

OFFER OF HEALTHSCOPE NOTES

FIXED INTEREST RATE OF 11.25% P.A.*

The Issuer
Healthscope
Notes Limited
(ACN 147 250 780)

Joint Lead Managers



Co-Manager



* The Interest Rate on the Healthscope Notes will be fixed until the date Healthscope Notes are redeemed or exchanged. Payment of Interest on the Healthscope Notes is not guaranteed. The ability of the Issuer to pay the Interest on the Healthscope Notes is subject to various risks including the performance of the business of the Healthscope Group. You should read this prospectus in its entirety before deciding whether to invest.

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IMPORTANT INFORMATION

This Prospectus relates to an offer of notes (“Healthscope Notes”) issued by Healthscope Notes Limited (“Issuer”).

This Prospectus is dated 24 November 2010 and was lodged with ASIC on that date. It is a replacement prospectus which replaces the prospectus dated 15 November 2010 and lodged with ASIC on that date (“Original Prospectus”). Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The Issuer will apply within 7 days after the date of this Prospectus to the ASX for the listing of the Issuer and the quotation of the Healthscope Notes on ASX. This Prospectus has been, or will be, lodged with the New Zealand Companies Office. No Healthscope Notes will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Applications for Healthscope Notes may only be made on an Application Form attached to or accompanying this Prospectus.

The Offer does not take into account the investment objectives, financial situation or particular needs of any investor. It is important that you read the entire Prospectus before deciding whether to invest in Healthscope Notes. You should consider the risk factors that could affect the financial performance of the Issuer and the Healthscope Group. All these factors should be considered in light of your particular investment needs, objectives and financial circumstances (including financial and taxation issues). Investors should seek professional advice before deciding whether to invest in Healthscope Notes.

If after reading the Prospectus you have any questions about the Offer, you should contact your broker, solicitor, accountant or other independent financial adviser without delay. This Prospectus is only relevant for investors or potential investors in Healthscope Notes and should not be used for any other purpose.

ASIC has published an investor guide for retail investors who are considering investing in corporate bonds. A copy of the guide can be obtained free of charge from www.fido.asic.gov.au/corporate-bonds or by contacting ASIC on 1300 300 630.

No representations other than in this prospectus
You should rely only on information in this Prospectus. No person is authorised to provide any information or make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Issuer in connection with this Prospectus. Except as required by law, and only to the extent so required, none of the Issuer, any other member of the Healthscope Group, nor any other person warrants the future performance of the Issuer or any other member of the Healthscope Group or any return on any investment made under this Prospectus.

The pro forma financial information provided in this Prospectus is for information purposes only and is not a forecast of operating results to be expected in future periods. Past performance should not be relied upon as being indicative of future performance.

Forward looking statements

This Prospectus contains forward looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of assumptions regarding future events and actions which, at the date of this Prospectus, are expected to take place. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Issuer and the Healthscope Group. The Directors of the Issuer cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements.

Foreign jurisdictions

For details of certain foreign selling restrictions that apply to Healthscope Notes in foreign jurisdictions see Section 11.12 of this Prospectus.

This Prospectus may not be distributed to, or relied upon by, persons in the United States or who are US Persons. In particular, the Healthscope Notes have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of, a US Person, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable United States state securities laws.

Exposure Period

The Corporations Act prohibits the Issuer from processing Applications for Healthscope Notes in the 7 day period after the date on which the Original Prospectus was lodged with ASIC. ASIC may extend this period by up to a further 7 days (that is, up to a total of 14 days). This period is referred to as the “Exposure Period”.

Applications for Healthscope Notes will not be processed until expiry of the Exposure Period. The purpose of the Exposure Period is to enable examination of the Original Prospectus by market participants prior to the acceptance of Applications for Healthscope Notes.

How to obtain a Prospectus

This Prospectus may be viewed online at: www.healthscopenotesoffer.com.au

A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Healthscope Notes Offer Information Line on 1300 038 928 (within Australia) and +61 3 9938 4386 (international) during the Offer Period.

The Corporations Act prohibits any person from passing an Application Form on to another person unless it is attached to or accompanied by a printed copy of this Prospectus or a complete and unaltered electronic version of this Prospectus. Applicants using an Application Form attached to the electronic version of this Prospectus must be located in Australia or New Zealand.

Electronic access to this Prospectus

The following conditions apply if this Prospectus is accessed electronically:

- you must download the entire Prospectus;
- your Application will only be considered where you have applied on an Application Form that was attached to or accompanied by a copy of this Prospectus; and
- the Prospectus is available to you electronically only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia or New Zealand.

Trustee

The Trustee has had no involvement in the preparation of any part of this Prospectus, other than particular references to the Trustee and Trust Deed. The Trustee expressly disclaims and takes no responsibility for any part of this Prospectus. The Trustee makes no statement in this Prospectus and has not authorised or caused the issue of it. The Trustee does not guarantee the success of the Healthscope Notes or the payment of any Interest or principal on the Healthscope Notes.

Definitions

Certain terms and abbreviations used in this Prospectus have defined meanings, as set out in the Glossary in Section 12 of this Prospectus. All references to \$ are to Australian dollars.

The definitions specific to the Healthscope Notes are mostly contained in clause 17 of the Terms of Issue in Appendix A. If there is any inconsistency in definitions between the Prospectus and the Terms of Issue, the definitions in the Terms of Issue prevail.

Photographs and diagrams

Unless otherwise stated, the assets depicted in photographs in this Prospectus are not assets of Healthscope Group. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Applications for Healthscope Notes

Applications for Healthscope Notes under this Prospectus may only be made during the Offer Period (although the Issuer reserves the right to accept late Applications either generally or in particular cases) and pursuant to an Application Form attached to or accompanying this Prospectus.

For information on who is eligible to apply for Healthscope Notes under the Offer and how to make an Application – see Section 3.

Important information for New Zealand investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

LETTER FROM THE CHAIRMAN

24 November 2010

Dear Investor,

On behalf of the Directors, it is my pleasure to invite you to invest in the Healthscope Notes ("Offer"). The Healthscope Notes are to be issued by Healthscope Notes Limited ("Issuer"), a funding vehicle within the Healthscope Group.

The Healthscope Group is one of Australia's leading private healthcare services providers, with revenues of \$1,906 million¹ and EBITDA of \$278 million² for the 12 months ended 30 September 2010. The Healthscope Group operates 44 private hospitals, over 520 pathology collection centres and 73 medical centres and skin cancer clinics nationwide. In addition to its domestic operations, the Healthscope Group also has leading pathology market positions in New Zealand, Malaysia and Singapore.

Through a transaction which closed on 12 October 2010, Asia Pacific Healthcare Group Pty Ltd, a company owned by funds advised and managed by Carlyle and TPG, acquired all of the fully paid ordinary shares in Healthscope Limited. The Carlyle Group and TPG Capital are leading global private investment firms which collectively manage approximately US\$140 billion in equity capital and have significant experience investing in healthcare businesses, both in the Asia Pacific region and internationally.

The Issuer is seeking to raise approximately \$170 million through the issue of 1,700,000 Healthscope Notes at an issue price of \$100 each (although the Issuer may accept over-subscriptions of up to \$45 million). The net proceeds of the Offer will be applied toward repayment of the Subordinated Bridge Facility which formed part of the funding for the acquisition of Healthscope Limited.

The key features of the Healthscope Notes are as follows:

- Redeemable, exchangeable and subordinated notes;
- Issue price of \$100 each;
- Fixed interest rate of 11.25% per annum, payable quarterly in arrears;
- 5½ year term;
- Security over the majority of the assets and entities of the Healthscope Group on a subordinated basis to the Senior Debt; and
- In the event of an Initial Public Offering, Holders will be entitled to exchange their Healthscope Notes into Listed Securities at a 2.5% discount to the issue price paid by retail investors in the Initial Public Offer.

The Offer provides you with an opportunity to invest in one of Australia's leading private healthcare services providers. Detailed information regarding the Healthscope Group and the Offer, including the risks of investing in Healthscope Notes, is set out in this Prospectus.

I encourage you to read this Prospectus carefully before deciding whether to invest in Healthscope Notes. If you have any questions regarding the Offer, please call the Healthscope Notes Offer Information Line on 1300 038 928 (within Australia) or +61 3 9938 4386 (International) between the hours of 8.30 am to 5.00 pm AEDT, Monday to Friday, or contact your broker, financial adviser or other professional adviser. Additional information is available at www.healthscopenotesoffer.com.au, as well as the ability to make electronic applications and payments once the Offer opens.

On behalf of my fellow Directors, I look forward to welcoming you as an investor in Healthscope Notes.

Yours faithfully,



Robert Cooke

Executive Chairman and Managing Director of the Healthscope Group

Notes

1. Includes prosthetics revenue of \$204 million.
2. EBITDA before non-recurring items. Refer to Section 7 for further information on Healthscope Group's financial performance.

KEY DATES

The key dates of the Offer are set out below:

Lodgement of Original Prospectus with ASIC	Monday 15 November 2010
Bookbuild to determine the Interest Rate	Tuesday 23 November 2010
Announcement of Interest Rate and lodgement of this Prospectus (including Interest Rate) with ASIC	Wednesday 24 November 2010
Offer opens	Wednesday 24 November 2010
Closing Date for Healthscope Shareholder Priority Offer and General Offer	Thursday 9 December 2010
Closing Date for Broker Firm Offer	Thursday 16 December 2010
Issue of Healthscope Notes	Friday 17 December 2010
Healthscope Notes expected to commence trading on ASX on a deferred settlement basis	Monday 20 December 2010
Holding Statements dispatched	Tuesday 21 December 2010
Healthscope Notes expected to commence trading on ASX on a normal basis	Wednesday 22 December 2010
First Interest Payment Date	25 March 2011
Subsequent Interest Payment Dates	Each 25 March, 25 June, 25 September and 25 December thereafter
Maturity Date	17 June 2016

Note

This timetable is indicative only. The Issuer, in consultation with the Joint Lead Managers, reserves the right to vary the dates and times of the Offer, including to close the Offer early, withdraw the Offer, extend the Closing Date or to accept late Applications, either generally or in particular cases, without notifying any recipient of this Prospectus or any people who submit an Application Form pursuant to this Prospectus. Investors are encouraged to submit their Application Forms as soon as possible after the opening of the Offer as the Offer may close at any time without notice.

HEALTHSCOPE NOTES



INTEREST RATE OF 11.25% PER ANNUM, FIXED UNTIL THE HEALTHSCOPE NOTES ARE REDEEMED OR EXCHANGED

SUBORDINATED SECURITY OVER THE MAJORITY OF THE ASSETS AND ENTITIES OF THE HEALTHSCOPE GROUP

Healthscope Notes will be secured over the majority of the assets and entities of the Healthscope Group. The security will:

- be the same security as the security which secures the Senior Debt; but
 - be subordinated and ranking second to approximately \$1.2 billion of currently drawn Senior Debt;¹ and
 - rank ahead of the \$1.5 billion in capital invested by funds advised and managed by Carlyle and TPG into the Healthscope Group.²
-

ABILITY TO PARTICIPATE IN AN IPO

Holders will have the right to exchange their Healthscope Notes for Listed Securities in the event of an IPO at a 2.5% discount to the retail issue price.

QUOTED ON ASX

The Issuer will apply to have the Healthscope Notes quoted on ASX.

HEALTHSCOPE SHAREHOLDER PRIORITY OFFER

Former shareholders of Healthscope Limited, who are Australian or New Zealand residents, who received consideration under the Scheme of Arrangement in October 2010, are eligible to subscribe for Healthscope Notes in the Healthscope Shareholder Priority Offer. Refer to Section 3 for further details.

Notes

1. Includes amounts drawn on the Acquisition Date under the Senior Facilities only. The Senior Facilities were not fully drawn as at the Acquisition Date and have total capacity of approximately \$1.55 billion. Excludes securitised receivables, which are off-balance sheet. Refer to Section 8 for further details on Healthscope Group's Senior Debt and to Section 11.5 for further details on Healthscope Group's receivables securitisation arrangements.
2. Approximate capital invested by funds advised and managed by Carlyle and TPG on the Acquisition Date. Capital was invested in the form of ordinary equity and shareholder loans which are subordinated, including to the Healthscope Notes. Refer to Section 8 for a description of the terms of the shareholder loans.

HEALTHSCOPE GROUP



THE HEALTHSCOPE GROUP IS A LEADING PRIVATE HEALTHCARE SERVICES PROVIDER WITH STRONG MARKET POSITIONS

- #2 Australian private hospital operator with 44 hospitals across all States and Territories;
- #3 Australian pathology services provider with national footprint; and
- leading pathology market positions in New Zealand, Malaysia and Singapore.

STABLE, DEFENSIVE EARNINGS WITH CONSISTENT TRACK RECORD OF GROWTH BOTH ORGANICALLY AND BY ACQUISITION

- The Healthscope Group's EBITDA has grown 17.7% per annum on average over the last 5 years,¹ through the economic cycle.

STRONG CASH FLOW GENERATION AND CASH CONVERSION FROM OPERATIONS

- In the 12 months to 30 September 2010, the Healthscope Group generated \$278 million EBITDA² and \$273 million Gross Operating Cashflow,³ representing an EBITDA to cashflow conversion rate of 98%.

ATTRACTIVE HEALTH SECTOR FUNDAMENTALS

- Australia's population growth and increasing average population age continue to drive demand for healthcare services.

Notes

1. Compound annual growth rate measured for the period 30 June 2006 to 30 June 2010 (FY06–FY10).
2. EBITDA before non-recurring items. Refer to Section 7 for further information on Healthscope Group's financial performance.
3. Gross Operating Cashflow is equal to Cashflow from Operating Activities excluding interest paid, income tax paid and non-recurring cash items.

OPPORTUNITIES FOR FURTHER EARNINGS GROWTH

- The Healthscope Group's management team continues to implement growth strategies designed to capitalise on strong demand for healthcare services, including the expansion of existing hospital facilities and the expansion of its existing pathology network.

EXPERIENCED MANAGEMENT TEAM

- The Healthscope Group's senior management team together have approximately 28 years of service with the Healthscope Group and over 100 years experience in the healthcare industry; and
- Executive Chairman and Managing Director Robert Cooke has over 30 years experience in the healthcare industry in Australia and overseas.

ULTIMATE SHAREHOLDERS WITH HEALTHCARE INDUSTRY EXPERIENCE AND SIGNIFICANT CAPITAL COMMITMENT

- The Carlyle Group and TPG Capital, who advise and manage the funds that own the Healthscope Group, have extensive experience in investing in the healthcare services industry across a diverse range of healthcare companies and geographies; and
- together, funds advised and managed by Carlyle and TPG have invested approximately \$1.5 billion of capital into the Healthscope Group.¹

Note

1. Approximate capital invested by the Consortium on the date of the acquisition of Healthscope Limited. Capital was invested in the form of ordinary equity and shareholder loans which are subordinated, including to the Healthscope Notes. Refer to Section 8.11 for a description of the terms of the shareholder loans.

SUMMARY OF SOME KEY RISKS

You should consider the key risks associated with an investment in Healthscope Notes before deciding whether to invest. Some of the key risks are outlined briefly below and in more detail in Section 1.7 and Section 9.

THE HEALTHSCOPE GROUP HAS A SUBSTANTIAL AMOUNT OF DEBT WHICH MAY LIMIT THE HEALTHSCOPE GROUP'S ABILITY TO OPERATE OR GROW ITS BUSINESS AND THE CASHFLOW AVAILABLE TO FUND PAYMENTS OF INTEREST AND THE REPAYMENT OF PRINCIPAL AT MATURITY OF THE HEALTHSCOPE NOTES.

THE HEALTHSCOPE NOTES ARE SUBORDINATED TO THE SENIOR DEBT WHICH MEANS THAT HOLDERS RANK BEHIND THE SENIOR CREDITORS FOR THE PAYMENT OF PRINCIPAL AND INTEREST.

THE INTEREST RATE ON THE HEALTHSCOPE NOTES IS FIXED. IF INTEREST RATES RISE, THIS MAY MAKE THE HEALTHSCOPE NOTES RELATIVELY LESS ATTRACTIVE.

VARIOUS FACTORS MAY IMPACT THE FINANCIAL AND OPERATIONAL PERFORMANCE OF THE HEALTHSCOPE GROUP:

- healthcare regulations and licensing requirements may change;
- relationships with doctors and health funds may deteriorate;
- key labour costs may increase; and
- medical indemnity claims and costs may rise.

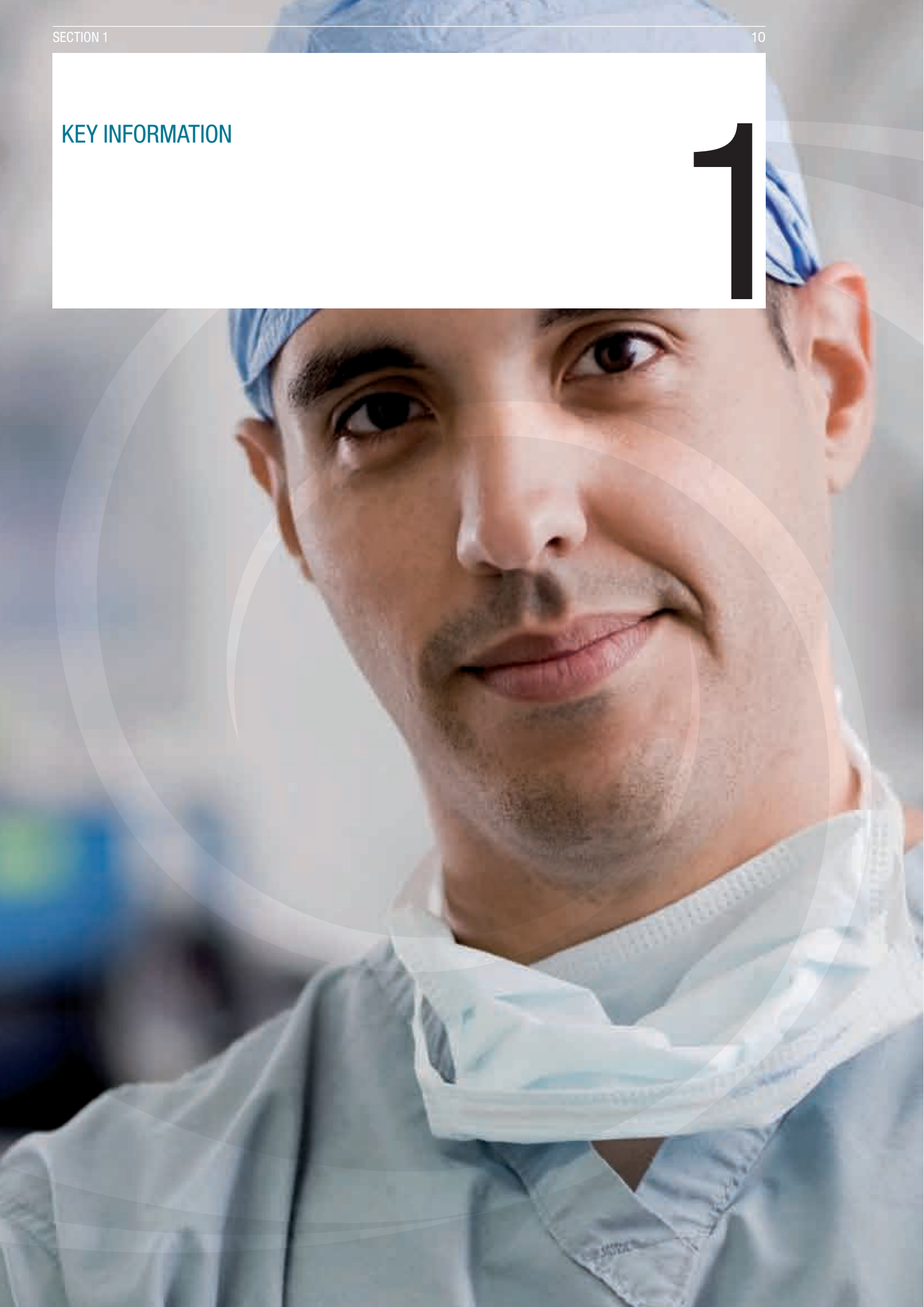
IF THE PERFORMANCE OF THE HEALTHSCOPE GROUP DETERIORATES, THE HEALTHSCOPE GROUP MAY NOT GENERATE SUFFICIENT CASHFLOW TO MAKE REQUIRED INTEREST AND PRINCIPAL PAYMENTS ON SENIOR DEBT OR HEALTHSCOPE NOTES.

IF THE HEALTHSCOPE GROUP BREACHES CERTAIN COVENANTS IN THE SENIOR FACILITY AGREEMENT, INTEREST PAYMENTS TO HOLDERS WILL BE SUSPENDED.

IN ANY WINDING UP OF THE HEALTHSCOPE GROUP, HOLDERS WILL RANK BEHIND THE SENIOR CREDITORS.

KEY INFORMATION

1



1.1 TERMS

A summary of the key terms of the Healthscope Notes is set out below. This is a summary only. Investors should read this entire Prospectus carefully. The Terms of Issue of Healthscope Notes are set out in Appendix A.

If you are unclear in relation to any aspect of the Offer, or if you are uncertain whether Healthscope Notes are a suitable investment for you, you should consult your financial or other professional adviser.

