fix the interest exposure associated with the project finance facility for the Northern Beaches Hospital development which has a floating interest rate. In effect, Healthscope will pay fixed rate on amounts drawn under the Project Finance facility in accordance with a stepped draw down profile.

The interest rate swaps are stated at fair value and have been designated into a hedge relationship with the project finance facility (refer to Note 8).

To the extent the hedge relationship is “highly effective”, changes in the fair value of the interest rate swap are recognised in equity. Amounts recognised in equity are reclassified into the statement of profit or loss when interest on the project finance facility is recognised in the statement of profit or loss. Ineffectiveness is immediately recognised in the statement of profit or loss.

Key accounting policies

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised initially at cost, and subsequently are stated at fair value. The method of recognising any remeasurement gain or loss depends on the nature of the item being hedged.

For the purposes of hedge accounting, hedges are classified as either cash flow or fair value hedges. On entering into a hedging relationship, the Group formally designates and documents details of the hedge, risk management objective and strategy for entering into the arrangement. The Group applies hedge accounting to hedge relationships that are "highly effective".

- *Cash flow hedges* are used to hedge exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction.

  Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument. Any difference represents ineffectiveness. The effective portion of any gain or loss on the hedging instrument is recognised directly in equity, with any ineffective portion recognised in the statement of profit or loss. For hedged items relating to financial assets or liabilities, amounts recognised in equity are reclassified into the statement of profit or loss when the hedged transaction affects the statement of profit or loss (i.e. when interest income or expense is recognised).

  When a hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge relationship is revoked but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above when the transaction occurs.

  If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the statement of profit or loss.

- *Fair value hedges* are used to hedge the variability of changes in the fair value of a recognised asset or liability or an unrecognised firm commitment. Any gain or loss on the derivative is recognised directly in the statement of profit or loss.

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 10: Notes to the consolidated statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the consolidated statement of financial position as follows:

	2018	2017
	$'m	$'m
Cash and cash equivalents	89.2	145.8
Restricted cash[1]	71.3	50.3
	160.5	**196.1**
Transferred to assets held for sale	(3.7)	(0.2)
Total cash and cash equivalents	**156.8**	**195.9**

1 Restricted cash can only be applied towards the development of Northern Beaches Hospital which is subject to separate funding arrangements.

(b) Reconciliation of net profit for the year to net cash flows from operating activities

	2018	2017
	$'m	$'m
Continuing and Discontinued Operations		
Profit for the year	89.4	110.9
Non-cash flows in operating profit		
- Depreciation and amortisation	115.6	113.3
- Income tax expense recognised in profit or loss	35.5	63.6
- Impairment of goodwill associated to the Medical Centres business	-	54.7
- Finance costs recognised in profit or loss	54.0	52.8
- Share of profit of associates and joint ventures	(2.4)	(2.1)
- Equity settled share based payments	2.0	3.2
- Other income and expense items	95.5	25.2
- Change in fair value of derivative financial instruments	(3.0)	2.8
- Gain on sale of assets	(0.8)	(0.8)
	385.8	**423.6**
Changes in assets and liabilities		
- Increase in receivables and other assets	(18.4)	(16.6)
- Increase in prepayments	(1.3)	(0.2)
- (Increase) / Decrease in consumable supplies at cost	(0.1)	2.6
- Increase to trade and other payables	19.7	7.9
- (Decrease) / Increase to provisions	(17.8)	0.9
	367.9	**418.2**
Cash generated by operating activities		
Interest received	3.1	3.7
Interest paid	(53.8)	(54.1)
Other income and expense items	(18.4)	(23.1)
Income taxes paid	(15.4)	(13.7)
Net cash generated by operating activities	**283.4**	**331.0**

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 11: Property, plant and equipment

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current and previous financial year:

	FREEHOLD LAND	BUILDINGS
2018	$'m	$'m
Balance at 1 July 2017	257.2	947.0
Additions	19.2	124.6
Transfers	-	(0.6)
Depreciation - Continuing operations	-	(29.5)
Depreciation - Discontinued operations	-	-
Impairment of assets	-	-
Net disposals	-	(0.5)
Reclassified to assets held for sale	(8.2)	(7.2)
Effect of foreign currency exchange differences	-	(0.1)
Balance at 30 June 2018	**268.2**	**1,033.7**
2017		
Balance at 1 July 2016	257.2	899.2
Additions	-	71.4
Transfers	-	3.4
Depreciation - Continuing operations	-	(27.0)
Depreciation - Discontinued operations	-	-
Impairment of assets	-	-
Net disposals	-	-
Reclassified to assets held for sale	-	-
Effect of foreign currency exchange differences	-	-
Balance at 30 June 2017	**257.2**	**947.0**

The Directors believe that the carrying value of property, plant and equipment will be fully recovered through future use and subsequent disposal.

Key accounting policies

Property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amounts of assets are reviewed to determine if there is any indication of impairment. If any such indication exists, these assets' recoverable amounts are estimated and, if required, an impairment is recognised in the income statement. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Borrowing costs in relation to the funding of qualifying assets are capitalised and included in the cost of asset. Qualifying assets are assets that take more than 12 months to get ready for their intended use or sale. Where funds are borrowed, generally, a weighted average interest rate is used for the capitalisation of the interest.

LEASEHOLD IMPROVEMENTS	PLANT & EQUIPMENT	LEASED PLANT & EQUIPMENT	CAPITAL WORK IN PROGRESS	TOTAL
$'m	$'m	$'m	$'m	$'m
151.6	333.5	11.7	376.0	2,077.0
2.7	71.5	8.4	77.3	303.7
0.5	0.1	-	-	-
(5.9)	(67.7)	(2.0)	-	(105.1)
(0.3)	(0.9)	(3.4)	-	(4.6)
-	(5.0)	-	-	(5.0)
-	(0.6)	-	-	(1.1)
(0.8)	(2.9)	(8.9)	(0.1)	(28.1)
(0.6)	(0.5)	0.3	-	(0.9)
147.2	**327.5**	**6.1**	**453.2**	**2,235.9**
88.1	319.3	9.5	227.0	1,800.3
72.1	81.1	7.2	175.6	407.4
7.1	17.3	1.8	(29.6)	-
(7.6)	(61.3)	(2.3)	-	(98.2)
(1.3)	(2.2)	(3.1)	-	(6.6)
-	(11.5)	-	-	(11.5)
(0.1)	(1.7)	(0.8)	0.6	(2.0)
(6.6)	(4.7)	-	-	(11.3)
(0.1)	(2.8)	(0.6)	2.4	(1.1)
151.6	**333.5**	**11.7**	**376.0**	**2,077.0**

Capital work in progress

Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy

Depreciation

Property, plant and equipment, other than freehold land, are depreciated on a straight-line basis. Freehold land is not depreciated. Depreciation rates are calculated to spread the cost of asset (less any residual value), over its estimated useful life. Residual value is the estimated value of the asset at the end of its useful life.

