



Healthscope

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**HALF-YEAR ENDED 31 DECEMBER 2014**  
**INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A.3**

**Reporting period**

Half-year ended 31 Dec 2014

**Comparative period**

Half-year ended 31 Dec 2013

<b>Results for announcement to the market</b>	<b>Up / down</b>	<b>% Movement</b>	<b>\$'000</b>
Revenue from ordinary activities	up	6% to	1,233,748
Profit from ordinary activities after tax attributable to members	up	310% to	58,563
Net profit/(loss) attributable to members	up	310% to	58,563

<b>Dividends and distributions</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend – year ended 30 June 2014	nil	nil
Interim dividend – year ending 30 June 2015	3.3¢	nil

Record date for determining entitlements to the dividend

10 March 2015

Payment date for dividend

24 March 2015

<b>Net tangible assets (NTA backing)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Net tangible assets per ordinary security <sup>(i)</sup>	\$0.25	(\$0.71)

(i) The 31 December 2013 NTA calculation is based on the number of shares outstanding as at 31 December 2014 consistent with the basis of preparation adopted as disclosed within Note 1 of the attached financial statements. The number of shares on issue at 31 December 2014 was 1,732,094,838 (31 December 2013: 883,561,760). For comparative purposes, the number of shares on issues at 31 December 2013 has been adjusted.

**Other information regarding the accounts**

The information contained in this Appendix 4D is based on financial statements, which have been subject to review. An explanation of the figures presented above can be found in the director's report and the notes to the financial statements.



**HEALTHSCOPE LIMITED**  
**CONSOLIDATED FINANCIAL REPORT**  
**ABN: 65 144 840 639**

For the half-year ended 31 December 2014

# HEALTHSCOPE LIMITED

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# HEALTHSCOPE LIMITED

## DIRECTORS' REPORT

The Directors of Healthscope Limited ('the Company') submit herewith the half-year financial report of the Company and its subsidiaries ("the Group") for the half-year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report is as follows:

### DIRECTORS

The names and particulars of the Directors in office at any time during or since the end of the half-year are:

<u>Name</u>	<u>Position</u>
Ms P.J. Dwyer	Chairman
Mr R.J. Cooke	Managing Director and Chief Executive Officer
Mr A.M. Cipa	Non-executive Director
Mr A.M. Eng	Non-executive Director
Mr S.C. Moore	Non-executive Director
Mr R.H. Myer AM	Non-executive Director
Ms. I. Player	Company Secretary

### REVIEW OF OPERATIONS

#### Analysis of results

Consolidated net profit/(loss) after tax attributable to the owners of Healthscope Limited for the half-year ended 31 December 2014 was \$58.6 million (2013: \$27.8 million loss).

The following table reconciles net profit/(loss) for the half-year to Operating EBITDA for the half-year which is a key performance metric used by management to assess the financial performance of each operating segment:

	Half-year ended 31 Dec 2014	Half-year ended 31 Dec 2013
	\$'000	\$'000
<b>Operating EBITDA</b>		
<b>Statutory net profit/(loss) for the year</b>	58,563	(27,840)
<i>Add back</i>		
Income tax expense	30,757	203
Net finance cost	48,645	150,541
Depreciation and amortisation	50,373	47,247
<b>Earnings before income tax, finance costs, depreciation, and amortisation (EBITDA)</b>	<b>188,338</b>	<b>170,151</b>
<i>Add back</i>		
Other income and expense items <sup>(i)</sup>	4,898	6,909
Corporate costs	10,783	9,020
<b>Operating earnings before finance costs, income tax, depreciation and amortisation (Operating EBITDA)</b>	<b>204,019</b>	<b>186,080</b>

(i) Refer to Note 4 for further details on other income and expense items.

# HEALTHSCOPE LIMITED

## DIRECTORS' REPORT

The following table provides an analysis of the Operating EBITDA achieved for each reportable segment for the half-year ended 31 December 2014.

	Half-year ended 31 Dec 2014	Half-year ended 31 Dec 2013
	\$'000	\$'000
<b>Operating EBITDA</b>		
Hospitals Australia	166,125	149,514
Pathology Australia	9,289	12,130
Pathology International	28,605	24,436
<b>Total all segments</b>	<b>204,019</b>	<b>186,080</b>
Corporate	(10,783)	(9,020)
<b>Total all segments after corporate costs</b>	<b>193,236</b>	<b>177,060</b>

### Operating EBITDA

Operating EBITDA represents profit before income tax expense, net finance costs, depreciation and amortisation adjusted for certain revenue 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 Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information".

### EARNINGS PER SHARE

The Directors have elected to present Earnings per Share (EPS) on both a statutory and pro forma basis. The calculation of "Statutory EPS" is presented in Note 5. The calculation of "Pro forma EPS" is presented below.

Statutory EPS has been calculated in accordance with the requirements of Accounting Standards based on:

- profit after tax attributable to shareholders (Statutory Profit); and
- the weighted average number of ordinary shares outstanding during the period ended 31 December 2014, which have been applied retrospectively in calculating EPS for the comparative period.

Pro forma EPS is a non-IFRS measure which has been calculated based on:

- "Operating EBITDA" which represents earnings before interest, taxation and other income and expense items (Note 4), adjusted on a pro forma basis for:
  - the impacts arising from the change in debt profile upon IPO; and
  - related income tax effect (Pro forma Profit).
- the weighted average number of ordinary shares outstanding during the period ended 31 December 2014, assuming the IPO of Healthscope Limited occurred on or prior to 1 July 2013:
  - Basic: 1,732,094,838 (31 Dec 2013: 1,732,094,838)
  - Diluted: 1,733,801,271 (31 Dec 2013: 1,732,094,838)

The presentation of Pro forma EPS reflects the in-substance continuation of the "Healthscope Aggregated Group" within the financial report of Healthscope Limited, and is consistent with the basis of preparation adopted as disclosed within Note 1 under the heading *Group reorganisation and comparative information*.