Issuer	Healthscope Notes Limited.
Healthscope Notes	Healthscope Notes are redeemable and exchangeable notes with security, subordinated to the Senior Debt, over the majority of the assets and entities of the Healthscope Group.
Offer Size	\$170 million, (in addition, the Issuer may accept over-subscriptions of up to \$45 million).
Issue Price	\$100 per Healthscope Note.
Issue Date	Expected to be 17 December 2010.
Maturity Date	5½ years from the Issue Date, expected to be 17 June 2016.
Interest Rate	11.25% per annum.
Interest Payment Dates	<p>The first payment is expected to be made on 25 March 2011.</p> <p>Following the first payment, interest is expected to be paid on:</p> <ul style="list-style-type: none"> – 25 March; – 25 June; – 25 September; and – 25 December, <p>in each year up to and including the date the relevant Healthscope Notes are redeemed or exchanged.</p>
Security	<p>Security, subordinated to the Senior Debt, over the majority of the assets and entities of the Healthscope Group. Refer to Section 8 for a description of the Security.</p> <p>The rights of the Trustee and Holders to take action against the Issuer upon the occurrence of an Event of Default are subject to restrictions set out in the Intercreditor Deed, the Security Trust Deed and the Trust Deed. Refer to Sections 8.13 and 8.14 for a summary of the Security Trust Deed and the Intercreditor Deed and to Section 11.3 for a summary of the Trust Deed.</p> <p>Despite the Security, Healthscope Notes are 'unsecured notes' for the purposes of section 283BH of the Corporations Act which requires debt instruments that are offered to the public with disclosure under Chapter 6D of the Corporations Act to be described as either 'mortgage debentures', 'debentures' or 'unsecured notes'. Further detail of the requirements of section 283BH of the Corporations Act is contained in Section 11.7 of this Prospectus.</p>

KEY INFORMATION

<p>Ranking and subordination</p>	<p>Healthscope Notes are subordinated to the Senior Debt. Holders will have the benefit of the same security as that which secures the Senior Debt, but will rank second in respect of that security behind the Senior Creditors. By virtue of being secured, the Holders will rank in priority to all unsecured and unsubordinated payment obligations other than claims mandatorily preferred by law and existing security interests, or any other security interests, of the Security Group as permitted by the Senior Facility Agreement.</p> <p>Healthscope Group debt and equity summary</p> <p>The table below provides a summary of the Healthscope Group's key debt obligations and equity as at completion of the acquisition of Healthscope Limited,¹ adjusted for the completion of the Offer (based on an issue of \$215 million of Healthscope Notes).</p> <table border="1" data-bbox="403 891 1300 1182"> <thead> <tr> <th></th> <th>HEALTHSCOPE GROUP KEY DEBT OBLIGATIONS AND EQUITY</th> <th>PRO FORMA AMOUNT DRAWN AS AT THE ACQUISITION DATE (\$ MILLION)²</th> </tr> </thead> <tbody> <tr> <td>Senior secured debt</td> <td>Senior Facilities</td> <td>1,214³</td> </tr> <tr> <td>Subordinated secured debt</td> <td>Healthscope Notes</td> <td>215</td> </tr> <tr> <td>Subordinated unsecured debt</td> <td>Shareholder loans</td> <td>1,516⁴</td> </tr> <tr> <td>Ordinary equity</td> <td>Ordinary shares</td> <td></td> </tr> </tbody> </table> <p>The above table summarises the ranking of key debt financing and equity only, and is not intended to provide a comprehensive summary of all of the Healthscope Group's indebtedness and liabilities. Refer to Section 7 for a pro forma balance sheet for the Healthscope Group and Section 8 for a description of the Healthscope Group's indebtedness.</p>		HEALTHSCOPE GROUP KEY DEBT OBLIGATIONS AND EQUITY	PRO FORMA AMOUNT DRAWN AS AT THE ACQUISITION DATE (\$ MILLION) ²	Senior secured debt	Senior Facilities	1,214 ³	Subordinated secured debt	Healthscope Notes	215	Subordinated unsecured debt	Shareholder loans	1,516 ⁴	Ordinary equity	Ordinary shares	
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Subordinated secured debt	Healthscope Notes	215														
Subordinated unsecured debt	Shareholder loans	1,516 ⁴														
Ordinary equity	Ordinary shares															
<p>Suspension of Interest</p>	<p>Interest payments will be suspended on the occurrence of any of the suspension conditions set out in the Terms of Issue, including:</p> <ul style="list-style-type: none"> - if the payment would cause the Debt Service Cover Ratio to be equal to or less than 1.10:1; - if there is an event of default or potential event of default under the Senior Facilities; or - any other condition to the making of permitted payments under the Intercreditor Deed is not satisfied (refer to Section 8 for further details). <p>The suspension of Interest payments will continue while any of these conditions continue. At any time Interest payments are suspended, interest will accrue on a daily basis and compound on a quarterly basis on the suspended Interest at a rate equal to the Interest Rate plus 2.00% per annum. The suspension of Interest payments in accordance with the Terms of Issue is not an Event of Default.</p> <p>Compliance with the Debt Service Cover Ratio will be tested at each Ratio Testing Date, being the end of the previous calendar quarter before the relevant Interest Payment Date. For example, for the Interest Payment Date of 25 March 2011, the Ratio Testing Date will be 31 December 2010, while for the Interest Payment Date of 25 June 2011, the Ratio Testing Date will be 31 March 2011.</p>															

Notes

1. Completion of the acquisition of Healthscope Limited by Asia Pacific Healthcare Group Pty Ltd on 12 October 2010.
2. Reflects the funding structure at the Acquisition Date, adjusted for completion of the Offer (based on an issue of \$215 million of Healthscope Notes).
3. Includes amounts drawn on the Acquisition Date under the Senior Facilities only. The Senior Facilities were not fully drawn as at the Acquisition Date and have total capacity of approximately \$1.55 billion. Excludes securitised receivables, which are off-balance sheet. Refer to Section 8 for further details on Healthscope Group's senior secured debt and to Section 11.5 for further details on Healthscope Group's receivables securitisation arrangements.
4. The amount of capital invested by the Consortium as at the Acquisition Date (reflected above) differs from the amount of capital invested as at 30 September 2010 (shown in Section 7). This difference relates substantially to dividends paid by Healthscope Limited after 30 September 2010, but prior to the Acquisition Date, which were funded by borrowings.

Events of Default

The Trustee may declare Healthscope Notes to be due and payable upon the occurrence of an Event of Default (and must do so if directed to by the Holders in accordance with the Trust Deed).

An Event of Default includes the Issuer failing to pay the Interest due on the Healthscope Notes (but not where the payment of Interest is suspended in accordance with the Terms of Issue) or the principal outstanding on the redemption of the relevant Healthscope Notes, insolvency of the Issuer and acceleration of the repayment of certain Finance Debt greater than \$15 million (including the Senior Debt). Healthscope Notes which remain on issue will continue to accrue Interest and while an Interest payment is due and remains outstanding, interest will accrue on a daily basis and compound on a quarterly basis on the amount which is due at a rate equal to the Interest Rate plus 2.00% per annum.

The rights of the Trustee and Holders to take action against the Issuer upon the occurrence of an Event of Default are subject to restrictions set out in the Intercreditor Deed, the Security Trust Deed and the Trust Deed. Holders should therefore be aware that although the Trustee may be empowered to do certain things under the Trust Deed, or may be directed by Holders to undertake certain actions, including declaring the Healthscope Notes to be due and payable upon the occurrence of an Event of Default, the Trustee and Holders will be restrained from actually enforcing such rights by the terms of the Intercreditor Deed and the Security Trust Deed. In particular, while the Senior Debt is outstanding, the Subordinated Creditors' (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) right to declare the Healthscope Notes immediately due and payable is limited, including, without limitation, if any permitted payment due and payable is not paid within 15 business days of written notice from the Trustee or the Holders to the Facility Agent if the Obligor is insolvent (subject to exceptions and conditions). This could include circumstances where the Senior Debt continues to be paid but where the Issuer has failed to make required payments under, or has otherwise breached, the Healthscope Notes.

The Trustee and Holders may only take enforcement action where the Healthscope Notes are due and payable against the Issuer or a guarantor of the Healthscope Notes, if (subject to conditions) the Senior Debt has not been repaid within six months of the Senior Creditors declaring the Senior Debt immediately due and payable or the Senior Debt has not been repaid within six months of the last maturity date and no instructions have been given to the Security Trustee by the Senior Creditors to commence enforcement action.

Refer to Sections 8.13 and 8.14 for a summary of the Security Trust Deed and Intercreditor Deed, in particular the limited rights for enforcement of the Healthscope Notes while the Senior Debt remains outstanding, and to Section 11.3 for a summary of the Trust Deed.

KEY INFORMATION

Redemption	Healthscope Notes outstanding at the Maturity Date will be redeemed at the principal amount outstanding. In addition, any Outstanding Interest will be payable at the Maturity Date.										
Issuer's Early Redemption right	<p>The Issuer may Redeem Healthscope Notes before the Maturity Date in accordance with the Terms of Issue (summarised below).</p> <p>If the Issuer has multiple rights of Redemption, the Issuer can elect, in its absolute discretion, which of those rights it will exercise.</p> <p>General</p> <p>If the Issuer redeems Healthscope Notes before the Maturity Date (other than in connection with an IPO or following a Tax Event), the following Redemption Amounts will be payable to Holders, plus any accrued interest or Outstanding Interest:</p> <table border="1" data-bbox="403 913 1305 1137"> <thead> <tr> <th data-bbox="403 936 1098 965">EARLY REDEMPTION DATE</th> <th data-bbox="1110 913 1305 965">REDEMPTION AMOUNT (% OF ISSUE PRICE)</th> </tr> </thead> <tbody> <tr> <td data-bbox="403 976 1098 1010">During year 2</td> <td data-bbox="1257 976 1305 1010">105</td> </tr> <tr> <td data-bbox="403 1021 1098 1055">During year 3</td> <td data-bbox="1257 1021 1305 1055">104</td> </tr> <tr> <td data-bbox="403 1066 1098 1099">During year 4</td> <td data-bbox="1257 1066 1305 1099">103</td> </tr> <tr> <td data-bbox="403 1111 1098 1137">After year 4</td> <td data-bbox="1257 1111 1305 1137">100</td> </tr> </tbody> </table> <p>Refinancing</p> <p>From the Issue Date up to and including 12 months from the Issue Date, all Healthscope Notes may be redeemed upon the occurrence of a complete refinancing of the Senior Debt. The Redemption Amount in such circumstances is 105% of the principal amount outstanding.</p> <p>IPO</p> <p>If an IPO is completed within two years after the Issue Date, the Issuer may at any time redeem all or any part of the Healthscope Notes which have not been exchanged under the Exchange Right referred to below. The Redemption Amount is 105% of the principal amount outstanding. In addition, if a disclosure document for an IPO is lodged with ASIC more than two years after the Issue Date, the Issuer may, within three months after lodgement of the IPO disclosure document, redeem all or part of the Healthscope Notes, with the Redemption Amount being 102.5% of the principal amount outstanding. If the IPO occurs, the Redemption by the Issuer will apply only to the extent to which Holders have not exercised their Exchange Right. If, however, the IPO does not occur, the Redemption may lapse or may continue to apply in respect of all Holders, including those who have exercised their Exchange Right, depending on the terms of the redemption notice.</p> <p>Other</p> <p>The Issuer also has general Redemption rights including where a Tax Event occurs or where the aggregate value of Healthscope Notes on issue is less than \$50 million. The Redemption Amount payable (other than a Redemption following the occurrence of a Tax Event) will be as per the table above. Upon Redemption following a Tax Event, Holders will receive the aggregate principal amount outstanding plus any Outstanding Interest.</p>	EARLY REDEMPTION DATE	REDEMPTION AMOUNT (% OF ISSUE PRICE)	During year 2	105	During year 3	104	During year 4	103	After year 4	100
EARLY REDEMPTION DATE	REDEMPTION AMOUNT (% OF ISSUE PRICE)										
During year 2	105										
During year 3	104										
During year 4	103										
After year 4	100										

Exchange Right	Holders resident in Australia have a right to subscribe for Listed Securities issued pursuant to an IPO with a value up to 100% of the principal amount of their holding in Healthscope Notes (plus any Suspended Interest as at the date of issue or transfer of the relevant Listed Securities). Listed Securities acquired pursuant to this Exchange Right will be issued at a price equal to 97.5% of the issue price payable by retail investors in respect of any such IPO. Holders who wish to exercise this Exchange Right can choose the number of their Healthscope Notes to be exchanged for Listed Securities. The Issuer may, at its discretion, extend the Exchange Right to Holders in jurisdictions outside Australia (see clause 3.1 of the Terms of Issue).
Holder Redemption right following Delisting Event	Holders will have a right to request Redemption of all (but not some only) of their Healthscope Notes if a Delisting Event occurs. If Healthscope Notes are redeemed following a Delisting Event, Holders will receive the aggregate principal amount outstanding plus any Outstanding Interest. Holders have no other right to request Redemption.
Issuer restrictions	<p>Restrictions on Finance Debt</p> <p>The Issuer is also restricted from incurring any debt ranking in priority to or pari passu with Healthscope Notes other than Permitted Finance Debt where this would cause the Issuer's Total Leverage Ratio to exceed the Maximum Leverage Level. However, provided the Total Leverage Ratio remains below the Maximum Leverage Level, the Issuer may incur additional debt, such as additional listed notes, on terms similar to the Healthscope Notes or debt which ranks senior in priority to the Healthscope Notes.</p> <p>Restrictions on Distributions</p> <p>The Issuer is restricted from announcing or making distributions in respect of, or buying back, any ordinary shares or preference shares, or any other securities or similar indebtedness (including shareholder loans), of the Issuer in certain circumstances specified in the Terms of Issue. Refer to clause 2.5 of the Terms of Issue for further details.</p>
Voting Rights	Healthscope Notes do not carry any voting rights with respect to the share capital of the Issuer or any other entity in the Healthscope Group.
Quotation	An application has been made by the Issuer for the quotation of the Healthscope Notes on ASX.
Risks	There are risks associated with an investment in Healthscope Notes. See Section 1.7 and Section 9 for further details.

KEY INFORMATION

1.2 GROUP STRUCTURE AND USE OF PROCEEDS

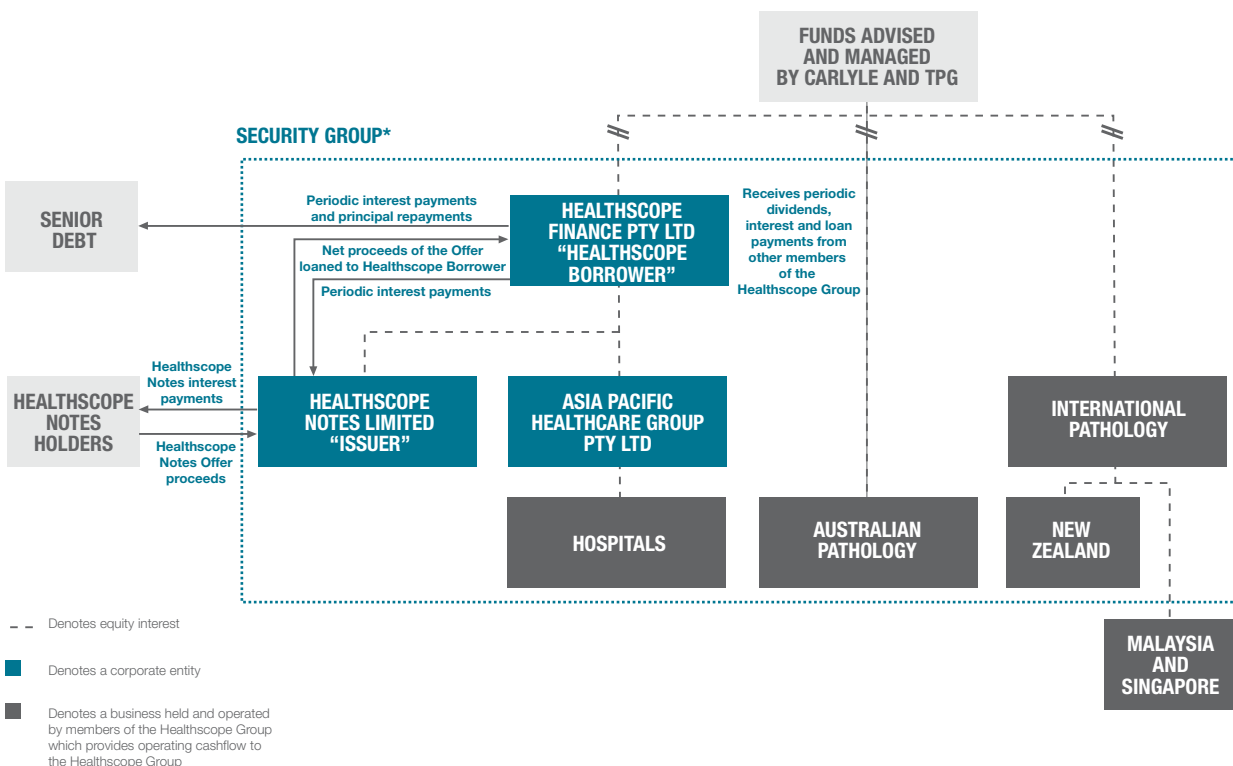
The following section provides an overview of the structure of the Healthscope Group and intended use of the funds raised through the Offer. This section also outlines how the Issuer relates to other entities within the Healthscope Group and how funds will be made available to the Issuer to pay Holders.

Healthscope Group structure

Funds advised and managed by Carlyle and TPG jointly own 100% of the equity in the Healthscope Group (through non-operating subsidiaries). Following the acquisition of Healthscope Limited by the Consortium, an internal restructure was undertaken such that the operations and entities which, prior to the Acquisition Date made up the Healthscope Group, were reorganised into three separate corporate groups. The two Australian corporate groups are the Hospitals group and the Australian Pathology group. The third corporate group is the International Pathology group, made up of offshore entities. As indicated in the diagram below, the majority of the members and businesses of the Healthscope Group also form part of the Security Group for the purposes of the Healthscope Group’s secured debt arrangements.

Holders of Healthscope Notes will have Security over the majority of the assets and entities of the Healthscope Group, on a subordinated and second ranking basis to the Senior Debt.

HEALTHSCOPE GROUP STRUCTURE



* The Security Group includes all of the operating entities of the Healthscope Group. This section of the diagram represents the entities within the Security Group who have granted securities and guarantees having regard to the Security needed to be provided by entities within the Security Group which represent not less than 90% (on an ongoing basis) of the assets and Adjusted EBITDA of the Security Group (excluding non-wholly owned subsidiaries). Security has not been sought from the Malaysian or Singaporean entities, although these entities remain part of the Security Group. Further details of the Security and the Security Group are set out in Section 8.12.

Use of proceeds from the Healthscope Notes

The net proceeds of the Offer will be used to pay the aggregate amount outstanding under the Subordinated Bridge Facility which formed part of the Consortium's funding for the acquisition of Healthscope Limited. Refer to Section 8 for further details.

The Issuer will loan the proceeds of the Offer less the costs of the Offer to Healthscope Borrower to enable Healthscope Borrower to pay the aggregate amount outstanding under the Subordinated Bridge Facility. If the net proceeds of the Offer are insufficient to enable the Issuer to loan to Healthscope Borrower an amount sufficient to enable Healthscope Borrower to pay the aggregate amount outstanding under the Subordinated Bridge Facility, then funds advised and managed by Carlyle and TPG will provide shareholder loans into the Healthscope Group in an amount sufficient to enable the payment by Healthscope Borrower of the balance of the aggregate amount outstanding under the Subordinated Bridge Facility. Further details of the terms of these shareholder loans are specified in Section 8.11. Further details regarding Healthscope Borrower are specified in Section 7.5.

Flow of funds

Interest payable to Holders of Healthscope Notes will ultimately be paid by the cash flows generated by the Healthscope Group. The Healthscope Group will forward funds derived from its operations to Healthscope Borrower periodically, through a combination of dividends, loans and interest payments. These funds will be used by Healthscope Borrower firstly to service the Senior Debt and then, subject to the terms of the Intercreditor Deed, to pay interest to the Issuer under the loan made by the Issuer to Healthscope Borrower.

Healthscope Borrower, as a borrower of monies, is liable to make interest payments and repay principal on Senior Debt in addition to its commitments to make interest payments and repay principal to the Issuer, which payments the Issuer is reliant upon to make its interest payments on, and to repay the principal of, the Healthscope Notes. There are a number of risks which may affect the Healthscope Group's future operating and financial performance and the cashflows received by Healthscope Borrower. Some of the key risks are outlined in Section 1.7 and Section 9.

The Issuer will use the interest it receives from Healthscope Borrower to pay Interest to Holders in accordance with the terms of the Healthscope Notes and to pay for its administration costs. It is as a result of these arrangements that the Issuer considers that it will have sufficient working capital to carry out its role as a special purpose entity established to issue Healthscope Notes.