The ranges of depreciation rates used for each class of depreciable assets are:

Buildings	2% to 5%	**Leasehold improvements**	2% to 100%
Plant & equipment	5% to 50%	**Leased assets**	4% to 20%

Note 12: Intangibles

2018	GOODWILL $'m	CONTRACT MANAGEMENT RIGHTS $'m	OPERATING RIGHTS $'m	CONTRACT DEVELOPMENT COSTS $'m	TOTAL $'m
Balance at 1 July 2017	1,689.3	38.4	-	11.4	1,739.1
Amortisation - Continuing operations	-	(2.6)	-	(2.3)	(4.9)
Amortisation - Discontinued operations	-	-	-	-	-
Impairment of goodwill	(0.8)	-	-	-	(0.8)
Reclassified to held for sale	(84.5)	-	-	-	(84.5)
Effect of foreign currency exchange differences	(6.3)	-	-	(0.4)	(6.7)
Balance at 30 June 2018	**1,597.7**	**35.8**	**-**	**8.7**	**1,642.2**
2017					
Balance at 1 July 2016	1,784.2	42.4	3.3	13.7	1,843.6
Acquisitions through business combinations	-	-	1.3	-	1.3
Additions	-	-	(0.2)	-	(0.2)
Amortisation - Continuing operations	-	(4.2)	-	(2.3)	(6.5)
Amortisation - Discontinued operations	-	-	(1.8)	-	(1.8)
Reclassified to held for sale	(94.9)	-	(2.6)	-	(97.5)
Effect of foreign currency exchange differences	-	0.2	-	-	0.2
Balance at 30 June 2017	**1,689.3**	**38.4**	**-**	**11.4**	**1,739.1**

Allocation of goodwill

For impairment testing purposes, the Group identifies its cash generating units (CGUs), which is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or other groups of assets.

The gross carrying amount of goodwill allocated to the Group's CGUs or group of CGUs are provided below:

Goodwill	HOSPITALS AUSTRALIA $'m	PATHOLOGY NEW ZEALAND[1] $'m	DISCONTINUED OPERATIONS[2] $'m	TOTAL $'m
2018	1,426.5	171.2	-	**1,597.7**
2017	1,427.2	177.6	84.5	**1,689.3**

1 Movement relates to the foreign exchange difference arising from the translation of goodwill from its local currency to the Group's presentation currency.

2 The prior year balance represents goodwill attributable to the Asian Pathology business which has been reclassified to asset held for sale.

Key accounting policies

Goodwill

Goodwill on acquisition is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that they might be impaired.

Contract management rights

Contract management rights acquired by the Group have finite lives. They are stated at cost less accumulated amortisation.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits of the asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

For intangible assets with finite lives, amortisation is recognised in the profit or loss on a straight-line basis over their estimated useful life. The estimated useful lives of intangible assets in this category are as follows:

Contract management rights	3 to 30 years	**Operating rights**	3 to 6 years
Contract development costs	5 to 12 years		

Impairment of goodwill

The Healthscope Group performs an impairment assessment when there is an indication or trigger of a possible impairment of its non-current assets. In addition, at least annually, the Healthscope Group performs an impairment review of goodwill and indefinite life intangible assets, regardless of whether an impairment indicator has been identified. The annual review of goodwill and indefinite life intangible assets was performed at 30 June 2018.

Impairment indicators

The results of the annual impairment test performed by management concluded that all continuing CGU's had sufficient head room as at 30 June 2018 and that no impairment was required.

Assets held for sale are measured at the lower of carrying value and fair value less costs to sell hence they have been excluded from the annual impairment assessment.

Refer to Note 13 for further details.

Impairment testing approach

Impairment testing compares the carrying value of a CGU with its recoverable amount based on the higher of its value in use (present value of future cash flows) or fair value less costs to sell (net selling price).

The Group has prepared value-in-use models for the purpose of impairment testing of continuing CGUs as at 30 June 2018, using five year discounted cash flow models. Cash flows beyond the five year period are extrapolated using a terminal value growth rate. The Group's impairment testing resulted in no impairment at 30 June 2018.

Assumptions

The assumptions used for determining the recoverable amount of each CGU are based on past experience and expectations for the future. Cash flow projections are based on management's forecasts. These forecasts require management estimates to determine income, expenses, working capital movements, capital expenditure, and cash flows for each CGU. The projected cash flows for each individual CGU are discounted using an appropriate discount rate and terminal growth rate unique to each CGU.

The following assumptions were used in determining the recoverable amount of each cash generation unit based on value in use as at 30 June 2018.

- 2018/2019 Board approved profit and loss and cash flow budgets for each cash-generating unit;
- Inherent growth factors consistent with current performance for each CGU;

	HOSPITALS AUSTRALIA	NEW ZEALAND PATHOLOGY
2018	2.5 – 3.5%	3.0 – 4.0%
2017	2.5 – 3.5%	3.0 – 4.0%

- Prevailing market based pre-tax discount rates for the Group's CGUs are as follows:
  Hospitals Australia 9.3% (2017: 10.1%) and Pathology New Zealand 10.2% (2017: 11.5%).
- Cash flow projections covering a five-year period and terminal value; and
- Terminal growth factors have been set at:
  Hospitals Australia 2.5% (2017: 2.5%) and Pathology New Zealand 2.5% (2017: 2.5%)

Note 12: Intangibles (continued)

Critical accounting judgements

The Group is required to make significant estimates and judgements in determining whether the carrying amount of its assets and / or CGUs has any indication of impairment, in particular in relation to:

- key assumptions used in forecasting future cash flows;
- discount rates applied to those cash flows; and
- the expected long term growth in cash flows

Such estimates and judgements are subject to change as a result of changing economic and operational conditions. Actual cash flows may therefore differ from forecasts and could result in changes in the recognition of impairment charges in future periods.

Note 13: Assets classified as held for sale

Asian Pathology

As at 30 June 2018, Healthscope was in the process of selling its pathology operations in Asia, otherwise referred to as the Asian Pathology business. As a result, the Asian Pathology business has been classified as 'held for sale' and presented as a 'discontinued operation'.

On 30 July 2018, Healthscope announced that it has entered into an agreement to sell its Asian Pathology operations in Singapore, Malaysia and Vietnam for $279.0 million (on a cash-free and debt-free basis, subject to customary completion adjustments) to entities controlled by funds which are managed by TPG Capital Asia, the Asia investment platform within the global alternative asset firm, TPG. The transaction completed on 17 August 2018.