The Directors believe that the presentation of Pro forma EPS provides users with a better understanding of financial performance and allows for a more relevant comparison of financial performance between financial periods.

	Note	31 Dec 2014 cents per share	31 Dec 2013 cents per share
<b>Statutory EPS</b>			
Basic	5	3.7	(1.8)
Diluted	5	3.7	(1.8)
<b>Pro forma EPS</b>			
Basic		4.8	4.3
Diluted		4.8	4.3

# HEALTHSCOPE LIMITED

## DIRECTORS' REPORT

### EARNINGS PER SHARE (cont'd)

Reconciliation of earnings used in calculating Statutory and Pro forma EPS	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Statutory Profit	58,563	(27,840)
Pro forma Profit <sup>(i)(ii)</sup>	82,659	74,132

(i) Pro forma Profit for 31 December 2014 represents Statutory Profit, adjusted for:

- o other items of income and expense, which total \$4,898 thousand before tax as disclosed in Note 4;
- o interest expense incurred prior to IPO on 28 July 2014 of \$28,597 thousand offset by pro forma interest expense for the same period of \$4,031 thousand based on the post-IPO debt profile and related terms; and
- o related income tax effect of \$5,368 thousand.

(ii) Pro forma Profit for 31 December 2013 represents Statutory Profit, adjusted for:

- o other items of income and expense, which total \$6,909 thousand before tax as disclosed in Note 4;
- o add back of interest expense of \$150,541 thousand incurred based on the pre-IPO debt profile, offset by pro forma interest expense of \$24,079 thousand based on the post-IPO debt profile; and
- o related income tax effect of \$31,399 thousand.

### CHANGES IN STATE OF AFFAIRS

#### *Initial Public Offering of Healthscope Limited*

On 30 June 2014, Healthscope Hospitals Holdings Pty. Ltd., the ultimate parent entity of the Healthscope Group, lodged a prospectus with the Australia Securities and Investments Commission ("ASIC") related to the listing and quotation of its ordinary shares on the Australian Securities Exchange ("ASX") (the "Initial Public Offering" or "IPO").

On 3 July 2014, Healthscope Hospitals Holdings Pty Ltd became an unlisted public company and on 4 July 2014 changed its name to Healthscope Limited. The quotation of Healthscope Limited occurred 28 July 2014 under the ASX code: HSO, with shares trading on a conditional and deferred basis. Normal trading commenced on 4 August 2014.

In conjunction with the IPO, a capital raising occurred by way of an issue of 1,073.9 million Fully Paid Ordinary Shares in Healthscope Limited at a price of \$2.10 per share, being \$2,255.2 million. In addition, Healthscope Limited drew down \$995.0 million under its new banking facilities (before transaction costs).

Proceeds from the capital raising received by Healthscope Limited and the draw down on the new banking facilities were used to:

- repay existing liabilities of the Healthscope Group including existing bank loans;
- fund the redemption of Healthscope Notes I and Healthscope Notes II (cash settlement portion);
- fund the settlement of liabilities outside of the Healthscope Group including shareholder loans and costs of the IPO; and
- repay equity to shareholders.

As a result of the redemption of Healthscope Notes I & II, Healthscope Notes Limited was officially delisted from the ASX on 12 August 2014.

#### *Group reorganisation and comparative information*

In preparation for the IPO of Healthscope Limited, two group reorganisation transactions were undertaken which resulted in Healthscope Limited acquiring 100% of the shares in:

- Healthscope Pathology Holdings Pty Ltd and its controlled entities ("Pathology Australia") on 29 June 2014; and
- CT HSP (Dutch) Cooperatief U.A. and its controlled entities ("Pathology International") on 28 July 2014

These transactions occurred whilst Healthscope Limited, Pathology Australia and Pathology International were under the common control of CT Healthscope Holdings L.P. CT Healthscope Holdings L.P. was the legal parent entity of the Healthscope business for the period from 12 October 2010 (the date the Healthscope business was acquired by a consortium of funds advised and managed by TPG and The Carlyle Group) until its IPO on 28 July 2014.

For consolidation purposes, the transactions have been accounted for as business combinations between entities under common control at carrying value. Consequently, the assets and liabilities have not been remeasured to fair value nor has any additional goodwill arisen. Accordingly, the assets and liabilities of both Pathology Australia and Pathology International continue to reflect their carrying values as per the accounting records of CT Healthscope Holdings L.P. immediately prior to acquisition by Healthscope Limited. The difference between the consideration given and the carrying value of the assets and liabilities acquired by Healthscope Limited has been recognised within equity as part of the "Group reorganisation reserve".

# HEALTHSCOPE LIMITED

## DIRECTORS' REPORT

### CHANGES IN STATE OF AFFAIRS (cont'd)

The two approaches most commonly used to present consolidated financial statements following a business combination between entities under common control are:

- Restatement of comparatives ("Predecessor accounting" method)
- No restatement of comparatives ("Acquisition method")

This financial report presents the financial results of Healthscope Limited and its controlled entities using the "Predecessor accounting" method meaning the financial report has been presented as if the combinations with Pathology Australia and Pathology International had occurred prior to 1 July 2013, the beginning of the earliest period presented in the half year financial report.