The loan from the Issuer to Healthscope Borrower will have a term expiring shortly before the Maturity Date of the Healthscope Notes. Under the loan, Healthscope Borrower will be required to make quarterly interest payments to the Issuer prior to each Interest Payment Date in such amount as is required to enable the Issuer to pay all of the Interest on the Notes on the relevant Interest Payment Date. The obligations of Healthscope Borrower to pay interest under the loan, or to repay the principal amount of the loan, will be suspended while the Suspension Condition is satisfied. If the Suspension Condition is satisfied, the payment of Interest on Healthscope Notes will be suspended. The loan will obligate Healthscope Borrower to repay to the Issuer, an amount of principal equal to the total principal of Notes outstanding at the Maturity Date or upon any earlier Redemption in accordance with the Terms of Issue. The loan will be subordinated to the Senior Debt, so that if Healthscope Borrower is in default, the right of the Issuer to enforce the loan will be limited so that the Issuer may only take enforcement action where the Healthscope Notes are due and payable against the Issuer or a guarantor of the Healthscope Notes, if (subject to conditions) the Senior Debt has not been repaid within 6 months of the Senior Creditors declaring the Senior Debt immediately due and payable or the Senior Debt has not been repaid within 6 months of the last maturity date and no instructions have been given to the Security Trustee by the Senior Creditors to commence enforcement action.

KEY INFORMATION

1.3 BUSINESS OVERVIEW

The Healthscope Group is a leading Australian private healthcare services provider, operating 44 private hospitals and an extensive pathology services network in all states and territories. Within Australia, the Healthscope Group is the second largest operator of private hospitals, and third largest pathology services provider. The Healthscope Group also owns a growing network of medical centres across Australia. In addition to its domestic operations, the Healthscope Group owns pathology services businesses with strong market positions in New Zealand, Malaysia and Singapore.

For the twelve months ended 30 September 2010, the Healthscope Group generated \$1,906 million in revenue.¹ The majority of the Healthscope Group's revenue – 75% or \$1,424 million in the twelve months ended 30 September 2010 – was derived from its hospital operations. The Healthscope Group's hospitals provide a comprehensive array of acute, psychiatric and rehabilitation services, which are largely funded under agreements with private health insurance funds. The balance of the Healthscope Group's revenue (\$482 million in the twelve months to 30 September 2010) was derived from the provision of pathology services both domestically and abroad, as well as the operation of the Healthscope Group's medical centre network in Australia.

1.4 FINANCIAL INFORMATION

The tables below summarise the Healthscope Group's historical financial performance and pro forma financial metrics relative to covenants in the Senior Facility Agreement and the Healthscope Notes Terms of Issue. The tables should be read in conjunction with the more detailed discussion of financial information, including an explanation of the pro forma adjustments, in Section 7.

Pro forma historical financial information

\$ MILLION	FY08	FY09	FY10	LTM TO 30-SEP-10	CHANGE FY08 – LTM SEPT 10 (%)
Revenue¹	1,487	1,654	1,843	1,906	28
EBITDA	180	208	253	235	31
Non-recurring Items	18	20	11	43	
EBITDA before Non-recurring Items	198	228	264	278	40
Pro forma adjustments				15 ²	
Adjusted EBITDA				293	
Maintenance capital expenditure	56	82	81	84	
Growth capital expenditure	27	83	236	199	

1. Includes prosthetics revenue of \$170 million for FY08, \$197 million for FY09, \$198 million for FY10 and \$204 million for LTM to September 2010.

2. Further information regarding the pro forma adjustments is included in Section 7.7.

Note

1. Includes prosthetics revenue of \$204 million.

Pro forma financial metrics

The pro forma financial metrics below reflect the Healthscope Group's position relative to the covenants in the Senior Facility Agreement and Healthscope Notes Terms of Issue as at 30 September 2010.¹ Further information regarding these covenants is in Section 8.

\$ MILLION, UNLESS OTHERWISE NOTED	LTM TO 30-SEP-10	SENIOR COVENANTS ¹	HEALTHSCOPE NOTES	
			RESTRICTION ON FINANCE DEBT ²	SUSPENSION OF INTEREST CONDITION ³
Adjusted EBITA	293			
Pro forma Net Interest Expense				
Senior Debt and other ⁴	137			
Healthscope Notes ⁵	24			
	161			
Senior Leverage Ratio (times) ⁶	4.17x	5.15x		
Total Leverage Ratio (times) ⁷	4.91x		5.00x	
Total Interest Cover Ratio (times) ⁸	1.82x	1.45x		
DSCR (times) ⁹	1.31x	1.05x		1.10x

- Covenants under Senior Facilities as at the first calculation date being 31 December 2010 for DSCR (only for the purposes of paying Interest on Healthscope Notes) and 30 June 2011 for all other covenants. Refer to Section 8 for further information.
- The Total Leverage Ratio is required to be below 5.00x (prior to a Material Disposal) or 4.25x (on or after a Material Disposal) before additional debt facilities can be obtained by the Issuer or other member of the Security Group. Investors should note, however, that further debt can be drawn under the Senior Facilities and other Permitted Finance Debt may be incurred without needing to satisfy the Total Leverage Ratio. Refer to Section 8 and the Terms of Issue in Appendix A.
- Interest payments under the Healthscope Notes will be suspended on the occurrence of any of the Suspension Conditions set out in the Terms of Issue, including the Interest Suspension Financial Covenant which requires a Debt Service Cover Ratio of greater than 1.10:1 at all times. The Interest Suspension Financial Covenant will be tested at each Ratio Testing Date being the end of the previous calendar quarter before the relevant Interest Payment Date.
- Interest expense is calculated on drawn facilities at an effective interest rate of 9.52%, plus commitment fees on undrawn facilities at 2.7%.
- Interest expense is calculated at an effective interest rate of 11.25% on \$215 million of Healthscope Notes.
- Senior Leverage Ratio is the ratio of the aggregate amount outstanding under the Senior Facilities, the transactional banking facilities and the leasing and additional capital expenditure facilities permitted under the Senior Facility Agreement (excluding any contingent indebtedness and exposure under hedging agreements), less cash and cash equivalents, to the Adjusted EBITDA and is required to be below 5.15x on the first calculation date (being 30 June 2011). Refer further to Section 8.5.
- Total Leverage Ratio is the ratio of the aggregate amount outstanding under all Finance Debt on a consolidated basis (excluding any contingent indebtedness, exposure under hedging agreements, shareholder debt and intra-group liabilities or indebtedness), less cash and cash equivalents, to Adjusted EBITDA.
- The Total Interest Cover Ratio is the ratio of Adjusted EBITDA to Net Interest Expense (excluding capitalised or suspended interest) and is required to be at or above 1.45x on the first calculation date (being 30 June 2011). Refer further to Section 8.5.
- Debt Service Cover Ratio is the ratio of the Adjusted EBITDA (less relevant capital expenditure paid in cash, less certain net taxes paid in cash and less any increase (or plus any decrease) in working capital) for the 12 month period ending on the relevant Ratio Testing Date to the aggregate of Net Interest Expense, scheduled repayments under the Senior Debt Facilities and certain payments on finance leases and hire purchase agreements for that same period.

Note, in relation to the Suspension of Interest condition referred to in the table above, Interest payments on Healthscope Notes may be suspended if the relevant payment would cause the Debt Service Cover Ratio to be less than or equal to 1.10 times. Based on the Adjusted EBITDA for the 12 months ended 30 September 2010, a fall of \$35 million in Adjusted EBITDA would be required to trigger the Suspension of Interest condition.²

If the amount raised is less than \$215 million, it would have a favourable effect on the financial covenants (for example, if the Offer raises \$170 million, the DSCR would be 1.35x).

Notes

- Pro forma ratios are calculated as per the applicable definitions in the Healthscope Notes Terms of Issue and the Senior Facility Agreement.
- Based on all other relevant components of the calculation of the Debt Service Cover Ratio being held constant (e.g. relevant capital expenditure, taxes, and changes in working capital).

KEY INFORMATION

Healthscope Group outlook

The Healthscope Group has historically experienced consistent growth in revenue and EBITDA through the economic cycle.

The Healthscope Group's management team continues to implement growth strategies across key divisions. These include development of new and existing hospital sites and leveraging the Healthscope Group's vertically integrated health services model to enhance its revenue base and capture available synergies. Based on information available to the Directors at the date of this Prospectus, the Directors believe that, subject to no material change in business conditions, the Healthscope Group's growth strategies and broader attractive healthcare industry fundamentals continue to support a positive outlook for growth in the Healthscope Group's revenue and EBITDA in the short to medium term.

This statement should be read in conjunction with the risk factors that may have a material impact on the financial and operational performance of the Healthscope Group set out in Section 9.

1.5 KEY BUSINESS STRENGTHS

The Healthscope Group is a leading private healthcare services provider with strong market positions

The Healthscope Group maintains strong market positions in each of its markets, including:

- #2 Australian private hospital operator with 44 hospitals across all States and Territories;
- #3 Australian pathology services provider; and
- leading pathology market positions in New Zealand, Malaysia and Singapore.

Stable, defensive earnings with consistent track record of growth both organically and by acquisition

The Healthscope Group has a successful, long term track record of growth both organically and by acquisition through the economic cycle. Over the last 10 financial years, the Healthscope Group's EBITDA has increased by more than 20 times, to \$278 million¹ for the 12 months ended 30 September 2010. During the same period, the Healthscope Group has significantly expanded its hospital portfolio and entered new markets – including pathology services and medical centres.

Strong cash flow generation and conversion from operations

As a result of its exposure to demand to the healthcare sector, including essential medical procedures, the Healthscope Group's operations have stable properties which support strong and reliable cashflow generation to repay creditors and meet on-going capital demands.

Note

1. EBITDA before non-recurring items. Refer to Section 7 for further information on Healthscope Group's financial performance.

Opportunities for further earnings growth

Population growth and an increasing average population age are key drivers of demand for healthcare services. In the next 10 years, ABS estimates suggest the Australian population will increase by 15% (or 3.3 million people), and the number of Australians aged 65 years and over is expected to increase by more than 40%.¹ Management are implementing and continue to identify opportunities for growth in the Healthscope Group's businesses aimed at capitalising on the demand for healthcare services.

Experienced management team

Many of the Healthscope Group's senior management team have considerable experience both in the healthcare industry and with the Healthscope Group, having overseen its growth from a pure play hospital operator to an international integrated healthcare services provider. This team is led by Executive Chairman and Managing Director Robert Cooke, who has over 30 years experience in the healthcare industry both in Australia and overseas. Robert is supported by a high quality management team, who together have approximately 28 years of experience within the Healthscope Group, and over 100 years experience in the healthcare industry more broadly.

Ultimate shareholders with healthcare industry experience and significant capital commitment

Together, the Healthscope Group's ultimate shareholders, funds advised and managed by Carlyle and TPG, have invested approximately \$1.5 billion² of capital into the Healthscope Group. The Carlyle Group and TPG Capital have extensive experience investing in and managing healthcare businesses internationally.

1.6 KEY STRATEGIES

The Healthscope Group's growth strategy is focussed on delivering strong organic growth through superior clinical and operational outcomes, supplemented by the expansion of existing sites and value enhancing acquisitions.

Organic growth initiatives are pursued via a strong emphasis on operational excellence, including improvements across the Healthscope Group's hospital portfolio aimed at increasing occupancy and utilisation.

A key focus of the growth strategy is the Healthscope Group's hospital expansion program, including brownfield and greenfield developments. Brownfield developments deliver additional facilities such as beds and operating theatres at existing hospitals that are at or near full capacity in areas where management have identified strong demand for healthcare services. In the 12 months ended 30 June 2010, the Healthscope Group invested \$79.9 million in brownfield projects which included completed projects at major hospitals within its portfolio such as the Melbourne Clinic, Brisbane Private and Allamanda Private and projects currently under construction at Nepean Private, Prince of Wales Private, Knox Private and Northpark Private.

Notes

1. ABS population projections for 2006 – 2101 (released September 2008), Scenario B ("medium" level assumptions).
2. Approximate capital invested by funds advised and managed by Carlyle and TPG on the date of the acquisition of Healthscope Limited. Capital was invested in the form of ordinary equity and shareholder loans which are subordinated, including to the Healthscope Notes. Refer to Section 8 for a description of the terms of the shareholder loans.

KEY INFORMATION

1.7 SUMMARY OF RISK FACTORS

There are risks associated with an investment in Healthscope Notes. There are a number of factors, some specific to the Issuer, some specific to the Healthscope Group which may affect the Healthscope Group's future operating and financial performance and some of a general nature, any of which may impact the Issuer's ability to pay Interest and repay principal on the Healthscope Notes. Some of these risk factors are outlined briefly below and in more detail in Section 9. Investors should carefully consider these factors in light of their personal circumstances and seek professional advice from their broker, solicitor, accountant or other independent financial adviser before deciding whether to invest.

Risks associated with an investment in Healthscope Notes	
Insufficient cash flow to meet payments	Healthscope Borrower, as a borrower of monies, is liable to make interest payments and repay principal on Senior Debt in addition to its commitments to make interest payments and repay principal to the Issuer, which payments the Issuer is reliant upon to make its Interest payments on, and to repay the principal of, the Healthscope Notes. The Healthscope Group may not generate sufficient cash flows or may be unable to obtain finance to enable Healthscope Borrower to meet these commitments such that the Issuer would not be able to meet its obligations under the Healthscope Notes.
Senior Debt and Subordination	Healthscope Borrower has entered into the Senior Facility Agreement which contains a number of provisions and covenants, a breach of which may cause Healthscope Borrower to default on the Senior Debt and entitle the Senior Creditors to exercise certain rights, including the repayment of amounts outstanding on the Senior Debt and the enforcement of their security interests. In addition, breaches of certain covenants will result in suspension of Interest payable on the Healthscope Notes. Healthscope Notes are subordinated to the Senior Debt. In any winding up of the Healthscope Group, Holders will rank behind the Senior Creditors and will not have a right to receive repayment of principal or Interest until the Senior Creditors have been repaid in full.
Substantial debt obligations	Following completion of the Offer, the Healthscope Group will have a substantial amount of indebtedness through the Senior Debt, and the Issuer will have indebtedness to Holders through the Healthscope Notes. This indebtedness will require the Healthscope Group to devote a substantial portion of its cash flow from operations towards required interest and principal payments, thereby reducing the availability of cash flow for working capital, capital expenditure or potential acquisitions. This indebtedness may limit the Healthscope Group's flexibility in planning for, or reacting to, changes in the businesses and industries in which it operates. Such leverage may also detract from its ability to successfully withstand a potential downturn in its businesses.
Interest rate rises	The Interest Rate payable on Healthscope Notes is fixed for the term of the Healthscope Notes. Interest rate rises create a risk that Healthscope Notes may become less attractive when compared to the rates of return available on comparable securities. This reduction in attractiveness may adversely impact the market price of Healthscope Notes. Healthscope Borrower has a substantial amount of indebtedness through the Senior Debt. Interest payments on this indebtedness may be impacted by movements in interest rates, and may increase if interest rates rise. The amount of this impact is, however, partially offset by hedging agreements into which the Healthscope Borrower has agreed to enter. A description of these agreements is provided in Section 8.

Risks associated with an investment in Healthscope Notes (continued)

Lack of liquidity	There can be no assurance as to the market price of Healthscope Notes at any time, or that an active market will develop to facilitate trading in Healthscope Notes. There may be relatively few buyers or sellers of Healthscope Notes on ASX at any time. Lack of liquidity may increase the volatility of the market price of Healthscope Notes and also may affect the prevailing market price at which Holders are able to sell their Healthscope Notes.
No IPO	No decision has been made regarding an IPO. Stock market and other conditions are subject to change, consequently there is no certainty that an IPO will occur. In the event there is no IPO, there will be no Exchange Right for Holders.

Business and industry risks associated with an investment in the Healthscope Group

Government policy and regulation	There are a number of Federal and State policies and regulations that, if changed, may have a material impact on the financial and operational performance of the Healthscope Group. These include, but are not limited to: <ul style="list-style-type: none"> - changes to Federal Government initiatives which currently promote private health insurance; - changes to private hospital or pathology licensing policy; - changes to the Medicare regime; and - changes from the Government's review of future pathology funding arrangements that is currently underway.
Licenses	Hospitals and pathology laboratories and collection centres are required to be licensed under various legislation. These licences are generally subject to regular review, and are subject to revocation in certain circumstances. If the Healthscope Group is unable to secure licences for the operation of its hospitals and pathology laboratories (where licences are required) in the future, or any of its existing licences are adversely amended or revoked, this may adversely impact on the financial performance and position, and future prospects, of the Healthscope Group.
Relationships with health funds	The majority of the Healthscope Group private hospital revenue is derived from health funds. Failure to reach a satisfactory commercial relationship with a key health fund has the potential to impact on the financial and operational performance of the Healthscope Group.
Relationship with doctors	Doctors have the ability to influence a patient's selection of hospitals and pathology practices and services. Therefore, demand for the Healthscope Group's services is largely dependent on doctors. There is no guarantee that doctors will continue to refer their patients to the Healthscope Group's hospitals or pathology practices. Doctors may refer fewer patients to the Healthscope Group's hospitals or pathology practices than they currently refer.
Reliance on nursing	The most significant cost in hospital operations is nursing labour. Due to a shortage of nurses in certain geographic regions, there is enhanced competition to recruit and retain nursing staff which can lead to upward pressure on nursing costs.

KEY INFORMATION

Business and industry risks associated with an investment in the Healthscope Group (continued)	
Medical indemnity claims and costs	Healthcare companies, and particularly those with hospitals businesses, are exposed to the risk of medical indemnity claims and litigation. Current or former patients may, in the normal course of business, commence or threaten litigation for medical negligence against the Healthscope Group. Subject to the indemnity insurance arrangements the Healthscope Group has in place at the relevant time, future medical malpractice litigation, or threatened litigation, against the Healthscope Group could have an adverse impact on the financial performance and position, and future prospects, of the Healthscope Group.
Development projects	The Healthscope Group currently has a number of development projects underway, particularly in relation to the expansion of its hospital portfolio. There are a number of risks associated with development projects, including cost overruns, and delays in revenues flowing from proposed developments which could impact on the Healthscope Group's financial performance and position and future prospects.
Australian pathology market	Following the recent introduction of cuts to Medicare benefits in relation to pathology services, Australian pathology market growth rates have fallen and volumes have remained flat. The Healthscope Group's Australian Pathology division (including medical centres) contributes approximately 17% of group revenues. Underlying drivers of pathology demand such as preventative medicine, ageing of population and availability of new diagnostic tests may assist in stimulating future growth. However, if growth rates continue to remain flat it may impact the future performance of the Healthscope Group.

ANSWERS TO KEY QUESTIONS

2



ANSWERS TO KEY QUESTIONS

This section should be read in conjunction with the other information contained in this Prospectus, in particular the investment risks in Section 9 and the Terms of Issue in Appendix A.