The fair value less costs to sell of the business unit is expected to be higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment charge was recognised on reclassification of the asset and liabilities as held for sale as at 30 June 2018.

Other

Healthscope has commenced a sale process for land and buildings relating to two of its hospitals, Como Private Hospital (Como) and Cotham Private Hospital (Cotham). As a result, the freehold property held by Como and Cotham has been classified as 'held for sale'.

Medical Centres

The prior year balances represent assets and liabilities relating to the Medical Centres business. As at 30 June 2017, Healthscope was in the process of selling the standalone Medical Centres business.

Effective 30 September 2017, Healthscope completed the sale of its Medical Centres business.

	2018	2017
	$'m	$'m
Carrying value of net assets classified as held for sale	114.8	107.2
Impairment loss on re-measurement to fair value less costs to sell	-	(54.7)
Fair value of net assets classified as held for sale	114.8	52.5
Freehold property - land and buildings	15.2	-
Receivables	17.8	2.4
Inventories	1.7	0.7
Property, plant and equipment	12.9	11.3
Intangibles (net of impairment)	84.5	42.8
Cash and bank balances	3.7	0.2
Deferred tax assets	0.7	0.8
Other assets	0.4	0.6
Assets held for sale	**136.9**	**58.8**
Payables	(10.1)	(3.0)
Current tax liabilities	(1.9)	-
Deferred tax liabilities	(0.6)	(0.9)
Other liabilities	(0.5)	(2.4)
Borrowings	(9.0)	-
Liabilities associated with assets held for sale	**(22.1)**	**(6.3)**
The fair value of net assets classified as held for sale have been disclosed in the statement of financial position as follows:		
Current assets	136.9	58.8
Current liabilities	(22.1)	(6.3)
	114.8	**52.5**

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 14: Commitments

(a) Capital expenditure commitments

	2018	2017
	$'m	$'m
Capital expenditure committed but not provided for and payable:		
- Not longer than 1 year	148.6	380.2
- Longer than 1 year but no longer than 5 years	2.4	313.0
- Longer than 5 years	-	-
	151.1	**693.2**

The capital commitments relate to the development of the Northern Beaches Hospital and various brownfield developments.

(b) Operating lease commitments

	2018	2017
	$'m	$'m
Non-cancellable operating leases contracted for but not capitalised:		
Payable:		
- Not later than 1 year[1]	32.7	32.0
- Later than 1 year but no later than 5 years[1]	108.7	119.4
- Later than 5 years[1]	361.8	324.3
	503.2	**475.7**

1 The comparatives include the Asian Pathology business, however the current year figures exclude them due to the sale of the Asian Pathology operations.

Operating leases relate to properties leased by the Group with lease terms between 1 and 30 years. (2017: 1 and 30 years). All operating leases contain market review clauses in the event that the lessee exercises its option to renew.

Note 15: Contingent liabilities

	2018	2017
	$'m	$'m
Estimates of material amounts of contingent liabilities not provided for:		
Bank guarantees to various Workcover authorities	16.2	12.3
Bank guarantee in respect of Northern Beaches development	161.8	161.8
Bank guarantees in respect of property leases	10.0	11.8

The Directors are of the opinion that no additional provisions are required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Note 16: Provisions

	2018 $'m	2017 $'m
CURRENT		
Employee benefits[1]	113.0	110.7
Medical malpractice insurance[2]	6.5	6.8
Onerous lease contracts and related costs[3]	4.8	2.3
Other[4]	16.9	3.7
	141.2	**123.5**
NON-CURRENT		
Employee benefits	21.5	21.8
Onerous lease contracts[3]	69.1	9.2
	90.6	**31.0**

Movement of provision for onerous lease contracts

	2018 $'m	2017 $'m
Opening balance as at 1 July	**11.5**	**14.2**
Additional provisions recognised	64.7	2.2
Reduction arising from payments / other sacrificed of future economic benefits	(2.3)	(4.9)
Reduction resulting from remeasurement or settlement without cost	-	-
Closing balance as at 30 June	**73.9**	**11.5**

Summary of provisions

1 The current provision for employee entitlements is calculated using probability models of employees reaching vesting dates. The calculations are based on pattern of leave taken and are grossed up for future pay rates, discounted to present value at appropriate discount rates.

2 The provision for medical malpractice insurance represents the present value of the estimated future outflow of economic benefits that may be required to be made to meet malpractice claims made against the Group.

3 The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The increase in provision is due to the recognition of onerous lease provision for Frankston Private Hospital property leases. Refer to Note 2 for further details.

4 Incorporates provisions in relation to the closure costs as disclosed in Note 2.

Key accounting policies

Provisions

Provisions are measured at management's estimate of the expenditure required to settle the obligation. This estimate is based on "present value" calculation, which involves the application of a discount rate to the expected future cash flows associated with settlement.

Employee entitlements

Provisions are made for liabilities to employees for annual leave, long service leave and other employee entitlements. Where the payment to employees is expected to take place in 12 months' time or later, a present value calculation is performed. In this instance, the corporate bond rate is used to discount the liability to its present value.

Onerous lease contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Critical accounting judgements

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- Future increases in wages and salaries;
- Future on-cost rates;
- Experience of employee departures and year of service; and
- Appropriate discount rate to reflect long term liabilities at present value.

Medical Malpractice Insurance

During the year, management performed the regular review of the medical malpractice insurance claims provision across the Group, which is included in the consolidated statement of financial position as at 30 June 2018 at $6.5 million (2017: $6.8 million).The provision represents the present value of the estimated future outflow of economic benefits that may be required to be made to meet malpractice claims made against the Group. The following key assumptions are used in determining the provision:

- Appropriate discount rate; and
- Forecast and review of plaintiff's claim.

Onerous lease contracts

The onerous lease contract provision has been derived on the basis of the most recent assessment of the likely net unavoidable cost to the end of the contract term. Management have considered the future costs of the contract which can be determined with a high degree of accuracy. However, the future economic benefits expected to be received are based on forecasts. Management consider the liability to be the best estimate of the net unavoidable costs as at 30 June 2018.

The following key assumptions are used in determining the provision related to onerous lease contracts:

- Appropriate discount rate to reflect the long term liabilities at present value; and
- Ability to sub-lease the premises subject to onerous lease contract.

Note 17: Financial instruments

Capital management

The Group's objectives when managing capital are to ensure the Group continues as a going concern while providing optimal returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management reviews the capital structure of the Group on a regular basis. As part of this review, the cost of capital and the risks associated with each class of capital is considered. The Group is not subject to any regulatory capital requirements.