This presentation approach was adopted by the directors as it results in the presentation of current year and comparative financial information on a consistent basis representing the trading performance of the Healthscope Group, which is of greater relevance to the economic decision-making needs of users and reflects the in-substance continuation of the "Healthscope Aggregated Group" within the financial report of Healthscope Limited.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 of the half-year financial report.

### DIVIDENDS

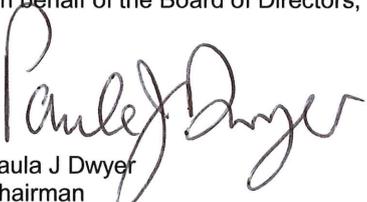
The interim dividend in respect of the current financial year has not been provided for in this financial report as it was not declared until after 31 December 2014. Since the end of the financial half-year, the directors have resolved to pay an unfranked interim dividend of 3.3 cents that will result in a total dividend payment of \$57.8 million.

### ROUNDING OFF OF AMOUNTS

Healthscope Limited is a company of the kind referred to in the ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors report and the accompanying half-year financial report have been rounded to the nearest thousand dollars, except where otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Board of Directors,



Paula J Dwyer  
Chairman

Melbourne  
24 February 2015

The Board of Directors  
Healthscope Limited  
Level 1, 312 St Kilda Road  
MELBOURNE VIC 3004

24 February 2015

Dear Directors,

### 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.

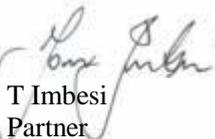
As lead audit partner for the review of the half-year financial report of Healthscope Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



T Imbesi  
Partner

Chartered Accountants

## **Independent Auditor's Review Report to the members of Healthscope Limited**

We have reviewed the accompanying half-year financial report of Healthscope Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 23.

### *Directors' Responsibility for the Half-Year Financial Report*

The Directors of Healthscope Limited are responsible for the preparation and fair presentation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Healthscope Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Healthscope Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Healthscope Limited, would be in the same terms if given to the Directors as at the time of this auditor's report.

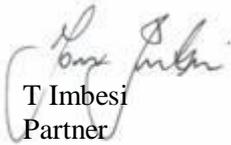
## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Healthscope Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



T Imbesi  
Partner

Chartered Accountants

Melbourne

24 February 2015

HEALTHSCOPE LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Half-year ended	
		31 Dec 2014 \$'000	31 Dec 2013 \$'000
Revenue		1,233,748	1,163,589
Share of profits of joint ventures		741	997
Employee benefits expense		(553,043)	(530,517)
Medical and consumable supplies		(168,885)	(162,872)
Prosthetics expenses		(137,677)	(130,022)
Occupancy costs		(64,200)	(59,196)
Service costs		(117,448)	(104,919)
Other income and expense items	4	(4,898)	(6,909)
<b>Profit before finance costs, income tax, depreciation and amortisation</b>		<b>188,338</b>	<b>170,151</b>
Depreciation and amortisation		(50,373)	(47,247)
<b>Profit before finance costs and income tax</b>		<b>137,965</b>	<b>122,904</b>
Net finance costs		(48,645)	(150,541)
<b>Profit/(loss) before income tax</b>		<b>89,320</b>	<b>(27,637)</b>
Income tax expense		(30,757)	(203)
<b>Net profit/(loss) for the period</b>		<b>58,563</b>	<b>(27,840)</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchanges differences arising on translation of foreign operations		9,269	16,924
Gain/(loss) on cash flow hedges taken directly to equity		(5,894)	8,643
Income tax benefit relating to other comprehensive income		1,768	(2,593)
<b>Other comprehensive income / (loss) for the period, net of tax</b>		<b>5,143</b>	<b>22,974</b>
<b>Total comprehensive profit for the year</b>		<b>63,706</b>	<b>(4,866)</b>
<b>Earnings per share</b>			
Basic (cents per share)	5	3.7	(1.8)
Diluted (cents per share)	5	3.7	(1.8)

The accompanying notes numbered 1 to 15 form part of this half-year financial report.

**HEALTHSCOPE LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

	Note	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6(a)	188,985	138,189
Trade and other receivables		79,403	108,608
Prepayments		22,783	16,454
Inventories		57,241	50,621
Assets classified as held for sale		-	21,300
<b>TOTAL CURRENT ASSETS</b>		<b>348,412</b>	<b>335,172</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets		15,622	2,505
Investments in joint ventures		767	911
Property, plant and equipment		1,337,776	1,238,291
Intangible assets	7	1,855,828	1,852,237
Deferred tax assets		227,237	247,455
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,437,230</b>	<b>3,341,399</b>
<b>TOTAL ASSETS</b>		<b>3,785,642</b>	<b>3,676,571</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		215,795	215,183
Current tax liabilities		4,750	4,606
Deferred revenue		1,272	1,311
Borrowings	8	7,067	2,217,773
Other financial liabilities	9	8,927	554,985
Provisions		127,955	115,165
Liabilities directly associated with assets classified as held for sale		-	1,703
<b>TOTAL CURRENT LIABILITIES</b>		<b>365,766</b>	<b>3,110,726</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	8	1,014,660	11,131
Other financial liabilities	9	5,052	-
Deferred tax liabilities		55,590	54,819
Provisions		48,755	49,265
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,124,057</b>	<b>115,215</b>
<b>TOTAL LIABILITIES</b>		<b>1,489,823</b>	<b>3,225,941</b>
<b>NET ASSETS</b>		<b>2,295,819</b>	<b>450,630</b>
<b>EQUITY</b>			
Issued capital	10	3,000,871	1,219,805
Reserves		(243,676)	(249,236)
Accumulated losses		(461,376)	(519,939)
<b>TOTAL EQUITY</b>		<b>2,295,819</b>	<b>450,630</b>

The accompanying notes numbered 1 to 15 form part of this half-year financial report.