2.1 GENERAL INFORMATION

		Refer to
What are Healthscope Notes?	<p>Healthscope Notes are redeemable and exchangeable notes issued by the Issuer with security, subordinated to the Senior Debt, over the majority of the assets and entities of the Healthscope Group.</p> <p>Healthscope Notes:</p> <ul style="list-style-type: none"> - entitle Holders to fixed interest payments at an interest rate of 11.25% per annum; - must be redeemed on the Maturity Date, being 5½ years from the Issue Date (unless redeemed earlier by the Issuer or exchanged by the Holder); - are redeemable at the option of the Issuer prior to maturity; - may be exchanged for Listed Securities at the Holder's option, in the event of an IPO; - are secured by the majority of the assets of the Healthscope Group, but are subordinated and second ranking to the Senior Debt; and - are intended to be quoted on ASX. 	Appendix A
Who is issuing Healthscope Notes?	Healthscope Notes will be issued by Healthscope Notes Limited.	Appendix A
What is the relationship between the Issuer and the Healthscope Group?	Healthscope Notes Limited is a special purpose entity established to issue Healthscope Notes. It is a member of the Healthscope Group. Both the Issuer and the Healthscope Group are ultimately owned by funds advised and managed by Carlyle and TPG.	Section 1.2
Why are Healthscope Notes being issued?	Healthscope Notes are being issued to enable the Healthscope Group to repay the Subordinated Bridge Facility which was used to fund, in part, the acquisition of Healthscope Limited by the Consortium.	Section 1.2
Will I be able to trade Healthscope Notes?	<p>The Issuer has applied to ASX for Healthscope Notes to be quoted on ASX.</p> <p>If official quotation is granted, Healthscope Notes are expected to commence trading on Monday, 20 December 2010 (on a deferred settlement basis). If quotation approval is not granted by ASX, Healthscope Notes will not be issued and Application Monies will be refunded to Applicants without interest.</p> <p>Once quoted on ASX, Healthscope Notes may be purchased or sold through a broker. The market price of Healthscope Notes may be higher or lower than their Issue Price depending on, among other things, the level of supply and demand for Healthscope Notes, movements in interest rates and the financial performance of the Healthscope Group.</p>	Sections 11.1 and 11.13

2.2 INTEREST

		Refer to
How will interest payments on Healthscope Notes be funded?	Interest payments in respect of Healthscope Notes will effectively be paid from cash flow generated from the Healthscope Group business.	Section 1.2
What is the Interest Rate?	The Interest Rate will be fixed until the Maturity Date at 11.25% per annum.	Appendix A (clause 2.1)
Can the Interest Rate change?	No, the Interest Rate is fixed. However, additional interest will accrue if Interest payments are suspended or otherwise not paid when due. At any time Interest payments are suspended, interest will accrue on a daily basis and compound on a quarterly basis on the suspended Interest at a rate equal to the Interest Rate plus 2.00% per annum.	Appendix A (clause 2.4)
When will Interest payments be made?	Based on the current timetable (which may change), the first Interest payment is expected to be made on 25 March 2011. Following the first payment, Interest is expected to be paid on 25 March, 25 June, 25 September and 25 December in each year up to and including the date the relevant Healthscope Notes are redeemed or exchanged.	Appendix A (clause 2.2)
When can Interest payments be suspended?	Interest payments will be suspended in the circumstances set out in the Terms of Issue, which include: <ul style="list-style-type: none"> – the relevant payment would cause the Debt Service Cover Ratio to be less than or equal to 1.10 times; – an ‘event of default’ or ‘potential event of default’ under the Senior Finance Documents subsists; or – any other condition to the making of permitted payments under the Intercreditor Deed is not satisfied (refer to Section 8.14). Any Interest amount suspended will be payable on: <ul style="list-style-type: none"> – in the case of interest suspended on an Interest Payment Date, the earlier of: <ul style="list-style-type: none"> – the next Interest Payment Date arising after the circumstances giving rise to the suspension are no longer applicable; and – the date that any principal in respect of the Healthscope Notes is due and payable in accordance with the Terms of Issue; and – in the case of interest suspended on a Redemption Date, the first date following the date on which Healthscope Notes are redeemed on which the suspension condition ceases to apply or the date on which Healthscope Notes are deemed to be repaid on exercise of the Exchange Right. 	Appendix A (clauses 2.2 and 2.3) Sections 7 and 8
What happens if an Interest payment is suspended?	At any time an Interest payment is suspended, interest will accrue on daily basis and compound on a quarterly basis on the suspended Interest at a rate equal to the Interest Rate plus 2.00% per annum. While any Interest amount remains unpaid, the Issuer will be subject to certain restrictions, including that it may not make any payment in respect of shares in the Issuer.	Appendix A (clauses 2.4 and 2.5)

ANSWERS TO KEY QUESTIONS

2.3 RANKING AND SECURITY

		Refer to
What will Holders receive in a winding up of the Issuer?	In the event of a winding up of the Issuer, Holders will be entitled to receive repayment of principal and payment of Outstanding Interest only after all Senior Creditors have been repaid in full. Holders will rank ahead of the Issuer's shareholders on a winding up.	Appendix A (clause 1.3)
What Security are Holders entitled to?	<p>Holders will have Security over the assets of the Obligors (comprising the majority of the assets of the operating entities of the Healthscope Group), subordinated and second ranking behind the Senior Debt.</p> <p>The rights of the Trustee and Holders to take action against the Issuer upon occurrence of an Event of Default are subject to restrictions set out in the Intercreditor Deed, the Security Trust Deed and the Trust Deed. Refer to Sections 8.13 and 8.14 for a summary of the Security Trust Deed and Intercreditor Deed and to Section 11.3 for a summary of the Trust Deed.</p>	Section 8

2.4 REDEMPTION

		Refer to
When will Healthscope Notes be redeemed?	<p>The Issuer must redeem all Healthscope Notes at their outstanding amount on the Maturity Date (unless redeemed or exchanged earlier).</p> <p>The Issuer may redeem all or any part of Healthscope Notes prior to the Maturity Date in certain circumstances. Any Healthscope Notes redeemed early will be redeemed for an amount between 105% and 100% of the Issue Price, depending on the Redemption Date and the circumstances giving rise to the Redemption.</p> <p>Upon any Redemption of Healthscope Notes, the Issuer must also pay Holders all Outstanding Interest.</p> <p>The Issuer may, at its option, redeem:</p> <ul style="list-style-type: none"> - all Healthscope Notes at any time during the first 12 months after the Issue Date upon the occurrence of a Refinancing Event; - all or any part of Healthscope Notes if, during the first 24 months after the Issue Date, there is an IPO; - all or any part of Healthscope Notes at any time after 12 months following the Issue Date; - all or any part of Healthscope Notes if an IPO disclosure document is lodged with ASIC more than two years after the Issue Date; - all Healthscope Notes at any time after the occurrence of a Tax Event; and - all Healthscope Notes at any time if the aggregate value of Healthscope Notes on issue is less than \$50 million. <p>No Early Redemption will occur unless it is permitted under the Senior Finance Documents.</p>	Appendix A (clauses 4.2 and 4.3)
Can I request redemption of Healthscope Notes?	<p>Holders have no right to request Redemption of Healthscope Notes prior to the Maturity Date unless there is a Delisting Event.</p> <p>If there is a Delisting Event, Holders may require the Redemption of all (but not some only) of their Healthscope Notes. If Healthscope Notes are redeemed as a consequence of a Delisting Event, Holders will receive the aggregate principal amount outstanding plus any Outstanding Interest.</p>	Appendix A (clauses 4.4 and 4.5)

2.5 LISTING OF HEALTHSCOPE

		Refer to
What is an IPO?	<p>An IPO is an initial public offering of shares in the Issuer, any Related Body Corporate of the Issuer or any other entity in the Healthscope Group or any special purpose vehicle established by any such entity, and/or units in a trust, that (in either case or together) directly or indirectly owns or will own a significant portion of the business currently conducted by the Healthscope Group for the purposes of seeking admission of that entity to the official list of ASX or any other Australian securities exchange and the quotation of those securities.</p> <p>No assurance can be given that an IPO will occur.</p>	Not applicable
Will the ordinary shares of the Issuer or any of its Related Bodies Corporate be quoted on ASX?	The ordinary shares of the Issuer or any Related Body Corporate of the Issuer will not be quoted on ASX. Prior to an IPO, Healthscope Notes will be the only quoted securities of the Issuer or any Related Body Corporate of the Issuer.	Section 11.1
What happens to Healthscope Notes on an IPO?	<p>Healthscope Notes may be exchanged by Holders submitting a notice requesting an exchange of up to 100% of their Healthscope Notes (plus any Suspended Interest) for Listed Securities in an IPO (subject to certain matters set out in the Terms of Issue). The price of Listed Securities acquired by Holders on exchange of Healthscope Notes in an IPO will be equal to 97.5% of the price payable by retail investors under the IPO.</p> <p>The Issuer must give notice of an IPO to Holders. If Holders wish to maintain their investment in Healthscope Notes, they are not required to take any action. However, the Issuer has the right to redeem Healthscope Notes early in the event of an IPO or lodgement of an IPO disclosure document with ASIC, in accordance with the Terms of Issue.</p>	Appendix A (clause 3)
What is my entitlement to Interest payments on exchange?	Interest accrued since the previous Interest Payment Date will be paid in cash on Healthscope Notes that are exchanged unless the Suspension Condition is then satisfied in which case such amount will be added to the amount that can be exchanged under the IPO.	Appendix A (clause 3.4)
Will I have an Exchange Right in the event of a listing on a securities exchange other than ASX or another Australian securities exchange, or in the case of a trade sale of the Healthscope Group?	No, an Exchange Right will only come into effect in the event of an ASX or other Australian securities exchange listing.	Appendix A (clause 3)
Do the Issuer's Early Redemption rights in respect of an IPO override the Exchange Right?	Where an IPO occurs, the Redemption by the Issuer will apply only to the extent to which Holders have not exercised their Exchange Right (that is, a Holder's exercise of an Exchange Right takes priority over the Issuer's exercise of its Early Redemption right in the event of an IPO or lodgement of an IPO disclosure document). If, however, the IPO does not occur after lodgement of the IPO disclosure document, then the Issuer's Early Redemption right will apply in respect of all Holders, including those who have exercised their Exchange Right unless a redemption notice issued by the Issuer states that it will lapse in such circumstances.	Appendix A (clause 4.3)

ANSWERS TO KEY QUESTIONS

2.6 VOTING

		Refer to
Do Healthscope Notes have voting rights?	Holders have certain rights to vote at meetings of Holders, but are not entitled to vote at any meeting of shareholders of the Issuer or any member of the Healthscope Group.	Section 11.3 Trust Deed

2.7 AMENDMENTS TO TERMS OF ISSUE

		Refer to
Can the Terms of Issue be amended?	<p>Subject to the Intercreditor Deed, the Terms of Issue can be amended if approved by Holders in accordance with the Trust Deed.</p> <p>The Terms of Issue may also be amended without the consent of Holders in certain circumstances set out in the Trust Deed including where the amendments are, in the opinion of an independent law firm appointed by the Issuer, of a formal, minor or technical nature, made to correct any ambiguity or manifest error, made to comply with applicable legal or regulatory requirements, convenient for the purpose of obtaining or maintaining the listing or quotation of Healthscope Notes or are not likely to be prejudicial to the interests of Holders. Amendments of a technical, procedural or mechanical nature as part of the usual administration of the Subordinated Finance Documents do not require the consent of all Senior Creditors under the Intercreditor Deed where the amendment is not material or adverse to the interest of the Senior Creditors.</p>	Appendix A (clause 14) Section 11.3

2.8 BROKERAGE, COMMISSION AND TAX

		Refer to
Will I pay brokerage, commission, stamp duty or GST?	No brokerage, commission, stamp duty or GST is payable by investors applying for Healthscope Notes under this Prospectus. However, brokerage commissions may be payable on the sale of Healthscope Notes made after quotation on ASX.	Sections 3.6 and 11.6
What are the taxation implications of holding or selling Healthscope Notes?	A summary of the general taxation implications of investing in Healthscope Notes is set out in Section 11.6. However, the specific taxation implications of investing in Healthscope Notes will depend on an investor's individual circumstances. Holders should obtain their own tax advice.	Section 11.6

2.9 QUERIES

		Refer to
How do I apply for Healthscope Notes?	Details on how to apply for Healthscope Notes are included in Section 3. If you have any questions on how to apply, please call the Healthscope Notes Offer Information Line on 1300 038 928 (within Australia) or +61 3 9938 4386 (International) between the hours of 8.30 am to 5.00 pm AEDT, Monday to Friday, or contact your broker, solicitor, accountant or other independent financial adviser.	Section 3
What if I have further queries?	If you are unclear in relation to any matter, or uncertain if Healthscope Notes are a suitable investment, you should seek professional advice from your broker, solicitor, accountant or other independent financial adviser before deciding whether to invest.	Section 3.9

DETAILS OF THE OFFER

3



DETAILS OF THE OFFER

The Offer consists of the offer of \$170 million of Healthscope Notes (1,700,000 Healthscope Notes with an issue price of \$100 each). In addition, the Issuer may accept over-subscriptions of up to \$45 million of Healthscope Notes (an additional 450,000 Healthscope Notes). There is no minimum amount to be raised by the Offer.

The funds raised by the issue of the Healthscope Notes will be used to pay the aggregate amount outstanding under the Subordinated Bridge Facility which was used as part of the Consortium's funding for the acquisition of Healthscope Limited.

If the net proceeds of the Offer are insufficient to pay the aggregate amount outstanding under the Subordinated Bridge Facility, then funds advised and managed by Carlyle and TPG will provide shareholder loans into the Healthscope Group in an amount sufficient to enable the payment of the balance of the aggregate amount outstanding under the Subordinated Bridge Facility. Further details of the terms of these shareholder loans is specified in Section 8.11.

3.1 OFFER STRUCTURE

The Offer of Healthscope Notes comprises:

- a Healthscope Shareholder Priority Offer made to Eligible Healthscope Shareholders;
- a General Offer made to General Applicants;
- a Broker Firm Offer made to Broker Firm Applicants; and
- an Institutional Offer made to certain Institutional Investors.

Certain foreign selling restrictions apply to Healthscope Notes in foreign jurisdictions – refer to Section 11.12.

3.2 HOW TO OBTAIN A PROSPECTUS

This Prospectus may be viewed online at:
www.healthscopenotesoffer.com.au.

A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Healthscope Notes Offer Information Line on 1300 038 928 (within Australia) or +61 3 9938 4386 (International) (8.30 am to 5.00 pm AEDT) during the Offer Period.

The Corporations Act prohibits any person from passing an Application Form on to another person unless it is attached to or accompanied by a printed copy of this Prospectus or a complete and unaltered electronic version of this Prospectus. Applicants using an Application Form must be located in Australia or New Zealand.

The following conditions apply if this Prospectus is accessed electronically:

- you must download the entire Prospectus;
- your Application will only be considered where you have applied on an Application Form that was attached to or accompanied by a copy of this Prospectus; and
- the Prospectus is available to you electronically only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia or New Zealand.

3.3 HOW TO APPLY

Healthscope Shareholder Priority Offer and General Offer

Eligible Healthscope Shareholders	
Who can apply for Healthscope Notes?	An Eligible Healthscope Shareholder is any former shareholder of Healthscope Limited, who is an Australian or New Zealand resident and who received consideration under the Scheme of Arrangement in October 2010 – may apply for Healthscope Notes through the Healthscope Shareholder Priority Offer.
How many Healthscope Notes can you apply for?	Your Application must be for a minimum of 50 Healthscope Notes being \$5,000, and in multiples of 10 Healthscope Notes (\$1,000) thereafter. The Issuer, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any Eligible Healthscope Shareholder a lesser number of Healthscope Notes than applied for.
When to apply	Applications will only be accepted during the Offer Period, which will open on Wednesday, 24 November 2010. The Closing Date for the Healthscope Shareholder Priority Offer is Thursday, 9 December 2010. Your Application Form or online Application Form and Application Payment must be received by the Registry by Thursday, 9 December 2010.
How do I apply online?	You can apply online at www.healthscopenotesoffer.com.au . Instructions on how to complete your Application are provided online. You will be asked to identify the holding that gives you the entitlement to apply by providing your HIN/SRN in respect of your previous holding in Healthscope Limited. When applying on-line, you will be required to pay for Healthscope Notes using B _{PAY} ^{®1} – see Section 3.4. If you are not allotted any Healthscope Notes or you are allotted fewer Healthscope Notes than you applied and paid for as a result of a scale back, all or some of your Application Payment (as applicable) will be refunded to you (without interest) as soon as practical after the Issue Date.
How do I apply using a paper Application Form?	You can request a paper copy of the Prospectus and your Application Form by calling the Healthscope Notes Offer Information Line on 1300 038 928 (within Australia) or +61 3 9938 4386 (international) (8.30 am to 5.00 pm AEDT). Instructions on how to complete your Application Form are set out on the Application Form. You will need to include your HIN/SRN in respect of your previous holding in Healthscope Limited where indicated to obtain priority. You will be required to pay for Healthscope Notes either by cheque(s) and/or money order(s) – see Section 3.4. You will be required to post your completed Application Form accompanied by your Application Payment to the Registry. If you are not allotted any Healthscope Notes or you are allotted fewer Healthscope Notes than you applied and paid for as a result of a scale back, all or some of your Application Payment (as applicable) will be refunded to you (without interest) as soon as practical after the Issue Date. B _{PAY} is not available for Eligible Healthscope Shareholders using a paper Application Form. If you wish to pay by B _{PAY} you need to make an online Application.

Note

1. Registered to B_{PAY} Pty Ltd (ABN 69 079 137 518).

DETAILS OF THE OFFER

General Applicant	
Who can apply for Healthscope Notes?	<p>A member of the general public who is an Australian or New Zealand resident – may apply through the General Offer.</p> <p>An Eligible Healthscope Shareholder who does not include their HIN/SRN in respect of their previous holding in Healthscope Limited in their Application Form will be recorded as a General Applicant.</p>
How many Healthscope Notes can you apply for?	<p>Your Application must be for a minimum of 50 Healthscope Notes being \$5,000, and in multiples of 10 Healthscope Notes (\$1,000) thereafter.</p> <p>The Issuer, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any General Applicant a lesser number of Healthscope Notes than applied for.</p>
When to apply	<p>Applications will only be accepted during the Offer Period, which will open on Wednesday, 24 November 2010. The Closing Date for the Healthscope Shareholder Priority Offer is Thursday, 9 December 2010.</p> <p>Your completed Application Form or online Application Form and Application Payment must be received by the Registry by Thursday, 9 December 2010.</p>
How do I apply online?	<p>You can apply online at www.healthscopenotesoffer.com.au.</p> <p>Instructions on how to complete your Application are provided online.</p> <p>When applying on-line, you will be required to pay for Healthscope Notes using B_{PAY} – see Section 3.4.</p> <p>If you are not allotted any Healthscope Notes or you are allotted fewer Healthscope Notes than you applied and paid for as a result of a scale back, all or some of your Application Payment (as applicable) will be refunded to you (without interest) as soon as practical after the Issue Date.</p>
How do I apply using a paper Application Form?	<p>There are Application Forms contained in the back of this Prospectus that should be used by General Applicants. You can request a paper copy of the Prospectus by calling the Healthscope Notes Offer Information Line on 1300 038 928 (within Australia) or +61 3 9938 4386 (International) (8.30 am to 5.00 pm AEDT).</p> <p>Instructions on how to complete the Application Forms are set out on the Application Form.</p> <p>You will be required to pay for Healthscope Notes either by cheque(s) and/or money order(s) – see Section 3.4.</p> <p>You will be required to post your completed Application Form accompanied by your Application Payment to the Registry.</p> <p>If you are not allotted any Healthscope Notes or you are allotted fewer Healthscope Notes than you applied and paid for as a result of a scale back, all or some of your Application Payment (as applicable) will be refunded to you (without interest) as soon as practical after the Issue Date.</p> <p>B_{PAY} is not available for General Applicants using a paper Application Form. If you wish to pay by B_{PAY} you need to make an online Application.</p>

Broker Firm Applicants	
Who can apply for Healthscope Notes?	A retail client of a Participating Broker invited to participate through the Broker Firm Offer, may apply through the Broker Firm Offer.
How many Healthscope Notes can you apply for?	Your Application must be for a minimum of 50 Healthscope Notes being \$5,000, and in multiples of 10 Healthscope Notes (\$1,000) thereafter. Your Participating Broker will inform you of your allocation.
When to apply	Applications will only be accepted during the Offer Period, which will open on 24 November 2010. The Closing Date for the Broker Firm Offer is Thursday, 16 December 2010. Your completed Application Form and Application Payment must be received by your Participating Broker in accordance with arrangements made between you and your Participating Broker.
How do I apply?	There are Application Forms in the back of this Prospectus that should be used by Broker Firm Applicants. Instructions on how to complete the Application Form are set out on the application form. You must contact your Participating Broker for their specific instructions on how to submit the Application Form and your Application Payment to your Participating Broker. You must NOT return your Application Form to the Registry. Your Participating Broker: <ul style="list-style-type: none"> - must have received your completed Application Form and Application Payment in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer – being Thursday, 16 December 2010; and - will act as your agent in processing your Application Form and providing your Application details and Application Payment to the Issuer.
Institutional Investors	
Who can apply for Healthscope Notes?	An Institutional Investor who was invited by the Joint Lead Managers to bid for Healthscope Notes in the Bookbuild or who subsequently applies for Healthscope Notes and who is not an Eligible Healthscope Shareholder, General Applicant or Broker Firm Applicant are able to apply through the Institutional Offer.
How many Healthscope Notes can you apply for?	Applications by Institutional Investors are subject to the terms and conditions of the Bookbuild and this Prospectus.
When to apply	The Bookbuild was conducted on Tuesday, 23 November 2010.
How do I apply?	Application and settlement procedures for Institutional Investors were advised to Institutional Investors by the Joint Lead Managers.

DETAILS OF THE OFFER

3.4 HOW TO PAY

Healthscope Shareholder Priority Offer	
Online	<p>If you apply using an online Application Form at www.healthscopenotesoffer.com.au, you must complete your Application by making a B_{PAY} payment.</p> <p>B_{PAY} payments must be made from an Australian dollar account of an Australian financial institution.</p> <p>Once you have completed your online Application Form, you will be given a B_{PAY} biller code and unique Customer Reference Number for that application. Follow the B_{PAY} instructions below to complete your Application. If you do not make a B_{PAY} payment before the Closing Date your Application will be incomplete and will not be accepted by the Issuer.</p> <p>Using the provided B_{PAY} details, you need to:</p> <ul style="list-style-type: none"> - access your participating B_{PAY} financial institution either through telephone banking or internet banking; - select B_{PAY} and follow the prompts; - enter the biller code supplied; - enter the unique Customer Reference Number supplied for each Application; - enter the total amount to be paid which corresponds to the number of Healthscope Notes you wish to apply for under each Application (that is, a minimum of \$5,000 – 50 Healthscope Notes). Note that your financial institution may apply limits on your use of B_{PAY} and you should make an enquiry about the limits that apply in your own personal situation; - select the account you wish your payment to be made from; - schedule your payment so it is received by the Registry prior to 5.00 pm on the Closing Date since Applications without payment cannot be accepted; and - record your B_{PAY} receipt number and date paid. Retain these details for your records. <p>Your completed online Application Form and Application Payment must be received by the Registry by 5.00 pm on the Closing Date.</p>
Paper Application Form	<p>If you apply under the Healthscope Priority Shareholder Offer using a paper Application Form, your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to Healthscope Notes Offer.</p> <p>Cheque(s) should be crossed “Not Negotiable”.</p> <p>Cash payments will not be accepted.</p> <p>If you wish to pay by B_{PAY}, you will need to make an online Application – see above.</p> <p>You cannot pay by B_{PAY} if you apply under the Healthscope Shareholder Priority Offer using a paper Application Form.</p> <p>Your completed Application Form and Application Payment must be received by the Registry by the Closing Date.</p>

General Offer	
Online	<p>If you apply using an online Application Form at www.healthscopenotesoffer.com.au, you must complete your Application by making a B_{PAY} payment.</p> <p>B_{PAY} payments must be made from an Australian dollar account of an Australian financial institution.</p> <p>Once you have completed your online Application Form, you will be given a B_{PAY} biller code and unique Customer Reference Number for that Application. Follow the B_{PAY} instructions above for the Healthscope Shareholder Priority Offer to complete your Application. If you do not make a B_{PAY} payment so it is received before 5.00 pm on the Closing Date your Application will be incomplete and will not be accepted by the Issuer.</p> <p>Your completed online Application Form and Application Payment must be received by the Registry by 5.00 pm on the Closing Date.</p>
Paper Application Form	<p>If you apply under the General Offer using a paper Application Form, your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to Healthscope Notes Offer.</p> <p>Cheque(s) should be crossed "Not Negotiable".</p> <p>Cash payments will not be accepted.</p> <p>If you wish to pay by B_{PAY}, you will need to make an online Application – see left.</p> <p>You cannot pay by B_{PAY} if you apply under the General Offer using a paper Application Form.</p> <p>Your completed Application Form and Application Payment must be received by the Registry by the Closing Date.</p>
Broker Firm Offer	<p>You must contact your Participating Broker for information on how to submit the Application Form and your Application Payment to your Participating Broker. This may include an online application and payment facility.</p> <p>Your Participating Broker must have received your completed Application Form and Application Payment in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer.</p>

DETAILS OF THE OFFER

3.5 ALLOCATION POLICY

The allocation policy for Participating Brokers and Institutional Investors was determined under the Bookbuild. The Bookbuild allocation was determined by the Joint Lead Managers in consultation with the Issuer following completion of the Bookbuild.