The gearing ratio at year-end was as follows:

	2018	2017
	$'m	$'m
Borrowings - current	690.4	3.8
Borrowings - non-current	1,224.9	1,802.4
	1,915.3	**1,806.2**
Add back:		
USPP - Fair value adjustment associated with hedge accounting	30.8	11.7
Capitalised facility costs	6.5	11.6
Debt[1]	**1,952.6**	**1,829.5**
Cash and cash equivalents	(156.8)	(195.9)
Net debt	**1,795.8**	**1,633.6**
Equity[2]	**2,345.6**	**2,367.7**
Net debt + equity	**4,141.4**	**4,001.3**
Net debt / (Net debt + equity)	**43.4%**	**40.8%**

1 Debt is defined as long and short-term borrowings (excluding derivatives, fair value adjustments associated with hedge accounting and capitalised facility costs), as detailed in Note 8.

2 Equity includes all capital and reserves of the Group that are managed as capital.

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 17: Financial instruments (continued)

Risk management

The Group's principal financial instruments, other than derivatives, comprise cash, short term deposits, and interest bearing liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has various other financial assets and liabilities which arise directly from its operations.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities, principally interest rate swaps and cross currency swaps. The Group does not hold or issue derivative financial instruments for trading purposes.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk, these are discussed below.

(a) Interest rate risk

The Group has a policy of managing exposure to interest rate fluctuations by the use of fixed rate debt and interest rate swaps. Further details regarding the Group's approach to managing interest rate risk are discussed in Note 9.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

With all other variables held constant, a 1% increase in interest rates would reduce profit after tax by $12.1 million (2017: $8.8 million) reflecting the impact of higher interest rates on variable rate debt. A 1% decrease in interest rates would result in a corresponding $12.1 million increase in profit after tax (2017: $8.8 million).

(b) Foreign currency risk

The Group's primary currency exposure is to US dollars as a result of issuing US Private Placement debt. In order to hedge this exposure, the Group has entered into cross currency swaps to fix the exchange rate on the USD debt until maturity. The Group agrees to pay a fixed USD amount in exchange for an agreed AUD amount with swap counterparties, and to re-exchange this again at maturity. These swaps are designated to hedge the principal and interest obligations of the US Private Placement debt.

(c) Credit risk

The Group's credit risk arises in relation to cash and cash equivalents, receivables, financial liabilities and liabilities under financial guarantees.

Credit risk on financial assets, which have been recognised on the balance sheet, is the carrying amount less any allowance for non-recovery. The Group actively manages this exposure by dealing only with counterparties with good credit standing and not having any significant credit risk with any single counterparty.

Credit risk associated with financial liabilities arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in respect of derivative contracts is detailed in the liquidity risk table below.

Credit risk includes liabilities under financial guarantees. For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. The fair value of financial guarantee contract liabilities has been assessed as nil (2017: nil), as the possibility of an outflow occurring is considered remote. Details of the financial guarantee contracts at balance date are outlined below:

Deed of cross guarantee

The Company has entered into a deed of cross guarantee as outlined in Note 24.

Guarantees and indemnities

Entities in the Group are called upon to give in the ordinary course of business, guarantees and indemnities in respect of the performance of their contractual and financial obligations.

(d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The contractual undiscounted cash flows, including principal and estimated interest payments, of non-derivative financial instruments and derivative financial instruments in existence at year end are as follows:

2018	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE $'m	LESS THAN 1 YEAR $'m	1-5 YEARS $'m	5+ YEARS $'m	TOTAL $'m
Non-derivative financial instruments					
Trade creditors and accrued expenses		236.7	-	-	236.7
Variable interest rate instruments[1]	3.80%	304.5	1,024.7	-	1,329.2
Fixed interest rate instruments	4.60%	16.4	82.1	436.8	535.3
Finance lease liability	4.22%	2.0	5.2	0.3	7.5
Financial guarantees		156.9	29.6	1.5	188.0
Derivative financial instruments					
Interest rate swaps		2.4	-	-	2.4
Cross currency swaps		2.1	10.3	4.1	16.5
		721.0	**1,151.9**	**442.7**	**2,315.6**
2017					
Non-derivative financial instruments					
Trade creditors and accrued expenses		251.6	-	-	251.6
Variable interest rate instruments	3.80%	60.2	1,315.2	-	1,375.4
Fixed interest rate instruments	4.43%	16.4	81.8	453.1	551.3
Finance lease liability	4.18%	3.8	8.0	0.7	12.5
Financial guarantees		1.1	179.6	5.2	185.9
Derivative financial instruments					
Interest rate swaps		8.2	3.0	-	11.2
Cross currency swaps		1.3	6.4	3.8	11.5
		342.6	**1,594.0**	**462.8**	**2,399.4**

1 Includes the net project finance debt (Northern Beaches) due less than 1 year. The project finance debt of $690.0 million will be repaid within 12 months from the reporting date using receipts of NSW Government receivable.

For variable interest rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date. For foreign currency receipts and payments, the amount disclosed is determined by reference to the USD/AUD rate at balance date.

Key accounting policies

Standards in issue but not yet effective

AASB 9 *Financial Instruments* ("AASB 9") becomes mandatory for Healthscope's financial statement for the year commencing 1 July 2018 and has not been adopted early.

AASB 9 makes changes to the classification and measurement of financial instruments, introduces a new "expected credit loss" model when recognising impairment on financial assets. Healthscope has assessed the impact of the new expected credit loss model on its trade and other receivables. Given the historic value of receivables write-offs, the financial impact is not expected to be material.

Healthscope has reviewed its current classification and measurement of financial assets and liabilities in light of the new standard, and expects the impact upon adoption of AASB 9 will be immaterial to the users of the financial statements.

Healthscope has performed reviews of internal documentation procedures concerning its hedging transactions to ensure compliance with the new standard. The new hedge accounting requirements will not have any significant impact on the results.

Note 18: Fair value measurement

The financial instruments included on the Consolidated Statement of Financial Position are measured at either fair value or amortised cost. The measurement of this fair value may in some cases be subjective and may depend on the inputs used in the calculations.

The Group generally uses external valuations based on market inputs or market values. The different valuation methods are called 'hierarchies' and are described below.

- Level 1: calculated using quoted prices in active markets.
- Level 2: estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: estimated using inputs for the asset or liability that are not based on observable market data.

All financial instruments recognised on the Consolidated Statement of Financial position are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following borrowings:

	2018		2017	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Borrowings	$'m	$'m	$'m	$'m
US Private Placement (AUD)	371.8	397.8	375.7	414.1

The fair values of the Group's financial instruments are estimated as follows:

Borrowings

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date, in combination with restatement to foreign exchange rates at balance date (level 2 in fair value hierarchy).