# HEALTHSCOPE LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Note	Half-year ended	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	1,247,180	1,180,078
Payment to suppliers and employees	(1,056,065)	(987,959)
<b>Cash generated from operations</b>	<b>191,115</b>	<b>192,119</b>
Interest received	1,632	1,173
Interest and costs of finance paid	(35,413)	(87,868)
Income tax paid	(6,085)	(6,819)
Other income and expense items	(7,366)	(8,458)
<b>Net cash provided by operating activities</b>	<b>143,883</b>	<b>90,147</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	2,131	159
Payments for property, plant and equipment	(38,408)	(33,369)
Brownfield facility developments	(41,624)	(31,763)
Gold Coast facility developments	(47,986)	-
Northern Beaches facility developments	(3,971)	-
Payments for operating rights	(1,712)	(1,212)
Proceeds from ACHA loan	1,000	1,000
Payments for business combinations	11 (4,410)	(3,600)
Proceeds from disposal of operations	11 20,605	-
<b>Net cash used in investing activities</b>	<b>(114,375)</b>	<b>(68,785)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	995,000	81,000
Repayment of bank borrowings	(1,162,405)	(41,292)
Repayment of shareholder loans and related costs	8,9 (967,185)	-
Proceeds from issue of new shares	1,610,280	-
Repayment of borrowings - Healthscope Notes I and II	(369,287)	-
Transaction costs relating to issue of new shares	(72,507)	-
Interest paid on early redemption of interest rate hedges	(28,485)	-
Net proceeds from receivables securitisation	9,681	12,646
Proceeds from project finance	12,352	-
Payment of facility fees	(5,254)	(1,179)
Finance leasing	(2,003)	(1,043)
Repayment of other borrowings	-	(10,000)
<b>Net cash provided by / (used in) finance activities</b>	<b>20,187</b>	<b>40,132</b>
<b>Net increase in cash and cash equivalents</b>	<b>49,695</b>	<b>61,494</b>
Cash and cash equivalents at the beginning of the period	138,189	86,713
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,101	324
<b>Cash and cash equivalents at the end of the period</b>	<b>188,985</b>	<b>148,531</b>

The accompanying notes numbered 1 to 15 form part of this half-year financial report.

HEALTHSCOPE LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Issued capital \$'000	Accumulated losses \$'000	Group reorganisation Reserve \$'000	Foreign currency translation reserve \$'000	Hedge reserve \$'000	Equity Settled Employee Benefits Reserve \$'000	Total equity \$'000
<b>Opening balance at 1 July 2013</b>	<b>1,261,841</b>	<b>(336,793)</b>	<b>(282,174)</b>	<b>13,459</b>	<b>(31,855)</b>	-	<b>624,478</b>
Loss for the period	-	(27,840)	-	-	-	-	(27,840)
Other comprehensive income/(loss) for the period net of tax	-	-	-	16,924	6,050	-	22,974
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(27,840)</b>	<b>-</b>	<b>16,924</b>	<b>6,050</b>	<b>-</b>	<b>(4,866)</b>
<b>Closing balance at 31 December 2013</b>	<b>1,261,841</b>	<b>(364,633)</b>	<b>(282,174)</b>	<b>30,383</b>	<b>(25,805)</b>	-	<b>619,612</b>
<b>Opening balance at 1 January 2014</b>	<b>1,261,841</b>	<b>(364,633)</b>	<b>(282,174)</b>	<b>30,383</b>	<b>(25,805)</b>	-	<b>619,612</b>
Loss for the period	-	(155,306)	-	-	-	-	(155,306)
Other comprehensive income/(loss) for the period net of tax	-	-	-	2,555	25,805	-	28,360
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(155,306)</b>	<b>-</b>	<b>2,555</b>	<b>25,805</b>	<b>-</b>	<b>(126,946)</b>
Equity raising costs net of tax	(42,036)	-	-	-	-	-	(42,036)
<b>Closing balance at 30 June 2014</b>	<b>1,219,805</b>	<b>(519,939)</b>	<b>(282,174)</b>	<b>32,938</b>	<b>-</b>	<b>-</b>	<b>450,630</b>
<b>Opening balance at 1 July 2014</b>	<b>1,219,805</b>	<b>(519,939)</b>	<b>(282,174)</b>	<b>32,938</b>	<b>-</b>	<b>-</b>	<b>450,630</b>
Profit for the period	-	58,563	-	-	-	-	58,563
Other comprehensive income/(loss) for the period net of tax	-	-	-	9,269	(4,126)	-	5,143
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>58,563</b>	<b>-</b>	<b>9,269</b>	<b>(4,126)</b>	<b>-</b>	<b>63,706</b>
New shares issued	1,781,719	-	-	-	-	-	1,781,719
Equity raising costs net of tax	(653)	-	-	-	-	-	(653)
Recognition of share-based payments	-	-	-	-	-	417	417
<b>Closing balance at 31 December 2014</b>	<b>3,000,871</b>	<b>(461,376)</b>	<b>(282,174)</b>	<b>42,207</b>	<b>(4,126)</b>	<b>417</b>	<b>2,295,819</b>

The accompanying notes numbered 1 to 15 form part of this half-year financial report.

# HEALTHSCOPE LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the half-year ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual financial report of the Healthscope Aggregated Group for the year ended 30 June 2014 and any public announcements made by Healthscope Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Healthscope Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activities of Healthscope Limited during the half-year ended 31 December 2014 were the provision of healthcare services through the ownership and management of hospitals, medical centres and the provision of domestic and international pathology diagnostic services.

#### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Healthscope Limited is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report for the Healthscope Aggregated Group for the financial year ended 30 June 2014, except for the impact of the adoption of the new and revised accounting policies discussed below and the result of comparative information following the group reorganisation (refer next page). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 *Materiality*
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB-2014-1 *'Amendments to Australian Accounting Standards'*
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
  - Part C: 'Materiality'
- INT 21 'Levies'

The adoption of the above revised Standards and Interpretations did not result in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half years.

# HEALTHSCOPE LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Group reorganisation and comparative information

In preparation for the IPO of Healthscope Limited on the ASX, two group reorganisation transactions were undertaken which resulted in Healthscope Limited acquiring 100% of the shares in:

- Healthscope Pathology Holdings Pty Ltd and its controlled entities ("Pathology Australia") on 29 June 2014; and
- CT HSP (Dutch) Cooperatief U.A. and its controlled entities ("Pathology International") on 28 July 2014.

These transactions occurred whilst Healthscope Limited, Pathology Australia and Pathology International were under common control of CT Healthscope Holdings L.P. CT Healthscope Holdings L.P. was the legal parent entity of the Healthscope business for the period from 12 October 2010 (the date the Healthscope business was acquired by a consortium of funds advised and managed by TPG and The Carlyle Group) until its IPO on 28 July 2014.

For consolidation purposes, the transactions have been accounted for as business combinations between entities under common control at carrying value. Consequently, the assets and liabilities have not been remeasured to fair value nor has any additional goodwill arisen. Accordingly, the assets and liabilities of both Pathology Australia and Pathology International continue to reflect their carrying values as per the accounting records of CT Healthscope Holdings L.P. immediately prior to acquisition by Healthscope Limited. The difference between the consideration given and the carrying value of the assets and liabilities acquired by Healthscope Limited has been recognised within equity as part of the "Group reorganisation reserve".

The two approaches most commonly used to present consolidated financial statements following a business combination between entities under common control are:

- Predecessor accounting method
- Acquisition method

The financial report presents the financial results of Healthscope Limited and its controlled entities using the Predecessor accounting method meaning the financial report has been presented as if the combinations with Pathology Australia and Pathology International had occurred prior to 1 July 2013, the beginning of the earliest period presented in the half year financial report.

This presentation approach was adopted by the Directors as it results in the presentation of current year and comparative financial information on a consistent basis representing the trading performance of the Healthscope Group, which is of greater relevance to the economic decision-making needs of users and reflects the in-substance continuation of the "Healthscope Aggregated Group" within the financial report of Healthscope Limited.

#### Working Capital Position

The working capital position of Healthscope Limited as at 31 December 2014 reflects a net current liability position of \$17.4 million (30 June 2014: \$2,775.6 million net current liability position).

The factors that contribute to the net current liability position as at 31 December 2014 include:

- (i) The Group continued to utilise the accounts receivable securitisation facility of \$140 million. During the year \$123.1 million of receivables were sold to the Bank under this facility resulting in reduced current assets and reduced non-current debt which reduced the overall cost of debt servicing.
- (ii) Certain liabilities are classified as "current liabilities" according to the requirements of accounting standards however the Group do not anticipate that all of these amounts will be settled in cash within the next 12 months from the date of this financial report. Such liabilities include current employee entitlements of \$111.3 million.

The Healthscope Group has continued to generate cash flows from operating activities, before servicing debt costs of \$191.1 million and consistently recorded a cash conversion ratio of greater than 90%, representing cash generated from operations divided by Operating EBITDA.

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

### NOTE 2: DIVIDENDS

During the half-year Healthscope Limited did not make any dividend payments.

In respect of the half-year ended 31 December 2014, the Directors recommended the payment of an unfranked interim dividend of 3.3 cents per share. The record date is 10 March 2015. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$57.8 million.

# HEALTHSCOPE LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### NOTE 3: SEGMENT INFORMATION

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
- Pathology Australia - the provision of pathology and medical services
- Pathology International - the provision of pathology services overseas

	Segment revenue <sup>(i)</sup>		Segment operating EBITDA <sup>(ii)</sup>		Segment profit <sup>(iii)</sup>	
	Half-year ended		Half-year ended		Half-year ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Hospitals Australia	938,943	883,118	166,125	149,514	134,342	120,418
Pathology Australia	177,168	172,435	9,289	12,130	40	2,816
Pathology International	117,637	108,036	28,605	24,436	21,752	18,241
<b>Total all segments</b>	<b>1,233,748</b>	<b>1,163,589</b>	<b>204,019</b>	<b>186,080</b>	<b>156,134</b>	<b>141,475</b>
Corporate					(13,271)	(11,662)
<b>Total all segments after corporate</b>					<b>142,863</b>	<b>129,813</b>
Other income and expense items (Note 4)					(4,898)	(6,909)
Finance costs					(48,645)	(150,541)
<b>Profit / (loss) before income tax</b>					<b>89,320</b>	<b>(27,637)</b>
Income tax expense					(30,757)	(203)
<b>Net profit/ (loss)</b>					<b>58,563</b>	<b>(27,840)</b>

(i) The revenue reported above represents revenue generated from external customers. Any inter-segment sales are eliminated on consolidation of Healthscope Limited's results.

(ii) Segment operating EBITDA represents the profit earned by each segment without the allocation of corporate costs, depreciation and amortisation, finance costs, income tax expense and other items of income and expense as per Note 4. This is a measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance.