Allocations to Broker Firm Applicants are at the discretion of the relevant Participating Broker. Allocations for the Healthscope Shareholder Priority Offer and General Offer will be determined by the Issuer in consultation with the Joint Lead Managers after the Closing Date. There is no specified proportion of the Offer that may be allocated to the Healthscope Shareholder Priority Offer and General Offer. If there is excess demand for Healthscope Notes after allocations to Institutional Investors and Participating Brokers, priority will be given to Eligible Healthscope Shareholders over General Applicants, and as such some General Applicants may not be allocated any Healthscope Notes.

The Issuer (at its discretion and in consultation with the Joint Lead Managers) reserves the right to scale back Applications from Eligible Healthscope Shareholders and General Applicants. Any scale back will be announced on ASX on the day Healthscope Notes commence trading on a deferred settlement basis – expected to be Monday, 20 December 2010.

Bookbuild

The Bookbuild was a process that was conducted by the Joint Lead Managers in consultation with the Issuer before the Opening Date to determine the Interest Rate and firm allocations of Healthscope Notes to Participating Brokers and Institutional Investors. In this process, the Participating Brokers (including the Joint Lead Managers) and Institutional Investors were invited to lodge bids for a number of Healthscope Notes. On the basis of those bids, the Issuer and the Joint Lead Managers agreed the Interest Rate and the Joint Lead Managers in consultation with the Issuer determined the firm allocations to Participating Brokers and Institutional Investors.

The Bookbuild was conducted in the manner contemplated in this Prospectus and otherwise on the terms and conditions agreed to by the Issuer and the Joint Lead Managers in the Offer Management Agreement – see Section 11.4.

Following the Bookbuild, approximately \$175 million in Healthscope Notes have been allocated. Up to \$40 million in Healthscope Notes will be available under the Eligible Shareholder Priority Offer and the General Offer. As noted above, applications from Eligible Healthscope Shareholders will be given priority over applications under the General Offer.

3.6 BROKERAGE AND STAMP DUTY

No brokerage or stamp duty is payable on your Application. You may have to pay brokerage, but will not have to pay any stamp duty, on any later sale of your Healthscope Notes on ASX after Healthscope Notes have been quoted on ASX.

3.7 ASX QUOTATION

The Issuer has applied to ASX for Healthscope Notes to be quoted on ASX. If ASX does not grant permission for Healthscope Notes to be quoted within three months after the date of this Prospectus, Healthscope Notes will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

It is expected that Healthscope Notes will begin trading on ASX on a deferred settlement basis on Monday, 20 December 2010. Trading is expected to continue on that basis until Wednesday, 22 December 2010, when it is anticipated that trading of Healthscope Notes will begin on a normal settlement basis. Deferred settlement will occur as a consequence of trading which takes place before Holding Statements are despatched to successful Applicants.

You are responsible for confirming your holding before trading in Healthscope Notes. If you are a successful Applicant and you sell your Healthscope Notes before you receive your Holding Statement, you do so at your own risk.

You may call the Healthscope Notes Offer Information Line on 1300 038 928 (within Australia) or +61 3 9938 4386 (international) (8.30 am to 5.00 pm AEDT) or your Participating Broker after the Issue Date to enquire about your allocation.

Holding Statements

The Issuer will apply for Healthscope Notes to participate in CHESS. No certificates will be issued for Healthscope Notes. The Issuer expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 21 December 2010.

3.8 PRIVACY

If you apply for Healthscope Notes, you will be asked to provide personal information to the Issuer (and the Joint Lead Managers or your Participating Broker, if you are a Broker Firm Applicant) and the Registry, on the Issuer's behalf.

The Issuer, the Registry and the Joint Lead Managers (or your Participating Broker) will collect, hold and use that personal information to assess your Application, service your needs as a Holder, and provide facilities and services that you request and carry out appropriate administration.

Company and tax law requires some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

Under the Privacy Act, you may request access to your personal information held by or on behalf of the Issuer. You can request access to your personal information or obtain further information about the Issuer's management practices by contacting the Registry or the Issuer. If the Registry's record of your personal information is incorrect or out of date, it is important that you contact the Issuer or the Registry so that your records can be corrected.

3.9 ENQUIRIES

General Applicants and Healthscope Shareholder Priority Applicants

You can call the Healthscope Notes Offer Information Line on 1300 038 928 (within Australia) or +61 3 9938 4386 (international) (8.30 am to 5.00 pm AEDT) if you:

- have further questions on how to apply for Healthscope Notes;
- require assistance to complete your Application Form;
- require additional copies of this Prospectus and Application Forms; or
- have any questions about the Offer.

If you are unclear in relation to any matter, or uncertain if Healthscope Notes are a suitable investment, you should seek professional advice from your broker, solicitor, accountant or other independent financial adviser before deciding whether to invest.

Broker Firm Applicants

If you have any further questions about the Offer or your Broker Firm Application, please call your Participating Broker.

AUSTRALIAN HEALTHCARE INDUSTRY

4

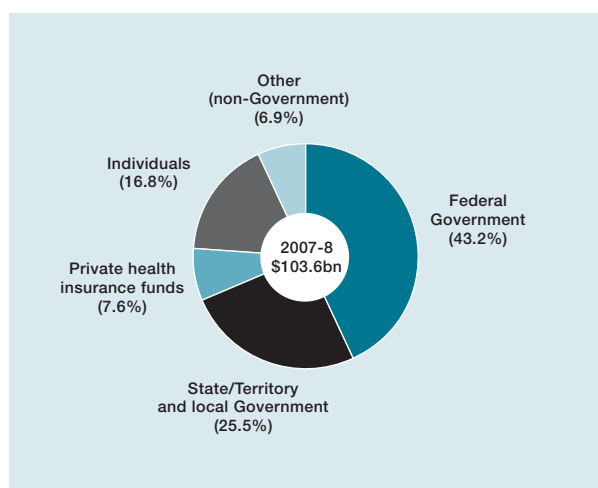
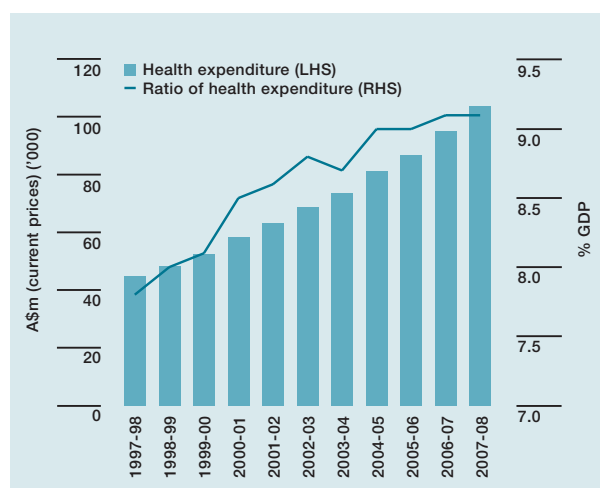


4.1 OVERVIEW

The Australian healthcare industry is a major part of the Australian economy. In the 2008 financial year, total public and private expenditure on health goods and services was \$103.6 billion, comprising approximately 9.1% of Australia's gross domestic product. This expenditure has grown significantly in the last 10 years from \$44.8 billion in the 1998 financial year,¹ representing a compound average nominal growth rate of 8.7% per annum, or 5.2% per annum in real (constant price) terms over the period.

Australia's health expenditure is predominantly funded by Government, with approximately two thirds of total Australian health expenditure funded by Federal and State Governments in each of the ten financial years ended 30 June 2008. The majority of non-Government expenditure is contributed by private health insurance funds and individuals, who were cumulatively responsible for 24.4% of total Australian health expenditure in the 2008 financial year.

TOTAL EXPENDITURE ON HEALTH GOODS AND SERVICES



Source: AIHW, ABS

Note

1. Prices are nominal. Health expenditure was \$62.3 billion in 2007-08 (real) prices for the 1998 financial year.

AUSTRALIAN HEALTHCARE INDUSTRY

4.2 HOSPITALS

Overview

In Australia there are approximately 1,300 hospitals with approximately 84,000 beds.¹ These hospitals are either public (operated by Government) or private (operated by “for-profit” and “not-for-profit” providers). As at 30 June 2009, private hospitals comprised approximately 40% of the market by beds.

AS AT 30 JUNE 2009	PUBLIC HOSPITALS	PRIVATE HOSPITALS		TOTAL
		SAME DAY	OVERNIGHT	
Number of facilities	756	285	276	1,317
Beds	56,478	2,168	25,298	83,944
Separations ('000s)¹				
Same day	2,461	728	1,456	4,645
Overnight	2,430	1	1,073	3,504
Total	4,891	729	2,529	8,149
Total patient days ('000s)	17,889	729	7,164	25,782
Average length of stay (days)				
All patients	3.7	1.0	2.8	3.2
Excluding same day patients	6.3	1.0	5.3	6.0

1. Incidences of patients leaving healthcare facilities.

Source: AIHW (2008–09)

Note

1. In this section, “beds” refers to (hospital) beds immediately available for use by admitted patients.

Types of hospitals

There are five main types of hospital in Australia, which can be differentiated by ownership, operator, location and treatments provided.

Hospital type	Description
Same day facilities	
Free-standing (same day) hospitals	<ul style="list-style-type: none"> – Typically privately owned by medical practitioners and to a lesser extent, both private or public organisations – Do not provide 24 hour care – procedures limited to those that are expected to result in the patient being admitted and discharged on the same day
Overnight facilities	
Public hospitals	<ul style="list-style-type: none"> – Publicly owned and operated facilities <ul style="list-style-type: none"> – State/territory governments are responsible for the provision of health services through public hospitals – Provide treatment to all Australian residents and residents of countries with reciprocal care agreements, free of charge <ul style="list-style-type: none"> – Speed of admission depends on severity of a patient's ailment and availability of hospital resources – Also provide treatment to patients with private health insurance who elect to be treated in a public hospital <ul style="list-style-type: none"> – This is estimated to represent only a small proportion of total public hospital separations
Privatised public hospitals	<ul style="list-style-type: none"> – Publicly owned hospitals operated by private operators under service agreements – Provide agreed treatment to public patients – Service agreements typically structured to compensate the operator based on a fixed amount of funding each year, with the operator solely responsible for managing (and paying) costs
Private hospitals	<ul style="list-style-type: none"> – Privately owned and operated facilities <ul style="list-style-type: none"> – Owners may be either 'not-for-profit' or 'for-profit' organisations – Allow patients to be treated by a doctor of their choice, provided the doctor is appropriately credentialled with the hospital <ul style="list-style-type: none"> – Typically perform mostly elective procedures
Co-located private hospitals	<ul style="list-style-type: none"> – Privately owned and operated facilities which are located on the same campus as a public hospital, forming a joint medical facility – Sometimes share facilities between the public and private hospital – Potentially attractive to both doctors and patients due to the convenience of both hospitals being at the same location

AUSTRALIAN HEALTHCARE INDUSTRY

Private hospital operators

There are two leading private hospital operators in Australia – Ramsay Health Care and the Healthscope Group. Many of the remaining private hospitals are operated by a variety of “not-for-profit” market participants, of which St John of God Health Care is the largest single operator.

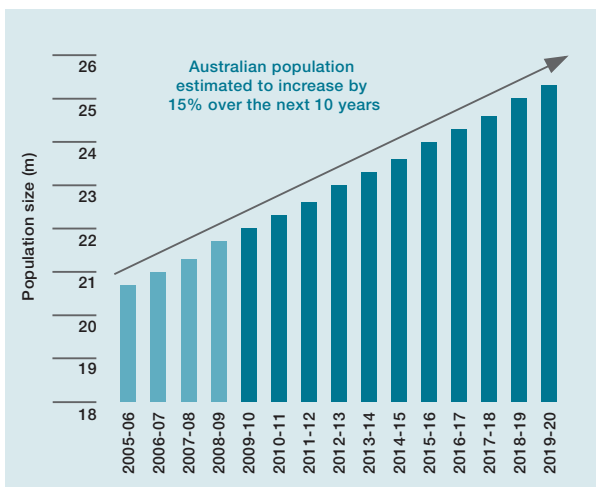
Key drivers of growth

Population growth and an increasing average population age are key drivers of demand for healthcare services. Demand for private hospitals is supported by these key drivers, as well as by Australia’s historically stable levels of private health insurance coverage.

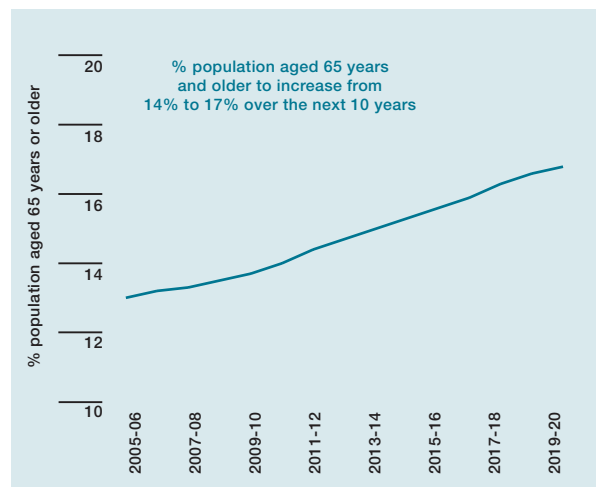
Population growth and ageing

Based on the ABS population projections, the Australian population is estimated to increase by 15% (or 3.3 million people) from 30 June 2010 to 30 June 2020.¹ Over the same period, the proportion of Australians aged 65 years or older is expected to increase from 13.7% to 16.8% of the population, driven by declining birth rates and increased life expectancy. In absolute terms, this represents an increase of more than 40% in the number of Australians aged 65 years or older, from approximately 3.0 million as at 30 June 2010 to approximately 4.2 million at 30 June 2020.¹

AUSTRALIAN POPULATION PROJECTIONS¹



PROPORTION AGED 65 YEARS OR OVER



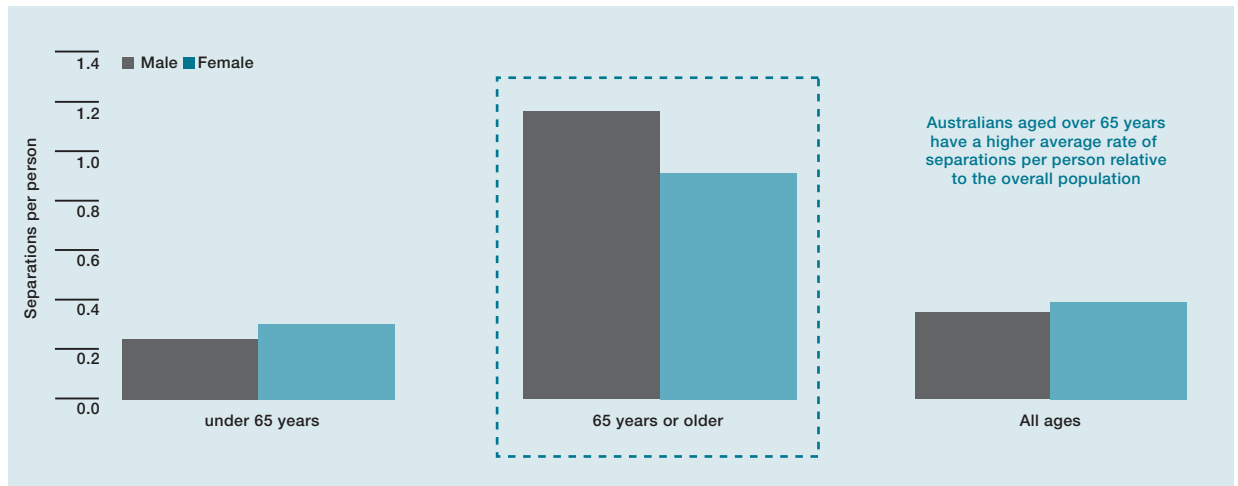
Source: ABS

An ageing population generally increases the demand for healthcare services. Individuals aged 65 years and over have a tendency to suffer from greater incidences of chronic illness and disabilities than the rest of the population. This results in individuals aged 65 years and over having, on average, a greater number of separations² and a longer length of stay than individuals aged less than 65 years.

Notes

1. Australian Bureau of Statistics population projections for 2006 – 2101 (released September 2008), Scenario B (“medium” level assumptions).
2. Incidences of patients leaving healthcare facilities.

AVERAGE SEPARATIONS PER PERSON

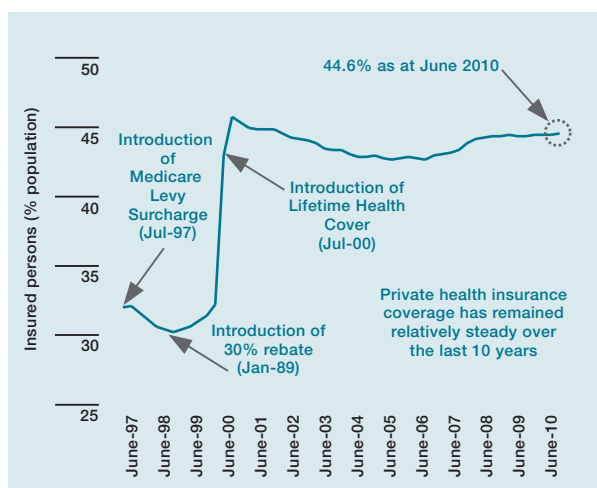


Source: AIHW, ABS (2008–09)

Private health insurance

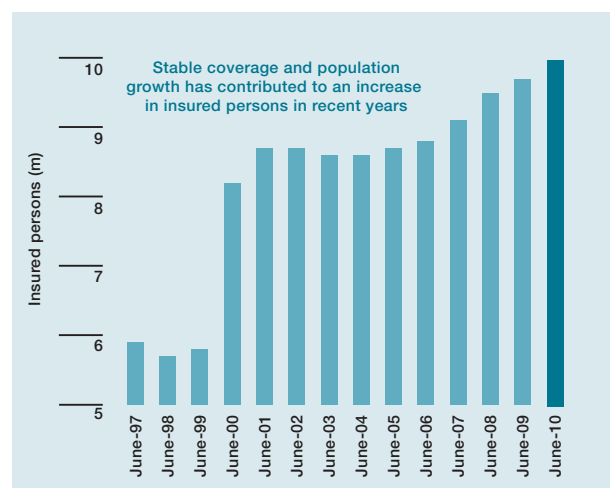
Members of private health insurance funds are the largest users of private hospitals in Australia, hence the number of privately insured people will influence demand for private hospital services. Australia has historically had stable levels of private health insurance coverage. For the 10 years ended 30 June 2010, the average proportion of the Australian population with private health insurance was 43.9%. As at 30 June 2010 it was 44.6%. The last major change in coverage levels occurred in 1999, following the introduction of a Federal Government rebate on private health insurance premiums.