Derivative financial instruments

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date (level 2 in fair value hierarchy). Refer to Note 9 for further details.

Promissory note

Healthscope is a party to a promissory note receivable in connection with the sale of the Australian Pathology business. The balance is presented as non-current other financial assets in the Consolidated Statement of Financial Position.

The fair value of promissory note is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty from market based information (level 3 in fair value hierarchy).

There were no transfers between Level 1 and Level 2 during the year.

Note 19: Share based payments

The Group has an ownership based remuneration strategy which provides certain senior management (including Senior Executives) with the opportunity to receive equity instruments as a component of their short and / or long term remuneration.

Performance Rights

As at 8 August 2018, Healthscope had 9,044,547 Performance Rights on issue which were granted to 46 holders. Refer to sections 6.3.1 and 6.4.1 of the Remuneration Report for more information about the Company's Performance Rights.

Long Term Incentive Plan (LTI Plan) – LTI Performance Rights

Healthscope has a Long Term Incentive Plan (LTI Plan) which is available to Senior Executives. In accordance with the provisions of the LTI Plan, Senior Executives may become entitled to LTI Performance Rights, which entitle the holder to acquire one ordinary share in Healthscope on satisfaction of LTI performance conditions.

The LTI Performance Rights are granted at no cost to the participants as they form part of their remuneration.

The dilutive effect, if any, of outstanding LTI Performance Rights is reflected in the computation of diluted earnings per share.

Further explanation of the LTI Plan is disclosed in the Remuneration Report.

EIP Performance Rights

To ensure continuity of knowledge and health sector expertise across the senior executive team, Healthscope has granted performance rights to certain senior executives subject to two and three year service conditions and the terms of the EIP. Further details relating to these rights are disclosed in the Remuneration Report and in the table below.

Deferred Short Term Incentives (Deferred STI) – STI Performance Rights

In 2016, Healthscope introduced a deferred equity component for senior management (including Senior Executives) entitled to STI reward. This new component results in between 30-50% of any relevant STI award being granted as STI Performance Rights. The STI Performance Rights entitle the holder to acquire one ordinary share in Healthscope at the completion of a two year deferral period, subject to continued employment. There are no further performance measures.

STI Performance Rights are granted at no cost and no payment is required to be made in order for the STI Performance Rights to vest and for participants to receive shares. Any STI Performance Rights that do not vest will automatically lapse.

At the date of this Report, the actual number of STI Performance Rights related to 2018 cannot be calculated and have not yet been issued. Based on the share price of the Company as at 30 June 2018 ($2.21), 1,398,715 STI Performance Rights would be issued. This number has been used for the purposes of calculating diluted earnings per share in Note 5.

The actual number of STI Performance Rights issued to senior management in relation to FY18 will be reported to shareholders in the Company's 2018 Financial Report.

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 19: Share based payments (continued)

Performance Rights held at the end of the year:

PERFORMANCE RIGHT SERIES	NUMBER OF RIGHTS	GRANT DATE	VESTING DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE AT GRANT DATE
LTI October 2015	1,084,542	30/10/2015	30/06/2018	30/06/2018	-	$2.18
LTI November 2015	697,925	24/11/2015	30/06/2018	30/06/2018	-	$2.31
LTI October 2016	1,537,642	21/10/2016	30/06/2019	30/06/2019	-	$1.84
STI October 2016	426,037	27/10/2016	30/06/2018	30/06/2018	-	$3.04
STI October 2016	401,687	27/10/2016	30/06/2018	30/06/2018	-	$3.04
EIP May 2017	444,836	15/05/2017	14/05/2019	14/05/2019	-	$2.02
EIP May 2017	355,872	15/05/2017	14/05/2020	14/05/2020	-	$1.95
STI October 2017	299,067	31/10/2017	30/06/2019	30/06/2019	-	$1.76
STI October 2017	367,269	27/10/2017	30/06/2019	30/06/2019	-	$1.76
LTI October 2017	1,090,910	19/10/2017	30/06/2020	30/06/2020	-	$1.26
LTI November 2017	1,607,340	10/11/2017	30/06/2020	30/06/2020	-	$1.28
EIP December 2017	446,331	31/12/2017	14/05/2020	14/05/2020	-	$1.93
EIP June 2018	285,089	29/06/2018	30/06/2020	30/06/2020	-	$2.08
TOTAL	9,044,547					

Movement in Performance Rights held during the year:

	2018	2017
	NUMBER	NUMBER
Balance at the beginning of the year	6,886,177	3,579,955
- Number issued during the financial year	4,096,006	3,306,222
- Number vested during the financial year	(797,431)	-
- Number lapsed during the financial year	(818,244)	-
- Number cancelled and forfeited during the financial year	(342,774)	-
Balance at the end of the year	**9,023,734**	**6,886,177**
Exercisable at 30 June 2018	-	-

There were no other transactions affecting Performance Rights held during the current or prior financial year.

Fair value of LTI Performance Rights

The fair value of LTI Performance Rights is measured at grant date and is recognised as an employee expense (with a corresponding increase in equity) over three years irrespective of whether the LTI Performance Rights vest to the holder. A reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the three year period.

The fair value of the LTI Performance Rights is determined by an external valuer and takes into account the terms and conditions upon which they were granted. The valuation was conducted using a Monte Carlo simulation for the TSR performance hurdle and a Binomial tree valuation model for the EPS performance hurdle.

The assumptions underlying the valuation of the LTI Performance Rights are:

INPUTS INTO THE 2018 PERFORMANCE RIGHT PRICING MODEL				
Grant date	19 October 2017	10 November 2017	31 December 2017	29 June 2018
Grant date share price	$1.93	$1.95	$2.10	$2.21
Exercise price	$0.00	$0.00	$0.00	$0.00
Estimated Volatility	30%	30%	Not applicable	Not applicable
Expected life	2.7 years	2.6 years	2.4 years	2.0 years
Risk free interest rate	2.04%	1.88%	2.05%	1.99%
Dividend yield	3.5%	3.5%	3.5%	3.1%

The weighted average fair value of the LTI Performance Rights granted during the financial year is $1.42 (2017: $1.89).

Expenses arising from share-based payment transactions

	2018	2017
	$'m	$'m
LTI Performance Rights - Current period expense	4.1	3.4
LTI Performance Rights - Prior period expense write back	(4.0)	(1.5)
STI Performance Rights	1.9	1.3
Total	**2.0**	**3.2**

Key accounting policies

The rights to shares granted to employees under the terms of the plans are measured at fair value. The fair value is recognised as an employee expense over the period that employees become unconditionally entitled to the rights. There is a corresponding increase in equity, which is reflected in the share based payments reserve.