(iii) Segment profit represents the profit earned by each segment without the allocation of corporate costs, finance costs, income tax expense and other items of income and expense as per Note 4. This is a measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance.

#### Other segment information

	Hospitals Australia	Pathology Australia	Pathology International	Total all segments	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>31 Dec 2014</b>						
Total assets	3,140,921	266,444	365,975	3,773,340	12,302	3,785,642
Total liabilities	(1,107,030)	(347,012)	(35,781)	(1,489,823)	-	(1,489,823)
Additions to non-current assets	161,387	7,349	4,260	172,996	2,527	175,523
Depreciation & amortisation	31,782	9,249	6,854	47,885	2,488	50,373
<b>30 Jun 2014</b>						
Total assets	3,035,218	269,326	359,591	3,664,135	12,436	3,676,571
Total liabilities	(2,713,898)	(462,222)	(49,821)	(3,225,941)	-	(3,225,941)
<b>Half year ended 31 Dec 2013</b>						
Additions to non-current assets	58,844	9,003	6,541	74,388	2,749	77,137
Depreciation & amortisation	29,096	9,314	6,195	44,605	2,642	47,247

# HEALTHSCOPE LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### NOTE 4: OTHER INCOME AND EXPENSE ITEMS

	Half-year ended	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Restructure and other costs <sup>(i)</sup>	4,140	6,734
Onerous leases and related costs <sup>(ii)</sup>	-	(3,797)
Impairment of assets <sup>(iii)</sup>	-	3,946
Acquisition and tender costs	758	26
	<b>4,898</b>	<b>6,909</b>

(i) Restructure and other costs primarily relate to the reorganisation of the Pathology division.

(ii) The Group has previously recognised certain property lease contracts as having contractual obligations greater than the economic benefits expected to be received from the contracts. The value of the provision was re-assessed at the end of the prior period resulting in a release of \$3.8 million to profit.

(iii) In the prior period, the Group was in the process of disposing of its interest in the Brisbane Waters Private Hospital. An impairment charge of \$3.9 million was recognised reflecting the re-measurement of the assets held for sale to fair value.

### NOTE 5: EARNINGS PER SHARE

The Directors have elected to present Earnings per Share (EPS) on both a statutory and pro forma basis. The calculation of "Statutory EPS" is presented below. The calculation of "Pro forma EPS" is presented in the Directors' report.

	31 Dec 2014	31 Dec 2013
	cents per share	cents per share
<b>Statutory EPS</b>		
Basic	3.7	(1.8)
Diluted	3.7	(1.8)
<b>(a) Reconciliation of earnings used in calculating Statutory EPS</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Basic earnings per share</i>		
- Profit for the year attributable to owners of the Company	58,563	(27,840)
<i>Diluted earnings per share</i>		
- Profit for the year attributable to owners of the Company	58,563	(27,840)
<b>(b) Weighted average number of shares used as the denominator in calculation of Statutory EPS</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	1,563,299,268	1,563,299,268
Adjustments for calculation of diluted earnings per share:		
- Performance rights	1,446,758	-
Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating diluted earnings per share	1,564,746,026	1,563,299,268

#### (c) Information concerning the classification of securities

Performance rights granted to employees under the Group's executive and employee share option plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share (on both a Statutory and Pro Forma basis) to the extent to which they are dilutive. The performance rights have not been included in the determination of basic earnings per share.

# HEALTHSCOPE LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### NOTE 6: CASH AND CASH EQUIVALENTS

#### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of financial position, 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 period as shown in the statement of financial position is reconciled to the related items as follows:

	<b>31 Dec 2014</b>	<b>30 Jun 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	152,562	50,835
Restricted cash <sup>(i)</sup>	36,423	87,354
	<b>188,985</b>	<b>138,189</b>

(i) Restricted cash can only be applied towards expenditure on the Gold Coast Private Hospital development and is subject to a separate funding arrangement as detailed in Note 8.

	<b>Half-year ended</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Finance facilities</b>		
Unsecured bank overdraft credit facility		
Amount utilised	-	-
Unused credit facility	5,000	5,000
	5,000	5,000
Unsecured credit facility <sup>(i)</sup>		
Amount utilised	995,000	-
Unused credit facility	300,000	-
	1,295,000	-
Secured credit facility <sup>(ii)</sup>		
Amount utilised	-	1,106,100
Unused credit facility	-	490,400
	-	1,596,500
Secured project finance <sup>(iii)</sup>		
Amount utilised	12,352	-
Unused credit facility	143,648	156,000
	156,000	156,000
Receivables securitisation facility <sup>(iv)</sup>		
Amount utilised	123,121	124,303
Unused credit facility	16,879	15,697
	140,000	140,000

(i) A new unsecured senior syndicated facility of \$1,295 million was put in place on 1 July 2014. The facility is a three-year revolving debt facility, which matures on 31 July 2017. The facility is currently utilised to \$995 million.

(ii) The comparative period loan facility advances were secured by all asset security (in the nature of fixed and floating charges, share and loan mortgages and real property mortgages over certain parcels of material real property interest held in certain Group members) from certain entities of the Group including the entities who own the key operating assets of the Group.

Loan facilities in the comparative period were settled in conjunction with the IPO of Healthscope Limited on 28 July 2014.

(iii) Project finance relates to a 5-year limited recourse syndicated senior debt facility totalling \$156.0 million which was put in place on 19 September 2013. This debt facility is to fund the development of the Gold Coast Private Hospital. The facility is secured against entities of the Group which are not obligors of the senior syndicated facility.