PRIVATE HEALTH INSURANCE COVERAGE (HOSPITAL TREATMENT)



Source: PHIAC

NUMBER OF PERSONS WITH HOSPITAL TREATMENT COVER



AUSTRALIAN HEALTHCARE INDUSTRY

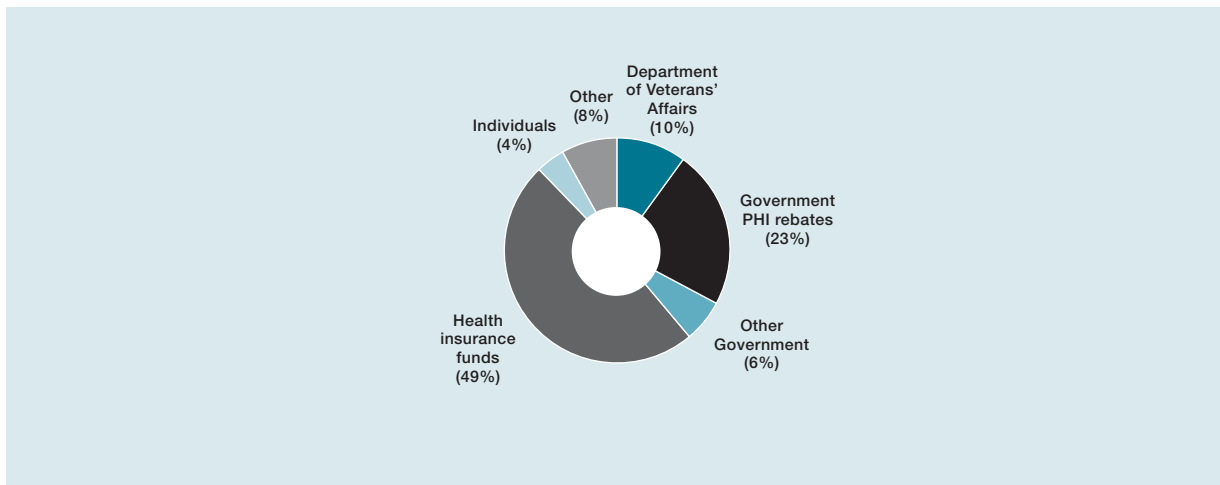
Stability in private health insurance coverage has been supported by a number of government initiatives designed to incentivise Australians to take up private health insurance and lower demand on the public healthcare system. These include:

- a 30% Government rebate on private health insurance premiums;¹
- the Medicare Levy Surcharge – a tax imposed on Australian taxpayers who earn above a threshold amount but who have not taken out private health insurance; and
- the Lifetime Health Cover penalty – an extra charge of 2% of the premium for members who are aged over 30 years when they first take out private health insurance (this penalty ceases after 10 continuous years of private health cover).

Private hospital funding

Nearly three quarters of private hospital funding is related, directly or indirectly, to private health insurance. In the financial year ended 30 June 2008, private hospitals received 49% of their funding directly from private health insurance funds, with a further 23% of funding provided indirectly through Government rebates on private health insurance premiums. In comparison, over 90%² of public hospital funding is provided by the Federal and State Governments.

SOURCES OF PRIVATE HOSPITAL FUNDING



Source: AIHW (2007–08)

Benefits paid by private health insurance funds to private hospitals on behalf of patients are generally based on contractually set rates for services. These rates are typically negotiated and contracted between the private health insurance funds and each individual hospital operator on a periodic basis. Over the last 10 years, these benefits have increased substantially, with the total amount of benefits paid to private acute hospitals more than doubling since 2001.³

Legislation and regulation

The operation of private hospitals in Australia is highly regulated. State and territory health authorities are responsible for licensing private hospitals and private day hospitals, and also mandate a range of operational and quality requirements. Examples of areas that may be subject to operational regulation include facility access, patient room size and permitted equipment.

Notes

1. The amount of this rebate increases to 35% where the insured person is aged from 65 years to 69 years, and to 40% where the insured person is aged 70 years or over.
2. Healthcare expenditure Australia 2007–08, Australian Institute of Health and Welfare.
3. Increase in annual combined day only and multi day benefits paid by private health insurance funds to acute private hospitals (excluding dedicated day facilities) for the 10 year period ended 30 June 2010.

Government reform to public hospital services

In March 2010, the Federal Government announced proposed healthcare reforms to be implemented over a five year period. In April 2010, the Federal, State and Territory Governments (except for Western Australia) reached an agreement on health and hospitals reform and establishment of the National Health and Hospitals Network. Under the reforms, the Federal Government will become the dominant funder of public hospital services and have full policy and funding responsibility for general practitioners (“GPs”), primary care and aged care.

Increased focus on preventative measures and primary care

Recently the Federal Government introduced initiatives designed to reduce public hospital admissions and therefore reduce pressure on public hospitals. These include:

- taking greater control of general practitioner and primary care services in order to improve co-ordination for sufferers of chronic illnesses; and
- increasing funding for the training of general practitioners to allow more people to be treated locally, without needing to attend a hospital.

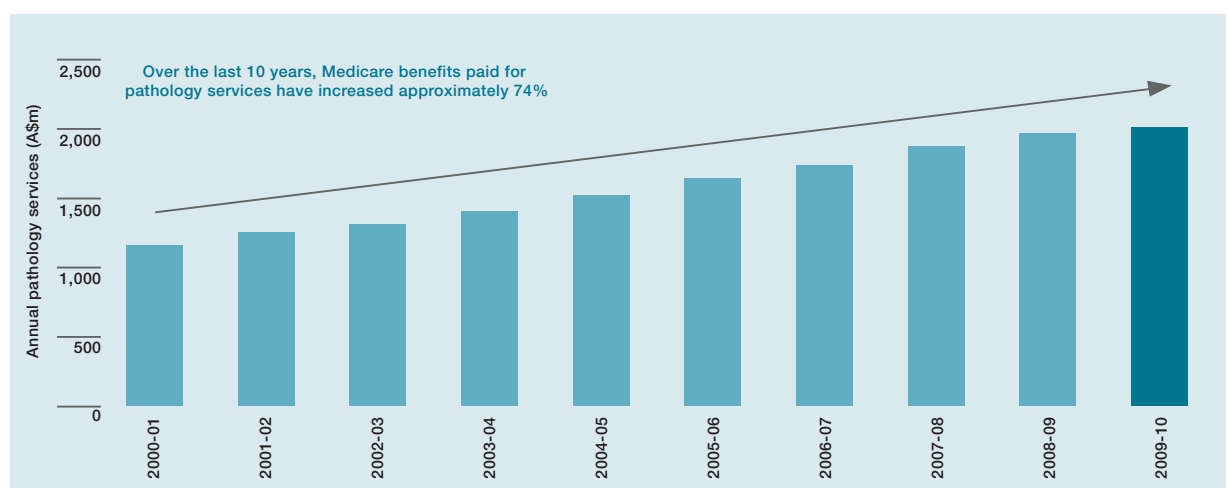
4.3 HUMAN PATHOLOGY

Overview

Pathology is a speciality of medicine that focuses on the study and diagnosis of disease and infection. Pathology services provide doctors with information to assist in the diagnosis and management of diseases through the examination of organs, tissues, bodily fluids (e.g. blood, urine) and whole bodies. These services are considered to be essential for numerous medical purposes, which has contributed to stable pathology procedural volumes (and low volatility in volumes) over time.

The majority of funding for human pathology services in Australia is provided by Medicare, either partially through Medicare rebates or fully through bulk billing. For the year ended 30 June 2010, Medicare benefits paid by the Federal Government for pathology services totalled over \$2.0 billion.

MEDICARE BENEFITS PAID FOR PATHOLOGY SERVICES



Source: Medicare Australia

Pathology operators

Pathology services are provided in Australia by both private and public operators. The pathology industry in Australia has three large private operators comprising almost 90% of total pathology market revenue for the year ended 30 June 2009.

Referrals

General practitioners are responsible for the majority (approximately 70 – 80%) of pathology referrals, with the balance of referrals from specialists.

AUSTRALIAN HEALTHCARE INDUSTRY

Recent sector developments

Collection centre deregulation

Prior to 30 June 2010, the total number of pathology collection centres licences allowed in Australia was limited under applicable regulations. This limitation forced pathology service providers to target high volume areas in order to make best commercial use of the limited licences available to them. Since 1 July 2010 this cap has been removed, allowing pathology service providers to expand their collection centre networks to capitalise on a variety of different demand opportunities.

It is expected that the deregulation will increase competition within the pathology sector, as service providers will be able to expand their respective collection centre networks, including into areas previously considered commercially unviable (such as smaller medical clinics). It is also foreseeable that rent for pathology operations overall may increase, as demand for well-positioned sites increases.

The Healthscope Group has undertaken a strategy of significantly expanding its network of collection centres in response to this regulatory change. Refer to Section 5 for further information.

Changes to Government funding

In May 2009, the Federal Government announced a reduction in Medicare rebates for pathology services equivalent to approximately 9% of revenues, effective 1 November 2009. To partially offset this reduction, the Federal Government introduced new bulk billing incentives for pathology providers, although there has been a net decline of approximately 5% in total funding.

The Federal Government is currently undertaking a broader review of pathology funding arrangements in the context of its review of the Medicare Benefits Schedule (MBS).

Increase or introduction of patient copayments

A patient copayment is the difference between the total fee charged by a provider and the Medicare rebate available for that service. Copayments are only applicable where a pathology service is not bulk billed, and are an out of pocket expense for pathology patients.

In response to reduced Federal Government funding, some pathology service providers have stopped bulk billing and have introduced (or increased) patient copayments to maintain revenue. In some instances, however, this move has reduced provider revenues and lowered market share – suggesting that some patients are willing to switch providers or even avoid using pathology services if costs increase. The Healthscope Group's strategy has been to maintain bulk billing for the majority of its pathology services – see Section 5 for further information.

Preventative measures and the availability of new tests

There is an increasing trend in government healthcare policy to focus on preventative measures such as education, heavily subsidised immunisation programs and free health checks. The aim of this trend is to minimise the number of people who contract serious illnesses, and ultimately reduce demand on the healthcare system. Pathology plays an important role in the early detection and diagnosis of illnesses and service providers are therefore expected to benefit from this trend.

Regulation

Regulation of the pathology industry is governed by the Health Insurance Act 1973 ("HIA"). Regulations govern eligibility for licences to operate collection centres; standards of operation, equipment, personnel and specify the requirement for independence of the pathology provider from the requesting doctor. Under the HIA, pathology providers are not permitted to offer inducements "whether by way of money, property or other benefit or advantage in order to encourage a practitioner to request the rendering of a pathology service".

Standards of operation, equipment and personnel are governed by an accreditation framework which is monitored by the National Accreditation and Testing Authority ("NATA"). Accreditation reviews are conducted as peer reviews on a regular basis, reviewing the laboratory as a whole, or specific disciplines (e.g. haematology). Pathology tests can only be billed to Medicare if relevant regulations are complied with and NATA accreditation is held.

HEALTHSCOPE GROUP

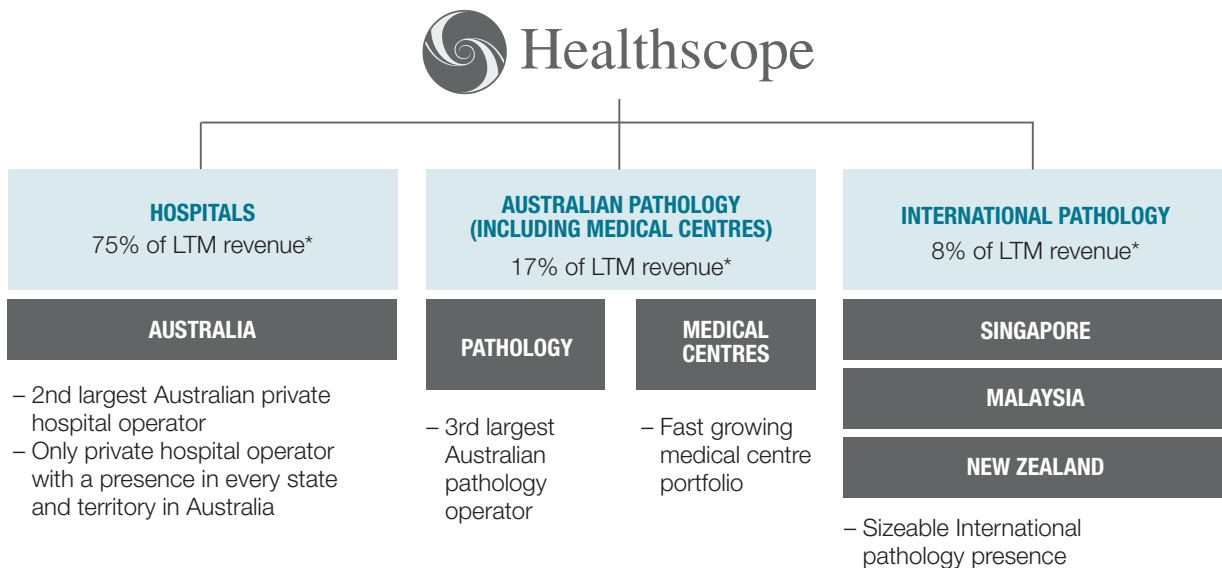
5



HEALTHSCOPE GROUP¹

The Healthscope Group is one of Australia's leading private healthcare services providers with revenues of \$1,906 million² and EBITDA of \$278 million³ for the twelve months ended 30 September 2010. The Healthscope Group is based in Melbourne, Australia, and has operations in all Australian states and territories as well as internationally, in New Zealand, Malaysia and Singapore. The Healthscope Group employs over 19,000 people. The Healthscope Group's business encompasses:

- the operation of private hospitals in Australia ("Hospitals");
- the provision of pathology testing services both in Australia and internationally ("Pathology"); and
- the operation of medical centres and specialist skin cancer clinics in Australia ("Medical Centres").



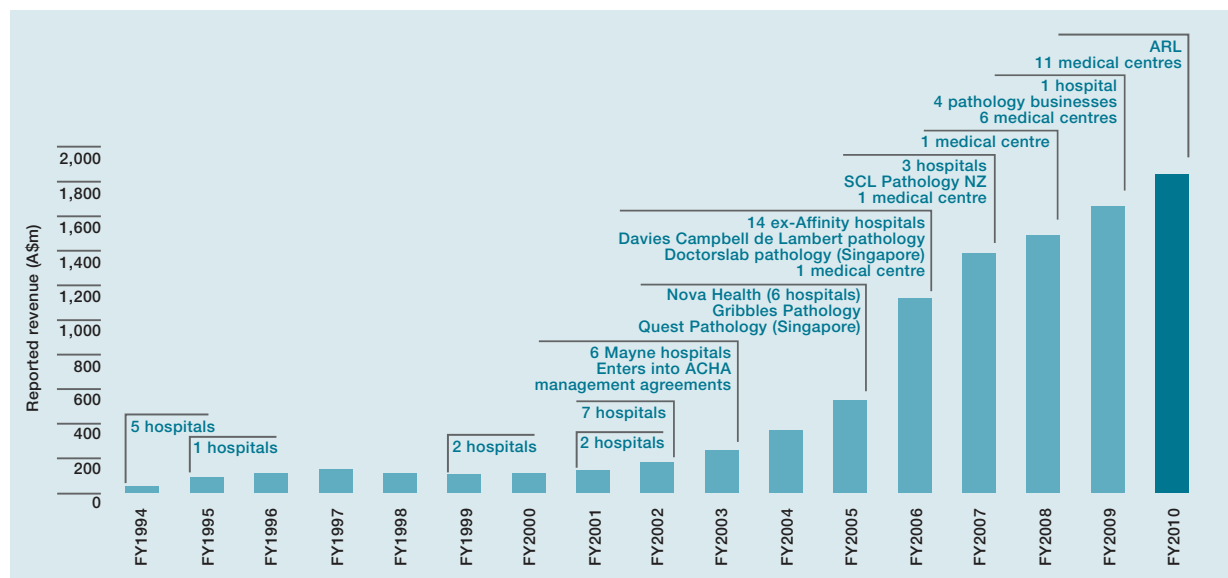
* Revenue for last 12 months ending 30 September 2010. Includes prosthetics revenue of \$204 million.

Since 1993, the Healthscope Group has significantly expanded the scale and scope of its operations both organically and by acquisition. Over this time, the Healthscope Group has increased its hospitals portfolio from 3 hospitals to 44 hospitals, as well as entering the pathology and medical centres markets.

Notes

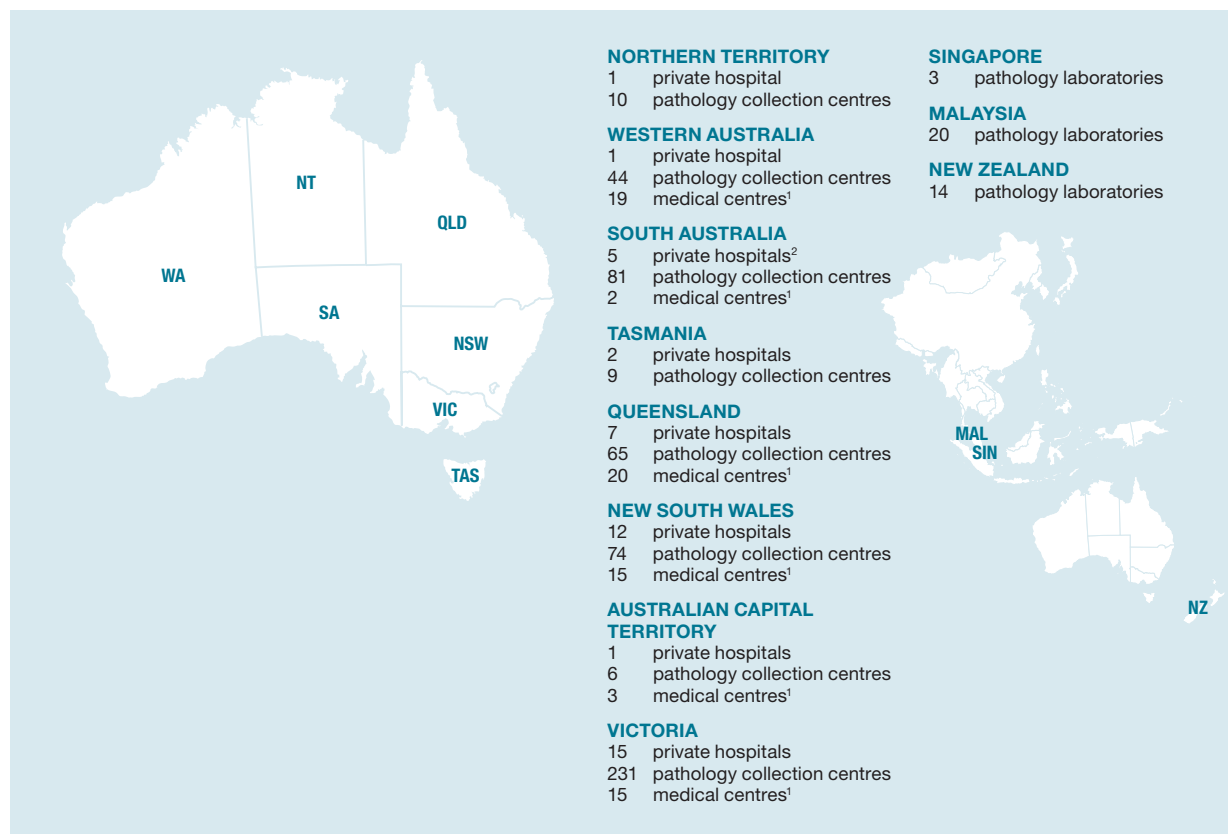
1. Data correct as at 30 September 2010 unless otherwise indicated.
2. Includes prosthetics revenue of \$204 million.
3. EBITDA before non-recurring items. Refer to Section 7 for further information on Healthscope Group's financial performance.

HEALTHSCOPE GROUP REVENUE AND ACQUISITIONS



Source: Healthscope Group

5.1 KEY ASSET PORTFOLIO



1 Medical centres include skin care clinics.
 2 Includes 3 hospitals operated on behalf of the Adelaide Community Healthcare Alliance ("ACHA").

HEALTHSCOPE GROUP

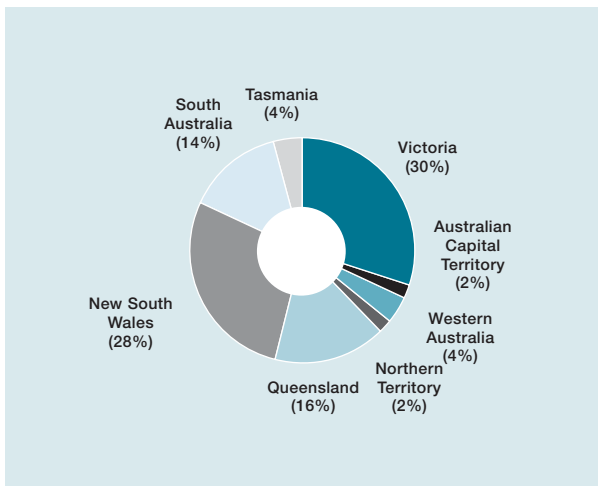
5.2 OPERATIONS

Hospitals

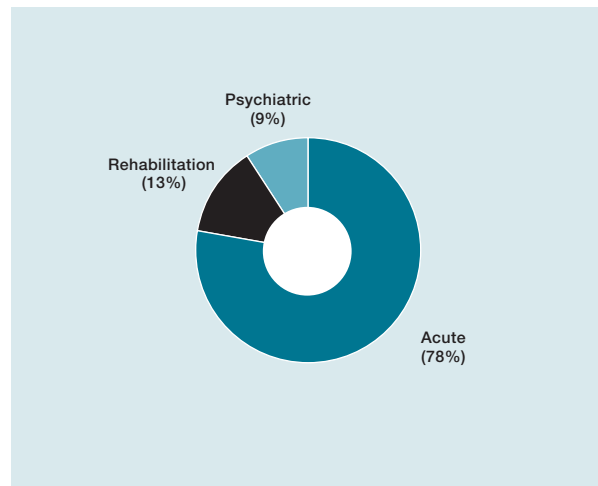
The Healthscope Group is Australia's second largest private hospital operator, with a portfolio of 44 private hospitals¹ nationwide. Hospitals represents the Healthscope Group's largest operating division, generating revenues of \$1,424 million² for the year ended 30 September 2010 – representing approximately 75% of the Healthscope Group's total revenues. As at the date of this Prospectus, the Hospitals division employs approximately 12,700 employees.