The amount recognised as an expense is adjusted to reflect the actual number of rights taken up, once related service and other non-market conditions are met.

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 20: Discontinued operations

Discontinued operations for the year ended 30 June 2018

As Healthscope were in the process of disposing the Asian Pathology operations as at 30 June 2018, the assets and liabilities of the business have been classified as 'held for sale' whilst the financial results of the business have been presented as a 'discontinued operation' as set out below.

On 30 July 2018, Healthscope entered into an agreement to sell its Asian Pathology operations for $279.0 million (on a cash free, debt free basis subject to customary adjustments). The transaction completed on 17 August 2018.

Discontinued operations for the year ended 30 June 2017

On 30 September 2017, Healthscope completed the sale of its standalone Medical Centres operations to Fullerton Health Medical Centres Pty Ltd. As Healthscope completed the sale during current financial year, the trading results of the business for the period 1 July 2017 to 30 September 2017 have been reflected in the financial report as a 'discontinued operation'

Analysis of results for the year from discontinued operations

	2018	2017
	$'m	$'m
Revenue	80.2	116.0
Expenses	(63.0)	(97.9)
Impairment of Medical Centres business	-	(54.7)
Profit / (Loss) before finance costs and income tax	**17.2**	**(36.6)**
Net finance costs	(0.2)	-
Profit / (Loss) before income tax	**17.0**	**(36.6)**
Income tax expense	(3.4)	(3.6)
Net profit / (loss) for the year from discontinued operations	**13.6**	**(40.2)**
Reconciliation of statutory net profit from discontinued operations to operating earnings before finance costs, income tax, depreciation and amortisation (Operating EBITDA)		
Net profit / (loss) for the year from discontinued operations	**13.6**	**(40.2)**
Add back:		
Income tax expense	3.4	3.6
Net finance costs	0.2	-
Depreciation and amortisation	5.6	8.4
Other income and expense items:		
- Impairment of Medical Centres business	-	54.7
- Other	(1.0)	0.5
Operating EBITDA from discontinued operations	**21.8**	**27.0**
Medical Centres	1.5	8.8
Asian Pathology	20.3	18.2
Operating EBITDA from discontinued operations	**21.8**	**27.0**

Note 21: Key management personnel compensation and related parties

The compensation made to key management personnel of the Group is set out below:

	2018	2016
	$'m	$'m
Short term employment benefits	4.5	3.9
Long term employment benefits - Current period expense	2.4	2.7
Long term employment benefits - Prior period expense write back	(1.1)	(1.2)
Post-employment benefits	0.2	0.2
	6.0	**5.6**

Determination of key management personnel and detailed remuneration disclosures are provided in the Remuneration Report.

Loans to key management personnel and their related parties

In the year ended 30 June 2018, there were no loans to key management personnel and their related parties (2017: nil).

Transactions with related parties

Details of all entities within the consolidated group are disclosed in Note 24. There were no transactions between the related parties that require disclosure.

Note 22: Auditor's remuneration

	2018	2017
	$	$
Auditor of the parent entity		
Audit or review of the financial report	606,500	615,000
Agreed upon procedures and other assurance services	87,000	102,000
Corporate governance advisory services	25,000	35,000
Transaction advisory support	88,500	-
	807,000	**752,000**
Network firm of the parent entity auditor		
Audit or review of the financial statements	229,500	227,080
Due diligence assurance services	38,200	-
	1,074,700	**979,080**

All amounts were paid to Deloitte or Deloitte affiliated firms.

The auditor of the Group is Deloitte Touche Tohmatsu. From time to time, the auditors provide other services to the Group. These services are subject to strict corporate governance procedures which encompass the selection of service providers and the setting of their remuneration.

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 23: Events subsequent to reporting date

On 30 July 2018, Healthscope entered into an agreement to sell its Asian Pathology operations in Singapore, Malaysia and Vietnam for $279 million (on a cash-free and debt-free basis, subject to customary completion adjustments). The sale completed on 17 August 2018.

On 21 August 2018, Healthscope announced that the strategic review of its freehold hospital property assets had completed. Healthscope proposes to establish a new unlisted property trust which will hold the majority of Healthscope's freehold hospital property assets and lease them back to Healthscope. Healthscope will own a majority interest in the hospital property trust and a new co-investor will be introduced to hold an interest of up to 49% in the trust. The hospital properties expected to be transferred into the property trust (and leased back to Healthscope) have a book value for land and buildings of approximately $1.0 billion. Healthscope has announced it will commence a competitive process to select a preferred co-investor for the property trust. This process is expected to be completed during FY19.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods other than the dividend declared in Note 6.

Note 24: Entites within the consolidated group

The parent entity of the Group is Healthscope Limited.

As at the end of the year, the following wholly owned subsidiaries of the Group were incorporated in Australia:

Advanced Medical Technology Pty. Ltd.	Allamanda Private Hospital Pty. Ltd.	APHG No. 2 Holdings 3 Pty. Ltd.	APHG No. 2 Pty. Ltd.	Asia Pacific Healthcare Group Pty. Ltd.
Australian Hospital Care (Como) Pty. Ltd.	Australian Hospital Care (Dorset) Pty. Ltd.	Australian Hospital Care (Knox) Pty. Ltd.	Australian Hospital Care (Lady Davidson) Pty. Ltd.	Australian Hospital Care (Ringwood) Pty. Ltd.
Brisbane Private Hospital Pty. Ltd.	Darwin Private Hospital Pty. Ltd.	E-Clinic Pty. Ltd.	FHIC Pty. Ltd.	FPH Operations Pty. Ltd.
GCPH HoldCo Pty. Ltd.	Healthscope (Tasmania Finance) Pty. Ltd.	Healthscope (Tasmania) Pty. Ltd.	Healthscope Diagnostic Imaging Pty. Ltd.	Healthscope Finance Pty. Ltd.
Healthscope Hospitals Holdings No. 2 Pty. Ltd.	Gold Coast Private Hospital Pty. Ltd.	Healthscope Hospitals International Pty. Ltd.	Healthscope Operations Pty. Ltd.	Healthscope Pathology Holdings No. 2 Pty. Ltd.
Healthscope Pathology Holdings Pty. Ltd.	Healthscope South Australia Pty. Ltd.	Holmesglen Private Hospital Pty. Ltd.	La Trobe Private Hospital Pty. Ltd.	Maybury Craft Pty. Ltd.
Mazlin Investments Pty. Ltd.	Melbourne Hospital Pty. Ltd.	NBH Borrower Pty. Ltd.	NBH Car Park Operator Pty. Ltd.	NBH HoldCo 1 Pty. Ltd.
NBH HoldCo 2 Pty. Ltd.	NBH Operator B Pty. Ltd.	NBH Operator Co Pty. Ltd.	Newcastle Private Hospital Pty. Ltd.	P.O.W Hospital Pty. Ltd.
Pacific Private Hospital Pty. Ltd.	QPH Wickham Pty. Ltd.	The Gribbles Group Pty. Ltd.	The Hunter Valley Private Hospital Pty. Ltd.	The Victorian Rehabilitation Centre Pty. Ltd.
Tweed Surgicentre Pty. Ltd.				