(iv) The Group has in place a receivables securitisation facility with its financier. Under the terms of the facility, the Group was able to securitise off balance sheet \$123.1 million (2013: \$124.3 million) of eligible receivables and use the proceeds for working capital purposes. The facility has a schedule commitment termination date of 28th July 2017.

# HEALTHSCOPE LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### NOTE 7: INTANGIBLE ASSETS

	Half-year ended	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
<b>Goodwill</b>		
<b>Gross carrying amount</b>		
Balance at the beginning of the reporting period	1,774,183	1,754,603
Additions (Note 11)	1,266	3,600
Effect of foreign currency exchange differences	4,933	14,377
<b>Balance at the end of the reporting period</b>	<b>1,780,382</b>	<b>1,772,580</b>
<b>Other intangibles<sup>(i)</sup></b>		
Balance at the beginning of the reporting period	78,054	80,395
Additions	1,957	1,208
Amortisation of identifiable intangibles	(5,127)	(5,467)
Effect of foreign currency exchange differences	562	1,670
<b>Balance at the end of the reporting period</b>	<b>75,446</b>	<b>77,806</b>
<b>Total intangibles</b>	<b>1,855,828</b>	<b>1,850,386</b>

(i) Other intangibles include contract development costs, contract management rights and operating rights.

#### **Impairment of goodwill**

As required under accounting standard AASB 136 Impairment of Assets, Healthscope Limited performs an impairment assessment annually and when there is an indication or trigger of a possible impairment of its non-current assets. In addition, at least annually, Healthscope Limited 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 2014. A review for impairment indicators was undertaken at 31 December 2014.

#### *Impairment indicators*

After considering the trading performance of each of the Healthscope Group's cash generating units (CGU) for the six months to 31 December 2014, no impairment indicators were identified with the exception of the Pathology Australia CGU. An impairment test was undertaken in respect to the Pathology Australia CGU, which indicated no impairment charge was required. Headroom for the Pathology Australia CGU remains marginal and is sensitive to movements in economic and regulatory conditions. Further restructuring and cost saving programmes are in place to offset the impact of recent Medicare funding changes and the escalation of rental costs. Proposed rental regulations that seek to control rental costs are before the Federal Government, which if passed are expected to improve the level of head room. This is seen as a welcome initiative by the industry. Should Pathology Australia not maintain its revenue growth forecast and/or not effectively control costs it may result in reduced future earnings, which may also result in an impairment of goodwill and other non-current assets.

#### *Impairment testing approach*

Impairment testing compares the carrying value of a cash generating unit 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).

# HEALTHSCOPE LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### NOTE 8: BORROWINGS

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>CURRENT</b>		
<b>Secured - at amortised cost</b>		
Finance lease liabilities <sup>(i)</sup>	5,078	4,311
Hire purchase facilities	1,989	5,565
Bank loans <sup>(ii)</sup>	-	1,162,401
Capitalised borrowing costs	-	(5,711)
Debt securities - Healthscope Notes I and II <sup>(iii)</sup>	-	505,000
Shareholders loans <sup>(iv)</sup>	-	546,207
	<b>7,067</b>	<b>2,217,773</b>
<b>NON-CURRENT</b>		
<b>Unsecured - at amortised cost</b>		
Bank loans <sup>(v)</sup>	995,000	-
Capitalised borrowing costs	(3,973)	-
	991,027	-
<b>Secured - at amortised cost</b>		
Finance lease liabilities <sup>(i)</sup>	11,642	11,131
Project finance <sup>(vi)</sup>	12,352	-
Capitalised borrowing costs	(361)	-
	23,633	11,131
	<b>1,014,660</b>	<b>11,131</b>

#### Summary of borrowing arrangements

- (i) The finance lease liabilities are secured by way of fixed charges over the leased assets to which they relate and have lease terms ranging from 1 to 7 years.
- (ii) Comparative period bank loans were secured by asset security (in the nature of fixed and floating charges, share and loan mortgages and real property mortgages over certain parcels of material real property interests held by certain wholly owned subsidiaries of Healthscope Limited including the subsidiaries who own the key operating assets of the consolidated entity).  
Bank Loans in the comparative period were settled in conjunction with the IPO of Healthscope Limited on 28 July 2014.
- (iii) Debt securities relate to Healthscope Notes I and II that at the time of the IPO were settled by either being converted to Healthscope shares or paid in cash. The value of the Notes that were converted to shares was \$154.6 million, while the value of Notes that were paid in cash was \$350.4 million.
- (iv) Accrued interest on shareholder loans as presented in Note 9 was settled on IPO in conjunction with the shareholder loans. The cashflow in relation to this settlement is reflected in the financing activities in the statement of cashflows.
- (v) A new unsecured senior syndicated facility of \$1,295 million was put in place on 1 July 2014. The facility is a three-year revolving debt facility, which matures on 31 July 2017. The facility is currently utilised to \$995 million.
- (vi) Project finance relates to a 5-year limited recourse syndicated senior debt facility totalling \$156.0 million which was put in place on 19 September 2013. This debt facility is to fund the development of the Gold Coast Private Hospital. The facility is secured against entities of the Group which are not obligors of the senior syndicated facility.

## HEALTHSCOPE LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

#### NOTE 9: OTHER FINANCIAL LIABILITIES

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>CURRENT</b>		
Interest rate swaps	1,267	28,316
Accrued interest <sup>(i)(ii)</sup>	7,335	526,269
Deferred purchase consideration	325	400
	<b>8,927</b>	<b>554,985</b>
<b>NON-CURRENT</b>		
Interest rate swaps	4,627	-
Deferred purchase consideration	425	-
	<b>5,052</b>	-

(i) Balance as at 31 December 2014 represents interest accrued on bank loans. Balance as at 30 June 2014 represents interest accrued on shareholder loans, debt securities and bank loans, settled in conjunction with the IPO of Healthscope Limited.