The Healthscope Group's private hospital portfolio comprises 30 owned hospitals, 11 leased hospitals and 3 hospitals operated on behalf of the Adelaide Community Healthcare Alliance ("ACHA"). This portfolio is predominantly focused in Victoria and New South Wales, but also includes facilities in all Australian states and territories:

BEDS BY STATE



BEDS BY HOSPITAL TYPE



Source: Healthscope Group

Notes

1. Includes three hospitals operated on behalf of the ACHA, under a Management Agreement entered into in April 2003. The initial term for this agreement is 10 years (ending April 2013), and the agreement contains provision for up to two 10-year extensions.
2. Includes prosthetics revenue of \$204 million.

The Hospitals portfolio includes three types of private hospital:

Hospital type	Number of hospitals	Number of beds ¹	Description
Acute	31 ²	~3,321	Acute hospitals provide medical and surgical services for admitted patients, including intensive care, day surgery, maternity, cardiac surgery, general surgery, urology, ear, nose and throat surgery, oral surgery, gynaecology, plastic surgery, endoscopy, vascular surgery and other specialist surgery.
Psychiatric	7	~395	Psychiatric hospitals offer a range of services for patients with various mental health disorders, including anxiety, depression, schizophrenia, post-traumatic stress, eating disorders, alcohol and drug addiction and obsessive compulsive disorders.
Rehabilitation and extended care	6	~555	Rehabilitation hospitals provide services for rehabilitation of patients with acquired brain injury, musculoskeletal injuries, cardiac and stroke, and those requiring pain management. In addition, the Healthscope Group operates community housing facilities to provide for the longer term residential needs of patients with an acquired brain injury.

Growth strategy

The key elements of the hospitals growth strategy are increasing occupancy and utilisation across the hospital portfolio, capacity expansion through brownfield projects at existing hospitals, as well as building new greenfield hospitals in areas of high demand.

Brownfield developments deliver additional facilities such as beds and operating theatres at existing hospitals that are at or near full capacity in areas where management have identified strong demand for healthcare services. In the 12 months ended 30 June 2010, the Healthscope Group invested \$79.9 million in brownfields projects which included completed projects at major hospitals within its portfolio such as the Melbourne Clinic, Brisbane Private and Allamanda Private and projects currently under construction at Nepean Private, Prince of Wales Private, Knox Private and Northpark Private.

Pathology and Medical Centres

Australian Pathology

The Healthscope Group is the third largest pathology operator in Australia with operations in every state and territory. The Healthscope Group entered the pathology industry in December 2004 following the acquisition of the Gribbles Pathology group. Since then the business has grown both organically and by acquisitions. The most recent acquisition was ARL Pathology in August 2009. Management believe that opportunities exist for strategic acquisitions in addition to continued organic growth.

The Healthscope Group's Australian pathology business comprises a network of over 520 collection centres and 55 strategically located laboratories, performing over 4.6 million patient episodes per annum. The pathology business provides a comprehensive range of pathology services across all disciplines including anatomical pathology, biochemistry, haematology, microbiology and molecular biology.

The Healthscope Group has a diversified referral base, including general practitioners, specialists, private hospitals, as well as commercial and veterinary referrals. Human pathology is the main source of pathology revenue, which is largely funded by Medicare. The Healthscope Group also derives pathology revenue through commercial avenues, such as the provision of veterinary, commercial, functional and molecular pathology services.

Notes

1. "Beds" refers to the number of overnight beds available.
2. Includes three hospitals operated on behalf of the ACHA, under a management agreement.

HEALTHSCOPE GROUP

Medical Centres

The Healthscope Group owns and operates 51 medical centres and 22 specialist skin cancer clinics around Australia. The business provides serviced medical centres to 394 general practitioners, who perform over 1.5 million patient consultations per annum. In addition to generating revenues from service fees, the Medical Centres business also provides a source of referrals for the Healthscope Group's Australian pathology operations.

International Pathology

The Healthscope Group's international pathology division operates in Malaysia, Singapore and New Zealand. The Healthscope Group's initial international operations were acquired as part of the Gribbles Pathology Group acquisition in 2004, and these operations have since developed through a combination of organic growth and acquisitions.

Malaysia and Singapore

The Healthscope Group is a market leader in community pathology in Malaysia, with 20 laboratories across the country servicing approximately 1.4 million patient episodes annually.

In Singapore, the Healthscope Group is one of the largest community pathology providers, with one central laboratory supported by two satellite laboratories servicing approximately 1.2 million patient episodes per annum.

In South East Asia, the Healthscope Group's pathology business sources its revenue from general practitioners, specialists, private hospitals and government funded foreign worker screening.

New Zealand

The New Zealand human pathology market is largely based on exclusive contracts between pathology providers and the District Health Boards ("DHB").

The Healthscope Group is a market leader in community pathology in New Zealand, with its largest contract covering the greater Auckland region through Labtests Auckland. The Healthscope Group services approximately 3.9 million patient episodes per annum in 14 labs. This DHB contract commenced in September 2009 and expires in September 2017.

The Healthscope Group also has a number of other key DHB contracts across New Zealand on both the North and South islands.

5.3 BUSINESS STRENGTHS

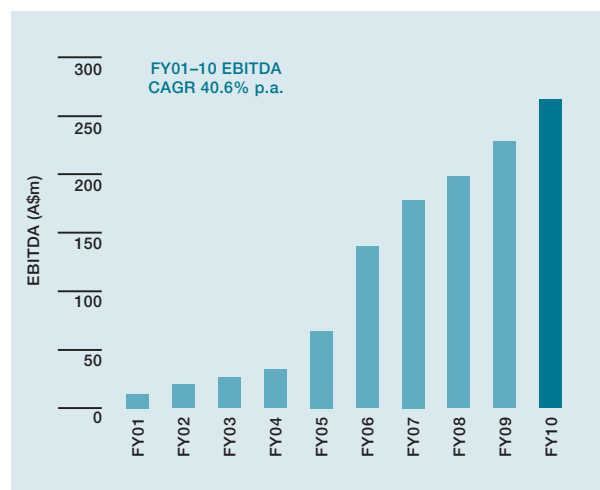
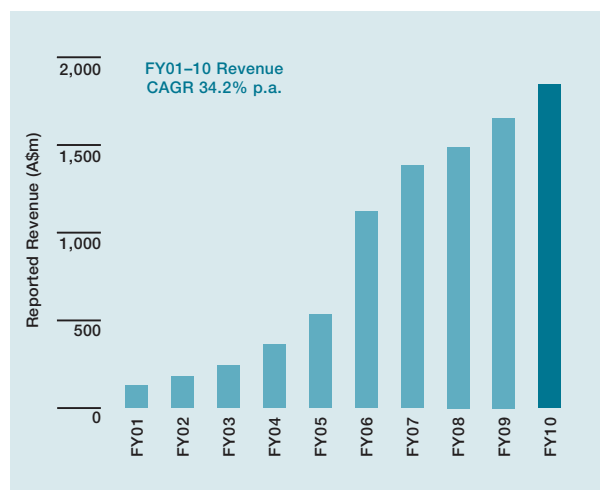
Healthscope Group is a leading private healthcare services provider with strong market positions

- #2 Australian private hospital operator with 44 hospitals across all States and Territories;
- #3 Australian pathology services provider with national footprint; and
- Leading pathology market positions in New Zealand, Malaysia and Singapore.

Stable earnings with consistent track record of growth through the economic cycle

The Healthscope Group has a successful, long term track record of growth both organically and by acquisition through the economic cycle. Over the last 10 years, the Healthscope Group's EBITDA (before non-recurring items) has grown more than 20 times – from \$11.6 million to \$263.6 million in the year ending 30 June 2010.

HEALTHSCOPE GROUP'S FINANCIAL PERFORMANCE



Source: Healthscope Group

During the same period, the Healthscope Group has:

- expanded its hospital portfolio from 11 to 44 hospitals¹ to become a market leading private hospital operator in Australia;
- established a market leading pathology services business both in Australia and overseas following the acquisition of the Gribbles Pathology Group in 2004; and
- established a profitable medical centres business to complement its pathology operations and provide further avenues for growth.

Strong cash flow generation and conversion from operations

As a result of its exposure to demand from the healthcare sector, including essential medical procedures, the Healthscope Group's operations have stable properties which support strong and reliable cashflow generation to repay creditors and meet on-going capital demands. As a result of these attributes, the Healthscope Group has consistently been a strong generator of cashflow. In the 12 months to 30 September 2010, the Healthscope Group generated \$278 million EBITDA² and \$273 million Gross Operating Cashflow,³ representing a EBITDA to cashflow conversion rate of 98%.

Notes

1. Healthscope operated a portfolio of 11 hospitals in November 2000 and currently operates 44 hospitals (including three managed on behalf of the Adelaide Community Healthcare Alliance).
2. EBITDA before non-recurring items. Refer to Section 7 for further information on Healthscope Group's financial performance.
3. Gross Operating Cashflow is equal to Cashflow from Operating Activities excluding interest paid, income tax paid and non-recurring cash items. Refer to Section 7.11 for further information.

HEALTHSCOPE GROUP

Opportunities for future earnings growth

Population growth and an increasing average population age are key drivers of demand for healthcare services. In the next 10 years, ABS estimates suggest the Australian population will grow by 15% (or 3.3 million people), and the number of Australians aged 65 years and over is expected to increase by more than 40%.¹ Management are implementing strategies and continue to identify opportunities for growth in Healthscope Group's businesses aimed at capitalising on the demand for healthcare services. Further detail on some of the Healthscope Group's current growth strategies is outlined below.

Hospitals

The Healthscope Group has in place a targeted program of brownfield (existing site) and greenfield (new site) hospital developments. The majority of projects planned under this program are brownfield developments at specific portfolio hospitals to expand and upgrade existing facilities. These improvements are targeted at sites where management has identified demand in excess of the hospital's current capacity, and are therefore considered to be relatively low risk investments.

Since commencing its hospital expansion program in 2008, the Healthscope Group has successfully completed 10 projects which covers more than 20% of its hospital facilities. Combined these projects have added 13 new operating theatres and 250 new beds.

Pathology and Medical Centres

Following the Australian Government's deregulation of the pathology industry in July 2010, the Healthscope Group has expanded its network of collection centres significantly in order to grow market share in New South Wales, Western Australia and Queensland. This expansion capitalises on the operating leverage and scalability present in the Healthscope Group's Australian Pathology business. Management believe that opportunities exist for strategic acquisitions in addition to continued organic growth.

The Healthscope Group's Medical Centres business has a strong history of successful growth through relatively small scale acquisitions. Management believe that the fragmented nature of the medical centres subsector in Australia provides significant scope to pursue further acquisitions and to participate in the consolidation of smaller clinics.

Integrated healthcare network

The Healthscope Group's vertically integrated health services model across hospitals, medical centres and pathology enhances its revenue base and captures synergies across its portfolio of businesses. In Australia, the Healthscope Group is the only private hospital operator of scale to also have a sizable pathology business.

Experienced management team

Many of the Healthscope Group's senior management team have considerable experience both in the healthcare industry and with the Healthscope Group, having overseen its growth from a pure play hospital operator to an international integrated healthcare services provider.

This team is led by Executive Chairman and Managing Director Robert Cooke, who has over 30 years experience in the healthcare industry both in Australia and overseas. Robert has held senior leadership roles in a number of leading Australian healthcare services providers including as Managing Director and Chief Executive Officer of Symbion Health and Managing Director of Affinity Health.

Robert is supported by a high quality management team, who have together approximately 28 years of experience within the Healthscope Group, and over 100 years experience in the healthcare industry more broadly.

It is intended that senior management will be incentivised to drive the Healthscope Group's performance through the introduction of an option and equity plan to provide incentives through the acquisition of interests in the Healthscope Group.

Note

1. Australian Bureau of Statistics population projections for 2006 – 2101 (released September 2008), Scenario B ("medium" level assumptions).

Ultimate shareholders with industry experience and strong capital commitment to Healthscope Group

Together, the Healthscope Group's ultimate shareholders, funds advised and managed by Carlyle and TPG, have invested approximately \$1.5 billion of capital into the Healthscope Group. The Carlyle Group and TPG Capital have extensive experience investing in and managing healthcare businesses internationally.

The Carlyle Group

The Carlyle Group is a diversified private asset management firm, headquartered in Washington D.C., with 27 offices in 19 countries. Presently The Carlyle Group has more than US\$90.5 billion of assets under management and 66 active investment funds. Investment funds advised and managed by The Carlyle Group have invested in a number of healthcare businesses, including the following:

- **HCR ManorCare** – leading US health care operator with an extensive network of rehabilitation centres and outpatient rehabilitation clinics.
- **Medical Park** – Turkey's leading operator of hospitals and related healthcare facilities.
- **MultiPlan** – largest independent preferred provider organisation in the United States.

TPG Capital

TPG Capital is a global private investment firm founded in 1992 with approximately US\$47 billion of capital under management across a family of funds, and across a broad range of industries and geographies. Investment funds advised and managed by TPG Capital have invested in a number of healthcare businesses, including the following:

- **IASIS Healthcare** – US operator of acute care and behavioural hospitals.
- **Parkway Holdings** – one of Asia's largest and most respected network of hospitals across Singapore, Malaysia, Brunei, India and China.
- **Surgical Care Affiliates** – one of the largest providers of specialist surgical services in the United States.
- **Biomet** – worldwide leader in the design and manufacture of orthopaedic implants with products distributed in approximately 90 countries.

BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

6



6.1 BOARD AND MANAGEMENT

Board of Directors

The Board of the Issuer is a subset of the board of Asia Pacific Healthcare Group Pty Ltd and is comprised of Robert Cooke, Simon Moore and Steven Schneider.

The Board of Directors of Asia Pacific Healthcare Group Pty Ltd, the acquirer of Healthscope Limited, is comprised of the following directors:



Robert Cooke
*Executive Chairman and
Managing Director*

Robert has a 30 year career in the health industry, and has worked in management and corporate leadership positions in the public and private health sectors. Robert's experience spans executive leadership of publicly listed and private health care companies, the management of private and public hospitals in Australia, and involvement in a number of due diligence teams for both Australian and international acquisitions. Robert has a proven track record in setting strategy, successful interaction with the financial community, and above all understanding the many dynamics of the health care industry.

Robert is currently a Director of Healthbridge Enterprises and Chairman of Spire Healthcare in the UK, a group of 36 private hospitals. Prior to his involvement in Healthbridge Enterprises, Robert was Managing Director and Chief Executive Officer of Symbion Health, an ASX 100 Australian company with \$3.8 billion turnover. Robert also held the role of Managing Director at Affinity Health. Affinity Health was the largest private hospital business in Australia with 50 private hospitals located across Australia and Indonesia, with a turnover of \$1.2 billion.

Robert joined the Healthscope Group as Executive Chairman and Managing Director in November 2010.



Simon Moore
Non-Executive Director

Simon Moore is a Partner and Managing Director of The Carlyle Group, based in Sydney. He is currently a director of Coates Hire and Healthscope.

Prior to joining The Carlyle Group, Mr. Moore was a Managing Director and Investment Committee Member of Investcorp International, Inc. based in New York. While at Investcorp International, Simon was a Director of CSK Auto, Inc., Aero Products International, Inc., MW Manufacturers, Inc. and Associated Materials Holdings. Prior to that, Simon worked in private equity investments and investment banking at J.P. Morgan & Co. in New York, Hong Kong and Melbourne.

Simon received Honours Degrees in Law and Commerce from University of Queensland.



Matthew Hunter
Non-Executive Director

Matthew is a Director of The Carlyle Group focused on buyout opportunities in Australia, based in Sydney.

Prior to joining The Carlyle Group, Matthew spent 12 years in investment banking, most recently with Merrill Lynch in Australia, where he was head of financial sponsor coverage. Prior to joining Merrill Lynch, Matthew held positions with JPMorgan in Australia and the UK, and Goldman Sachs in Australia. During his investment banking career, Matthew advised clients across a broad range of industries, but principally in the consumer & industrial and financial services sectors.

Matthew graduated from the University of New South Wales in 1994 with a degree in commerce (First Class Honors in finance).



Stephen Wise
Non-Executive Director

Stephen is a Managing Director focused on buyout opportunities in the Global Healthcare group for The Carlyle Group.

Prior to joining The Carlyle Group, Mr. Wise worked with JLL Partners, a New York-based private equity firm, where he focused on healthcare-related investments. He reviewed and executed transactions in a wide variety of sectors including facilities-based services, managed care, and pharmaceutical services. Previously, he worked with J.W. Childs Associates, a Boston-based private equity firm and Credit Suisse.

Mr. Wise earned a B.A. in economics and finance from Bucknell University and received his M.B.A. from Harvard Business School. He is a member of the Board of Directors of HCR ManorCare Inc., Qualicaps Inc, Grupo Qualicorp and LifeCare Holdings. Additionally, Mr. Wise serves on the Leadership Council for the Harvard School of Public Health.



Karen Bechtel
Non-Executive Director

Karen H. Bechtel is a Managing Director of The Carlyle Group and head of its Global Healthcare group, based in New York.

Previously, Ms. Bechtel was at Morgan Stanley & Co. Incorporated for 28 years. She was Managing Director of MS Capital Partners and member of the investment committee, head of the Financial Sponsors Group, head of the Corporate Restructuring Group, founder and head of Princes Gate Private Equity Investors and Managing Director in the Mergers and Acquisitions Department.

Ms. Bechtel earned her M.B.A. from Harvard Graduate School of Business and her B.A. in mathematics from the University of Texas at Austin. She serves as a member of the Board of Directors of HCR ManorCare Inc., Grupo Qualicorp and LifeCare Holdings.

BOARD, MANAGEMENT AND CORPORATE GOVERNANCE



Daniel Carroll

Non-Executive Director

Daniel is a Partner of TPG Capital and a member of the firm's Management Committee.

He joined the firm in 1995 and was a Founder of the Asian operations of TPG Capital (formerly Newbridge Capital). Daniel is currently based in San Francisco and directs TPG Capital's investment activities in Japan and Australia and also leads the firm's global Cleantech practice. He joined Newbridge Capital at its inception, where as Managing Partner he was responsible for raising and investing the firm's five investment funds as well as building the firm's Asia-based investment teams. Following the merger of Newbridge and TPG Capital in 2005, Daniel moved to Hong Kong where he ran the overall Asian operations of the firm until 2008. Prior to 1995, Daniel spent nine years with Hambrecht & Quist Group, where he played a key role in the development of the firm's private equity investment operations in Asia.

Daniel holds a BA in Economics from Harvard University and an MBA from the Stanford University Graduate School of Business.



Todd Sisitsky

Non-Executive Director

Todd is a Partner of TPG Capital, where he leads the firm's investment activities in the healthcare services and pharmaceutical/medical device sectors.

He played leadership roles in connection with TPG Capital's investments in Axcan Pharma (Canadian based GI specialty pharma company), Biomet (leading orthopedic implant manufacturer), Fenwal Transfusion Therapies (blood products business carved out from Baxter Corporation), IASIS Healthcare (Tennessee-based acute care hospital company), Surgical Care Affiliates (ambulatory surgery center business carved out from HealthSouth Corporation) and IMS Health. Prior to joining TPG Capital in 2003, Todd worked at Forstmann Little & Company and Oak Hill Capital Partners.

Todd received an M.B.A. from the Stanford Graduate School of Business where he was an Arjay Miller Scholar, and earned his undergraduate degree from Dartmouth College, where he graduated summa cum laude.



Steven Schneider

Non-Executive Director

Steven is currently the Managing Director and Partner of the Operations Group at TPG Capital-Asia.

The Operations Group was established to assist the executive management teams responsible for TPG Capital's portfolio companies on their day-to-day operations. Steven was formerly the President and Chief Executive Officer, GE (General Electric) – Asia Pacific where he was with the company for over 20 years (13 of which were in Asia). During his time as Chief Executive Officer, he was also a Company Officer and a Member of GE's Corporate Executive Committee.

He currently serves as a Director of UTAC-Singapore (Co-Chairman) and Unitrust Financial Services-Shanghai (Chairman). Previously he has held Non-Executive Directorships at Parkway Holdings Ltd. (Hospital Group-Singapore), Hanaro Telecom (Korea), Myer Department Stores (Australia) and NIS Financial Services (Japan).



Ashish Shastry

Non-Executive Director

Ashish is a Managing Director and Partner and the Head of Southeast Asia at TPG Capital, based in Singapore.

Since joining TPG Capital in 1998, he has been based in Singapore and Hong Kong and has played a role in TPG Capital's investment activities in India, Australia and Southeast Asia. Since 2005, Ashish has spearheaded TPG Capital's investment activities in Southeast Asia. He serves or has previously served as a non-executive director on the boards of Bank Tabungan Pensiunan Nasional Tbk, United Test and Assembly Center Ltd., Parkway Holdings, Parkway LifeREIT and Matrix Laboratories Limited (alternate).