The Australian entities listed above formed part of the tax consolidated group[1] and Deed of Cross Guarantee[2].

1 Except for NBH Borrower Pty. Ltd., NBH Carpark Operator Pty. Ltd., NBH Holdco 1 Pty. Ltd., NBH Operator B Pty. Ltd. and NBH Operator Co Pty. Ltd.

2 Except for NBH Borrower Pty. Ltd., NBH Carpark Operator Pty. Ltd., NBH Holdco 1 Pty. Ltd., NBH Holdco 2 Pty. Ltd., NBH Operator B Pty. Ltd., NBH Operator Co Pty. Ltd., and Allamanda Private Hospital Pty. Ltd.

As at the end of the year, the following wholly owned subsidiaries of the Group were incorporated overseas:

NAME OF ENTITY	COUNTRY OF INCORPORATION	NAME OF ENTITY	COUNTRY OF INCORPORATION
Canterbury SCL Limited	New Zealand	Gribbles Veterinary Pathology Limited	New Zealand
Labtests Limited	New Zealand	Labtests Auckland Ltd.	New Zealand
New Zealand Diagnostic Group Limited	New Zealand	Medlab South Limited	New Zealand
SCL Hawkes Bay Limited	New Zealand	Northland Pathology Laboratory Limited	New Zealand
SCL Otago Southland Limited	New Zealand	SCL Otago Southland Code Services Limited	New Zealand
Southern Community Laboratories Limited	New Zealand	SCL Otago Southland Services Limited	New Zealand
APHG NZ Investments Limited	New Zealand	Wellington SCL Limited	New Zealand
Gribbles Cytology Services SDN. BHD.	Malaysia	Gribbles Pathology (Malaysia) SDN. BHD.	Malaysia
Quest Laboratories Pte. Ltd.	Singapore	Quest Laboratories Vietnam Co., Ltd.	Vietnam

Note 24: Entites within the consolidated group (continued)

Deed of Cross Guarantee

The consolidated statement of financial position and income statements of the entities part to the deed of cross guarantee are:

	2018	2017
	$'m	$'m
Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	79.4	136.4
Trade and other receivables	140.1	123.9
Inventories	48.2	48.5
Prepayments	14.1	14.5
Assets classified as held for sale	15.7	4.1
Total Current Assets	**297.5**	**327.4**
Non-current assets		
Other financial assets	116.0	241.4
Other receivable	8.2	8.1
Property, plant and equipment	1,884.9	1,779.3
Intangible assets	1,462.2	1,465.5
Deferred tax assets	71.5	77.6
Total non-current assets	**3,542.8**	**3,571.9**
Total assets	**3,840.3**	**3,899.3**
Current liabilities		
Trade and other payables	218.7	196.3
Other financial liabilities	109.0	185.5
Provisions	135.9	118.6
Liabilities associated to assets classified as held for sale	-	6.3
Total current liabilities	**463.6**	**506.7**
Non-current liabilities		
Borrowings	1,219.5	1,222.2
Other financial liabilities	-	0.6
Other payables	22.5	23.8
Deferred tax liabilities	45.1	43.5
Provisions	90.7	29.3
Total non-current liabilities	**1,377.8**	**1,319.4**
Total liabilities	**1,841.4**	**1,826.1**
Net Assets	**1,998.9**	**2,073.2**

	2018 $'m	2017 $'m
Consolidated Statement of Financial Position (continued)		
Equity		
Issued capital	2,713.4	2,708.2
Reserves	(278.7)	(281.8)
Accumulated losses	(435.8)	(353.2)
Total Equity	**1,998.9**	**2,073.2**
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Profit before income tax	62.0	60.7
Income tax expense	(19.5)	(49.2)
Net profit for the year	**42.5**	**11.5**
Other comprehensive income, net of income tax	9.8	9.8
Total comprehensive income for the year	**52.3**	**21.3**

Notes to the consolidated financial statements

for the year ended 30 June 2018

Note 25: Parent entity information

During the financial year ended 30 June 2018, the parent company of the Group was Healthscope Limited.

	2018	2017
	$'m	$'m
Assets		
Current assets	115.3	181.3
Non-current assets	2,825.6	2,747.4
Total assets	**2,940.9**	**2,928.7**
Liabilities		
Current liabilities	-	0.8
Non-current liabilities	1.4	2.2
Total liabilities	**1.4**	**3.0**
Net assets	**2,939.5**	**2,925.7**
Equity		
Issued capital	2,713.4	2,708.2
Reserves	-	-
Dividends	(116.5)	(128.5)
Accumulated profit	342.6	346.0
Total equity	**2,939.5**	**2,925.7**
Financial performance		
Profit for the year	125.1	294.0
Total comprehensive income for the year	**125.1**	**294.0**

Healthscope Limited has entered into a deed of cross guarantee with certain of its wholly owned subsidiaries, details of which are included in Note 24. No liabilities have been assumed by Healthscope Limited in relation to this guarantee as it is expected the parties to the deed of cross guarantee will continue to generate positive cash flows.