(ii) Interest related to shareholder loans at 30 June 2014 was settled on IPO in conjunction with the shareholder loans. The cashflow in relation to this settlement is reflected in the financing activities in the statement of cashflows.

#### NOTE 10: ISSUED CAPITAL

	31 Dec 2014		31 Dec 2013	
	Number	\$'000	Number	\$'000
Fully paid ordinary shares – Healthscope Limited	1,732,094,838	3,043,560	883,561,760	1,261,841
Equity raising costs related to the IPO of Healthscope Limited net of tax		(42,689)		-
	1,732,094,838	3,000,871	883,561,760	1,261,841
<b>Fully paid ordinary shares</b>				
At the start of the financial year	883,561,760	1,261,841	883,561,760	1,261,841
New shares issued	848,533,078	1,781,719	-	-
At the end of the financial year	1,732,094,838	3,043,560	883,561,760	1,261,841

**HEALTHSCOPE LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

**NOTE 11: CHANGES IN THE COMPOSITION OF THE HEALTHSCOPE GROUP**

	Date of acquisition	Proportion of ownership acquired %	Cost of acquisition \$'000
<b>Acquisitions</b>			
<b>2014</b>			
Frankston Private Day Surgery	01-Jul-14	100%	
Peninsula Oncology Centre	01-Jul-14	100%	
Croydon Health Clinic	01-Aug-14	100%	
<b>Cash Consideration</b>			<b>4,410</b>
Deferred purchase consideration - current			325
Deferred purchase consideration - non-current			425
Total deferred purchase consideration			750
<b>Total</b>			<b>5,160</b>
<b>2013</b>			
Sydney Breast Clinic	20-Dec-13	100%	
Cash consideration			3,600
Deferred purchase consideration			400
<b>Total</b>			<b>4,000</b>
<b>Assets acquired and liabilities assumed at the date of acquisition</b>			
<b>2014 acquisitions</b>			
<b>Current assets</b>			
Trade and other receivables			245
Prepayments			19
Current tax asset			41
<b>Current liabilities</b>			
Trade and other payables			(205)
Provisions			(137)
<b>Non-current assets</b>			
Property, plant and equipment			3,931
<b>Net assets</b>			<b>3,894</b>
<b>Goodwill arising on acquisition</b>			
Cash consideration			4,410
Deferred purchase consideration			750
Less: fair value of identifiable net assets acquired			(3,894)
			<b>1,266</b>

**Disposals**

In July 2014 the Group disposed of its interest in the Brisbane Waters Private Hospital. Proceeds from disposal were \$20.6 million. No gain or loss was recorded on sale as the net assets were written down to their recoverable amount in the prior year based on expected proceeds from sale.

**HEALTHSCOPE LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

**NOTE 12: FINANCIAL INSTRUMENTS**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
	31 Dec 2014 \$'000	31 Dec 2013 \$'000			
Interest rate swaps	5,894	36,865	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the various counterparties.	N/A

**Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

The Board considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

	31 Dec 2014		31 Dec 2013	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
<b>Financial assets</b>				
Trade receivables	73,069	73,069	77,307	77,307
Other financial assets	6,334	6,334	-	-
<b>Financial Liabilities</b>				
Trade and other payables	222,859	222,859	208,916	208,916
Lease facilities	11,642	11,642	24,124	24,124
Bank loans	1,003,018	1,003,018	1,142,693	1,142,693
Debt securities	-	-	505,000	527,725

## HEALTHSCOPE LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

#### NOTE 13: COMMITMENTS FOR EXPENDITURE

	Half-year ended	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
<b>Capital expenditure commitments:</b>		
Capital expenditure projects		
Property, plant and equipment		
- Not longer than 1 year	291,584	114,424
- Longer than 1 year but not longer than 5 years	151,367	206,774
- Longer than 5 years	-	-
	442,951	321,198

#### NOTE 14: CONTINGENT LIABILITIES

	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Estimates of material amounts of contingent liabilities, not provided for in the financial report:		
Bank guarantee to various Workcover authorities	4,614	4,783
Bank guarantees in respect of property leases	11,655	12,017

#### NOTE 15: EVENTS SUBSEQUENT TO BALANCE DATE

On 28 January 2015, Healthscope Limited reached financial close with its financiers and the New South Wales State Government in relation to the Northern Beaches Hospital project in Frenchs Forest, Sydney. Construction of the hospital commenced in February 2015, which is scheduled to become operational in December 2018.

On 24 February 2015, the Board of Healthscope resolved to reduce the share capital of Healthscope Limited (parent entity) by \$304 million in accordance with Section 258F of the Corporations Act. The capital reduction will have the effect of reducing the share capital account and reducing Healthscope accumulated accounting losses. This is a technical adjustment which does not require shareholder approval and will have no impact on Healthscope's net assets, financial results, cashflow or funding of the Healthscope Group. The number of shares on issue will not change as a result of the capital reduction.

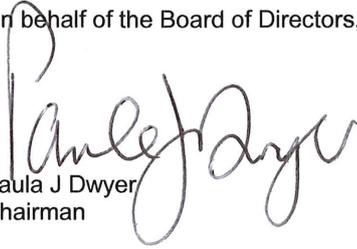
**HEALTHSCOPE LIMITED**  
**DIRECTORS' DECLARATION**

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 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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Board of Directors,



Paula J Dwyer  
Chairman



Robert Cooke  
Managing Director and Chief Executive Officer

Melbourne: 24 February 2015