The accounting policies of the parent are the same as the Group's policies

Directors' declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, and

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in Note 9 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Paula J. Dwyer
Chairman

Gordon Ballantyne
Managing Director and Chief Executive Officer

Melbourne, 21 August 2018

Independent Auditor's report

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Independent Auditor's Report
to the members of Healthscope Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Healthscope Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's report

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Divestment of the Asian Pathology businesses *Refer to Note 13 and Note 20* As at 30 June 2018, the Group was in the process of divesting its Asian Pathology businesses. The Group has presented the trading results of the business as a 'discontinued operation' and classified its net assets as 'held for sale'. Subsequent to balance date, the Group accepted a binding offer to acquire 100% of the businesses for consideration of $279 million. The receipt of the offer clarified the outcome of the sale process and provided market evidence for the recoverable amount of the business.	Our audit procedures included, but were not limited to: • reviewing the terms of the binding offer; • assessing the accuracy and completeness of the assets and liabilities classified as held for sale for the Asian Pathology businesses; and • recalculating the gain on sale disclosed in Note 13 by comparing the carrying value of the assets and liabilities for the business to their recoverable amount. We also assessed the appropriateness of the disclosures included in the financial statements: ○ associated with the business being classified as 'held for sale' and presented as a 'discontinued operation' in Note 20; and ○ the subsequent event disclosures in Note 23 related to the receipt of the offer and the gain expected to arise on completion of the sale transaction.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Outcome of the Hospital portfolio review *Refer to Note 2* On 22 May 2018 the Group announced the outcome of its Hospital portfolio review, including a decision to close the Geelong and Cotham Private Hospitals. Consequently, the Group recognised: • onerous lease provisions totalling \$62.5 million and fixed asset impairments totalling \$5.8 million in relation to Frankston Private Hospital, • closure costs associated with Geelong, Cotham and Como Private Hospitals totalling \$19.1 million; and • classified the land and buildings of the Cotham and Como Private Hospitals as 'held for sale'. Management has estimated the recoverable amount for each of these hospitals with reference to the discounted value of future cash flows for leased hospital sites and estimated fair value less selling costs for hospital sites where the Group own the related land and buildings. These estimates incorporate management judgements related to the expected future cash flows for the sites, the unavoidable costs of leasing arrangements and estimates of fair value for land and buildings owned by the Group, with reference to market evidence.	Our audit procedures included, but were not limited to: • obtaining an understanding of the process undertaken by management to estimate the recoverable amount for each Hospital site, whether leased or owned; • for leased sites, assessing the estimate of expected future cash flows and unavoidable costs prepared by management by testing key inputs to source documentation and challenging the reasonableness of key assumptions, including the discount rate applied, sub-lease recoveries and contractual obligations; • for owned sites, assessing the carrying value of land, buildings and other related assets against evidence of fair value less selling costs with reference to market evidence sourced by management and challenging the assessment of those assets deemed transferable; and • verifying the accuracy and completeness of the assets classified as 'held for sale' related to the Cotham Private Hospital. We also evaluated the disclosures included in Note 2 and Note 13 to the financial statements associated with the recognition of asset impairments, onerous lease provisions and classification of land and buildings as 'held for sale'.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's report

Deloitte.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Independent Auditor's report

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 54 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Healthscope Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Reid
Partner
Chartered Accountants
Melbourne, 21 August 2018

Securityholder information

Class of securities

As at 18 July 2018, the only class of security on issue by Healthscope Limited is fully paid ordinary shares.

Distribution of securities

The following table summarises the distribution of securities as at 18 July 2018.

Range	Total holders	Units	% of Issued Capital
1 - 1,000	4,671	2,671,994	0.15
1,001 - 5,000	11,831	35,402,308	2.03
5,001 - 10,000	7,221	55,087,570	3.17
10,001 - 100,000	7,824	182,189,477	10.47
100,001 and over	248	1,464,351,937	84.17
Rounding			0.01
Total	**31,795**	**1,739,703,286**	**100.00**

At 18 July 2018, there were 523 shareholders holding less than a marketable parcel of ordinary shares ($500 or more, equivalent to 229 ordinary shares) based on a market price of $2.19 at the close of trading.

Voting rights

At a general meeting every ordinary shareholder, present in person or by proxy, attorney or representative has one vote on a show of hands (unless a shareholder has appointed more than one proxy) and one vote on a poll for each Share held (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to any deliberative vote.

Performance Rights do not carry dividends or voting rights prior to vesting.

Substantial shareholders

As at 18 July 2018, the names of substantial holders in Healthscope Limited and the number of shares to which each substantial holder and the substantial holder's associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are as follows:

Name	No. of shares held	% of issued shares
The consortium of BGH Capital Pty Ltd as manager and adviser to the constituent entities of the BGH Capital Fund I, AustralianSuper Pty Ltd as trustee for AustralianSuper, Canadian Pension Plan Investment Board on its own behalf and on behalf of each of its controlled entities, GIC Private Limited, Carob Investment Private Limited, GIC Special Investments Pte Ltd, GIC (Ventures) Pte Ltd and Ontario Teachers' Pension Plan Board on its own behalf and on behalf of each of its controlled entities[1]	252,643,305	14.52
Northwest Healthcare Properties REIT[2]	176,111,600	10.1
Ellerston Capital Limited	163,142,252	9.38
The Vanguard Group, Inc.	87,122,354	5.008

1 Based on the substantial holder notice received by Healthscope dated 26 April 2018. Healthscope has not received any further substantial holder notices from the consortium.

2 Northwest Healthcare Properties REIT may have a relevant interest in fewer shares than stated above, depending on how many shares Deutsche Bank has a relevant interest in. See the substantial holder notice dated 8 May 2018.

Securityholder information

The names of the 20 largest shareholders

The following table sets out the 20 largest shareholders as at 18 July 2018.

Rank	Name	Units	% of Units
1.	J P Morgan Nominees Australia Limited	483,580,553	27.80
2.	HSBC Custody Nominees (Australia) Limited	430,218,850	24.73
3.	Citicorp Nominees Pty Limited	178,781,974	10.28
4.	National Nominees Limited	119,388,703	6.86
5.	BNP Paribas Noms Pty Ltd <DRP>	56,510,246	3.25
6.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	39,967,950	2.30
7.	BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	28,503,000	1.64
8.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	8,514,272	0.49
9.	Bainpro Nominees Pty Limited	7,271,000	0.42
10.	Netwealth Investments Limited <Wrap Services A/C>	6,717,537	0.39
11.	Avanteos Investments Limited <Encircle IMA A/C>	6,568,875	0.38
12.	UBS Nominees Pty Ltd	6,487,536	0.37
13.	HSBC Custody Nominees (Australia) Limited - A/C 2	4,827,879	0.28
14.	AMP Life Limited	4,786,137	0.28
15.	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	4,443,196	0.26
16.	Custodial Services Limited <Beneficiaries Holding A/C>	3,755,852	0.22
17.	HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	3,380,212	0.19
18.	Avanteos Investments Limited <Encircle Super A/C>	2,629,866	0.15
19.	Bainpro Nominees Pty Limited	2,589,563	0.15
20.	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	2,056,098	0.12

Company directory

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Abbotsford VIC 3067
Australia

Telephone from within Australia: 1300 850 505
Telephone from outside Australia: +61 (0)3 9415 4000
E web.queries@computershare.com.au
Website www.investorcentre.com

Postal address
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Melbourne VIC 3001

Exchange listing

Healthscope's Shares are quoted on the Australian Securities Exchange (ASX) under the ASX Code 'HSO'.

Healthscope

www.healthscope.com.au