Ashish attended Princeton University and graduated with an A.B. degree in economics (honors).

Senior management team of the Healthscope Group


Robert Cooke
*Executive Chairman and
 Managing Director*
 Refer above



John Hickey
Finance Director
 John has approximately 15 years experience in the health care industry. During this time he has held numerous senior executive and financial management roles in various sectors within the health care industry, including his more recent experience as a senior executive in publicly listed and private health care companies.

John is a Chartered Accountant. Previously John was Chief Financial Officer of Affinity Health. Affinity Health was the largest private hospital business in Australia with 50 private hospitals located across Australia and Indonesia, with a turnover of \$1.2 billion. John was responsible for the financial stewardship of Affinity Health. After the sale of Affinity Health, John became CFO, then subsequently Group General Manager Business Development and Strategy of Symbion Health. Symbion Health was an ASX 100 Australian company with \$3.8 billion turnover.

John joined the Healthscope Group as Chief Financial Officer in November 2010.

Sue Williams

Chief Operating Officer – Hospitals



Sue Williams joined the Healthscope Group in 2001 having previously held executive roles within both the private and public health sectors. Since then, Sue has worked in several roles including Victoria State Manager in 2005. In January 2008, Sue was appointed as Chief Operating Officer – Hospitals Division.



Paul Waterson
*Chief Operating Officer –
 Pathology & Medical Centres*
 Paul Waterson has been the COO Pathology since January 2008 and recently became responsible for Medical Centres and international operations. Since joining the Healthscope Group in 2001, Paul has held a number of roles including General Manager of a number of the Healthscope Group hospitals across four different states.



Dr. Michael Coglin
Chief Medical Officer
 Michael joined Healthscope Group in 1999. His current role involves executive responsibility for clinical risk management, patient safety, quality and compliance, claims and litigation, medical affairs and public affairs/media relations. He represents the Healthscope Group on a number of bodies including the Private Hospital Sector Committee of the Australian Commission on Safety and Quality in Health Care.

BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

6.2 CORPORATE GOVERNANCE

The Board of the Issuer monitors the operational and financial position and performance of the Issuer. The Board recognises that for it to fulfil its responsibilities, sound and effective corporate governance is crucial. To this end, the Board has created a framework for managing the Issuer including putting in place relevant internal controls and a risk management process appropriate for the Issuer's business.

Board of Directors

Composition of the Board

The directors of the Issuer are Robert Cooke, Simon Moore and Steven Schneider. The Directors bring wide and varied operational and financial experience to the Board. Details on each of the Directors are provided in Section 6.1.

The Board has determined, having regard to the Issuer being a special purpose funding vehicle rather than the main operating vehicle of the Healthscope Group and the size of the Board, that it is appropriate that the Board not delegate its functions to committees, rather the full Board will be responsible for the governance of the Issuer. As such the Issuer will not have an Audit Committee (although as set out below, the Issuer will have in place audit and risk policies) or a Remuneration or Nomination Committee as the Issuer only has Directors who are not remunerated by the Issuer and the Healthscope Group retains the right to appoint Directors.

The Board may establish committees from time to time if it considers it appropriate.

The Board will adopt corporate governance and management policies which it considers appropriate for its business.

Audit and Risk policies

The Board will be responsible for ensuring that:

- accounting records of the Issuer are properly kept in line with legal requirements;
- financial information which is provided to stakeholders is accurate and reliable; and
- the internal and external audit functions are effective.

Auditing Policies

The Board will adopt a policy regarding the services that the Issuer may obtain from the external auditor. It will be the policy of the Issuer that its external auditing firm must be independent of the Issuer and the Directors and senior executives of the Healthscope Group. To ensure this, the Board will adopt a number of procedures and policies, including:

- before the Board approves the half-year and full-year accounts, the external auditor will be asked to declare their independence in relation to the financial period in question;
- the Board will review and assess the independence of the external auditor on an annual basis;
- the external audit engagement partner will be required to rotate at least once every five years; and
- the external auditor may not provide services to the Issuer that are perceived to be materially in conflict with the role of the external auditor. Services which involve the external auditor acting in a managerial or decision-making capacity, or processing or originating transactions, are not appropriate. However, the external auditor may be permitted to provide additional services which are not perceived to be materially in conflict with the role of the auditor if those additional services have been approved by the Board. Such additional services may include financial audits, audits or reviews undertaken for regulatory purposes, completion audits, tax compliance, advice on accounting standards and due diligence in certain acquisition or sale transactions.

The Board will assess the performance of the external auditors on an annual basis after completion of the year-end audit.

Risk Management Policy

The identification and proper management of the Issuer's risk is an important priority of the Board. The Board will be responsible for formulating policies and systems of risk management having regard to the Issuer's business and for implementing systems and methods appropriate to minimise and control the Issuer's risk.

Diversity Policy

The Board will consider the recently introduced diversity measures now included in the ASX Corporate Governance Principles and Guidelines and formulate an appropriate policy in relation to diversity issues.

Continuous disclosure policy

The Issuer is committed to providing timely, full and accurate disclosure to the market. The Issuer's continuous disclosure policy will aim to make sure that the Issuer complies with its continuous disclosure obligations under the Corporations Act and the Listing Rules. As a result of this policy and the vetting and authorisation processes it requires:

- all investors will have equal and timely access to material information about the Issuer; and
- announcements will be factual, complete and presented in a clear and balanced way.

All relevant information provided to ASX will be posted on the Healthscope Group's website, www.healthscope.com.au.

Guidelines for dealing in securities

The Board will have policies and procedures in place to help make sure Directors and officers and employees of the Healthscope Group:

- do not trade in Healthscope Notes in breach of the Corporations Act prohibitions on insider trading; or
- do not compromise confidence in the Issuer's practices in relation to securities dealings.

Insider trading is prohibited at all times. The policy will specifically prohibit Directors and officers and employees of the Healthscope Group from trading in Healthscope Notes during "blackout periods" before the announcements of the half-yearly and annual aggregated results of the Healthscope Group. Trading at other times will be allowed – unless the Director or officer or employee of the Healthscope Group is aware of price sensitive information in respect of the Healthscope Notes which information that is not generally available.

Directors and officers and senior executives of the Healthscope Group need to advise the Issuer about all proposed trades in Healthscope Notes. The company secretary will consider the circumstances to make sure that before any trade takes place, the Director, officer or senior executive does not possess material information that is not generally available. If the company secretary is unsure, they will immediately refer the matter to the Board for a decision. The Issuer has in place arrangements with other members of the Healthscope Group to facilitate the Issuer's trading policy.

Code of conduct

The Healthscope Group has had a code of conduct since 2004. The Issuer will comply with that code of conduct to the extent to which it applies to the Issuer's business.

Communications with Holders

The Issuer is committed to ensuring that Holders are kept informed of all major developments affecting the Issuer's state of affairs relevant to Holders. Information will be communicated to Holders through the lodgement of all relevant financial and other information with ASX and publishing information on the Healthscope Group's website www.healthscope.com.au.

In particular, the Issuer's website will contain information about the Issuer, including media releases, key policies and the terms of reference of the Issuer's Board Committees. All relevant announcements made to the market and any other relevant information will be posted on the Issuer's website as soon as it has been released to ASX.

Policy for directors to take Independent professional advice

The Issuer will have a formal policy that any Director can seek independent professional advice at the Issuer's expense.

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7.1 BASIS OF PREPARATION AND PRESENTATION

The Issuer is seeking to raise approximately \$170 million through the issue of 1,700,000 Healthscope Notes at an issue price of \$100 each. In addition the Issuer may accept over-subscriptions of up to \$45 million in Healthscope Notes.

The pro forma historical financial information is calculated on the basis of the issue of \$215 million of Healthscope Notes.

The net proceeds of the Offer will be used to pay the aggregate amount outstanding under the Subordinated Bridge Facility which formed part of the funding for the acquisition of Healthscope Limited by Asia Pacific Healthcare Group Pty Ltd.

The Issuer will loan the proceeds of the Offer less the costs of the Offer to Healthscope Borrower to enable Healthscope Borrower to pay the aggregate amount outstanding under Subordinated Bridge Facility.

If the proceeds of the Offer are insufficient to enable the Issuer to loan to Healthscope Borrower an amount sufficient to enable Healthscope Borrower to pay the aggregate amount outstanding under the Subordinated Bridge Facility, then funds advised and managed by Carlyle and TPG will provide shareholder loans into the Healthscope Group in an amount sufficient to enable the payment by Healthscope Borrower of the balance of the aggregate amount outstanding under the Subordinated Bridge Facility. Further details of the terms of these shareholder loans is specified in Section 8.11.

Interest payable to Holders of Healthscope Notes will ultimately be paid by the cash flows generated by the Healthscope Group.

The pro forma historical financial information has been presented in order to assist investors to understand the state of affairs and results of the aggregated Hospitals, Australian Pathology and International Pathology businesses which make up the Healthscope Group from which the cash flows to service the Interest on the Healthscope Notes will be derived.

The pro forma historical financial information shown in Section 7.3 is prepared on a pro forma basis because the Issuer is a newly incorporated special purpose entity and the Healthscope Group following the acquisition by Asia Pacific Healthcare Group Pty Ltd has not previously prepared financial information. This information is predominantly derived from the financial statements of Healthscope Limited prior to its acquisition by Asia Pacific Healthcare Group Pty Ltd.

Deloitte Touche Tohmatsu expressed unqualified audit opinions on the 30 June FY2008, FY2009, FY2010 Healthscope Limited consolidated financial statements and an unqualified review report on the 12 months ended 30 September 2010 Healthscope Limited consolidated financial information.

The pro forma historical financial information is presented in an abbreviated form and does not include all of the disclosures and notes required by Australian Accounting Standards applicable to annual financial reports and notes prepared in accordance with the Corporations Act.

The pro forma historical financial information presented consists of:

- Pro forma historical consolidated EBITDA statements for Healthscope Limited for 30 June FY2008, FY2009, FY2010 and for the 12 months ended 30 September 2010 (Section 7.3);
- Pro forma historical aggregated balance sheet of the Healthscope Group as at 30 September 2010 (Section 7.3);
- Pro forma unaudited balance sheet of the Issuer adjusted to reflect the issue of the Healthscope Notes (Section 7.4);
- Pro forma unaudited balance sheet of Healthscope Borrower (Section 7.5);
- Pro forma financial covenant analysis (Section 7.6); and
- Reconciliation of EBITDA to Adjusted EBITDA calculated in accordance with the requirements of the Senior Facility Agreement (Section 7.7).

Prior to its acquisition by Asia Pacific Healthcare Group Pty Ltd, Healthscope Limited operated under different corporate structures with different gearing and income tax profiles. Accordingly, net borrowing expenses, income tax expense and operating cash flows are not considered to be meaningful or appropriate and this information has not been provided.

The pro forma historical consolidated EBITDA statements of Healthscope Limited and the pro forma historical aggregated balance sheet of the Healthscope Group have been reviewed by Deloitte Touche Tohmatsu. Its Investigating Accountant's Report is included in Section 10.

7.2 PRO FORMA ADJUSTMENTS

In presenting the pro forma historical financial information included in this Prospectus, adjustments have been made to the historical financial information of Healthscope Limited to exclude certain non-recurring items which impacted underlying performance. Section 7.3 provides further detail on these adjustments.

FINANCIAL INFORMATION

Adjustments have been made to the pro forma historical aggregated balance sheet of the Healthscope Group as at 30 September 2010 to reflect the new funding structure following the acquisition by Asia Pacific Healthcare Group Pty Ltd and completion of the Offer as if they were in place as at 30 September 2010. Section 7.3 provides further details of these adjustments.

Adjustments have also been made to the balance sheet of the Issuer to reflect the proceeds of the Offer and proposed use of those funds as follows:

- Cash received of \$215 million from the issue of the Healthscope Notes and a loan of the net proceeds to the Healthscope Borrower; and
- Other associated costs (refer to Sections 11.10 and 11.11 for further details of associated costs).

7.3 PRO FORMA HISTORICAL FINANCIAL INFORMATION

Pro forma historical consolidated EBITDA statements for Healthscope Limited

Set out below is a summary of the Healthscope Limited consolidated historical results for 30 June FY2008, FY2009, FY2010 and for the 12 months ended 30 September 2010.

\$ MILLION	FY08	FY09	FY10	LTM TO 30-SEP-10	CHANGE FY08 – LTM SEPT 10 (%)
Revenue¹	1,487	1,654	1,843	1,906	28
EBITDA	180	208	253	235	31
Non-recurring Items	18	20	11	43	
EBITDA before Non-recurring Items	198	228	264	278	40
Pro forma adjustments				15 ²	
Adjusted EBITDA				293	

1. Includes prosthetics revenue of \$170m for FY08, \$197m for FY09, \$198m for FY10 and \$204m for LTM to Sep 10.

2. Further details regarding the pro forma adjustments are included at Section 7.7.

Non-recurring items

The table below provides details of the non-recurring items adjusted in the EBITDA statements above.

\$ MILLION	FY08	FY09	FY10	LTM TO 30-SEP-10
Restructure costs related to acquisitions	(3)	(4)	(4)	(5)
Costs relating to litigation matters	–	–	(1)	(1)
Costs relating to scheme of arrangement	–	–	(5)	(37)
Acquisition costs	–	(2)	(3)	(2)
E-clinic revaluation	–	–	2	2
Symbion break fee	14	(14)	–	–
Symbion offer costs	(16)	–	–	–
Symbion equity swap costs	(8)	–	–	–
Medical malpractice adjustment	(4)	–	–	–
Banking facility fees written off	(1)	–	–	–
Total non-recurring items	(18)	(20)	(11)	(43)

Pro forma historical aggregated balance sheet of the Healthscope Group

The pro forma historical aggregated balance sheet of the Healthscope Group shown below represents the aggregated balance sheet of Healthscope Limited as at 30 September 2010 adjusted for the new funding structure implemented to facilitate and reflecting the acquisition of Healthscope Limited by Asia Pacific Healthcare Group Pty Ltd and completion of the Offer as if they were in place as at 30 September 2010.

\$ MILLION	BALANCE SHEET AS AT 30 SEPTEMBER 2010	NET ADJUSTMENTS ¹	PRO FORMA BALANCE SHEET AS AT 30 SEPTEMBER 2010
Current assets			
Cash	2	–	2
Trade and other receivables	110 ²	–	110
Prepayments	15	–	15
Inventories	46	–	46
Total current assets	173	–	173
Non-current assets			
Trade and other receivables	8	–	8
Property, plant and equipment	1,122	–	1,122
Deferred tax assets	54	–	54
Intangible assets	983	730	1,713
Other	13	–	13
Total non-current assets	2,180	730	2,910
Total assets	2,353	730	3,083
Current liabilities			
Payables	164	–	164
Provisions and other liabilities	104	–	104
Borrowings	7	–	7
Deferred purchase considerations	13	–	13
Current tax liabilities	7	–	7
Total current liabilities	295	–	295
Non-current liabilities			
Provisions	15	–	15
External Borrowings (including notes of \$215 million)	780	649	1,429 ³
Shareholder Loans	–	449	449
Deferred purchase considerations	20	–	20
Capitalised finance costs	(1)	(82)	(83)
Deferred revenue	4	–	4
Deferred tax liabilities	46	–	46
Total non-current liabilities	864	1,016	1,880
Total liabilities	1,159	1,016	2,175
Net assets	1,194	(286)	908
Shareholders' funds			
Contributed equity	1,075	(95)	980
Reserves	(18)	18	0
Retained earnings	137	(209)	(72)
Total shareholders' funds	1,194	(286)	908

1. Net Adjustments reflect the investment in Healthscope Limited by funds advised and managed by Carlyle and TPG and the new structure following the acquisition of Healthscope Limited. As the acquisition price exceeded the net asset value of Healthscope Limited and its controlled entities, intangibles have increased by \$730 million.
2. Trade receivables are disclosed net of receivables sold to Westpac under the Receivables Purchase Agreement. The receivables sold at 30 September 2010 were \$108.9 million and the proceeds from the sale were used to retire non-current borrowings and reduce the overall cost of debt servicing. Refer to Section 11.5 for further details regarding the Receivables Purchase Agreement.
3. Refer to Section 8 for further details in relation to these borrowings.

FINANCIAL INFORMATION

Fair value determination not finalised

In accordance with AASB 3 Business Combinations, Asia Pacific Healthcare Group Pty Ltd is required to measure at fair value the Healthscope Limited assets acquired, liabilities and contingent liabilities assumed (the acquisition method). This process is expected to be completed to a preliminary stage for the preparation of consolidated financial statements for the half year ending 31 December 2010 and finalised within 12 months of the acquisition of Healthscope Limited by Asia Pacific Healthcare Group Pty Ltd as set out in AASB 3. This process may result in changes to the carrying value of certain assets and liabilities shown in the above pro forma balance sheet but will not change the net assets and total shareholders' funds balances.

Income tax balances

The Healthscope Group will form a tax consolidated group. Similar to the acquisition method, the tax consolidation legislation requires a detailed exercise to value tangible and intangible assets and liabilities acquired. As at the date of this Prospectus, the Healthscope Group has not completed this exercise. The net deferred tax asset shown in the pro forma historical aggregated Healthscope Group balance sheet is an estimate of the balance that pertains to the entity level balances only. The net deferred tax asset may change when the tax consolidation exercise resets tax bases that pertain to the entity level balances.

7.4 PRO FORMA UNAUDITED BALANCE SHEET OF HEALTHSCOPE NOTES LIMITED

The pro forma unaudited balance sheet of the Issuer shown below represents the unaudited balance sheet of the Issuer adjusted for the proposed new funding structure that will be in place following the completion of the Offer.

\$ MILLION	UNAUDITED AS AT 30 SEPTEMBER 2010 ¹	ADJUSTMENTS ²	PRO FORMA AS AT 30 SEPTEMBER 2010
Cash	–	–	–
Receivables – Healthscope Finance Pty Ltd	–	207	207
Total assets	–	207	207
Healthscope Notes	–	215	215
Capitalised issue costs	–	(8)	(8)
Total liabilities	–	207	207
Net assets	–	–	–
Total shareholders' funds	–	–	–

1. The entity was not incorporated at this date.
2. Adjusted for cash proceeds of the Healthscope Note Offer of \$215 million, and the loan of the Healthscope Notes proceeds (net of costs) to Healthscope Finance Pty Ltd.

7.5 PRO FORMA UNAUDITED BALANCE SHEET OF HEALTHSCOPE BORROWER

The Borrower is the holder of Senior Debt, borrowings from the Issuer, owns the issued capital of Asia Pacific Healthcare Group Pty Ltd and is non operating. The Issuer will loan the proceeds of the Offer less the costs of the Offer to Healthscope Borrower to be applied by Healthscope Borrower toward repayment of the Subordinated Bridge Facility.

The pro forma unaudited balance sheet of Healthscope Borrower (Company only) shown below represents the unaudited balance sheet of Healthscope Borrower adjusted for the new funding structure and the cash proceeds of the Healthscope Note Offer, net of costs.

Healthscope Borrower is a member of the Healthscope Group and it is included in the pro forma historical aggregated balance sheet of the Healthscope Group which is shown at 7.3.

\$ MILLION	UNAUDITED AS AT 30 SEPTEMBER 2010 ¹	ADJUSTMENTS	PRO FORMA AS AT 30 SEPTEMBER 2010
Current assets			
Cash	–	7	7
Non-current assets			
Receivables – APHG (Subsidiary company)	–	2,413	2,413
Total assets	–	2,420	2,420
Non-current liabilities			
External borrowings – Senior debt	–	1,200	1,200
Borrowings – Issuer ²	–	207	207
Capitalised issue costs	–	(75)	(75)
Total liabilities	–	1,332	1,332
Net assets	–	1,088	1,088
Total shareholders' funds – Issued shares³	–	1,088	1,088

1. The entity was dormant at this date.
2. This reflects the cash proceeds of the Healthscope Note Offer of \$215 million less costs of the Offer, and the loan of the Healthscope Notes proceeds (net of costs) from the Issuer following repayment of the Subordinated Bridge Facility.
3. The equity of Healthscope Borrower is eliminated on aggregation and therefore differs to the equity shown on the pro forma aggregated balance sheet of Healthscope Group.

FINANCIAL INFORMATION

7.6 PRO FORMA FINANCIAL COVENANT ANALYSIS

The pro forma financial analysis below reflects the Healthscope Group's position relative to the covenants in the Senior Facility Agreement and under the Terms of Issue, as at 30 September 2010.¹ Further details regarding the Senior Debt, including information on financial covenants, can be found in Section 8. The financial covenants relevant to the Healthscope Notes are set out in the Terms of Issue in Appendix A.

\$ MILLION, UNLESS OTHERWISE NOTED	LTM TO 30-SEP-10	SENIOR COVENANTS ¹	HEALTHSCOPE NOTES	
			RESTRICTION ON FINANCE DEBT ²	SUSPENSION OF INTEREST CONDITION ³
Adjusted EBITDA	293			
Pro forma Net Interest Expense				
Senior Debt and other ⁴	137			
Healthscope Notes ⁵	24			
	161			
Senior Leverage Ratio (times) ⁶	4.17x	5.15x		
Total Leverage Ratio (times) ⁷	4.91x		5.00x	
Total Interest Cover Ratio (times) ⁸	1.82x	1.45x		
Debt Service Cover Ratio (times) ⁹	1.31x	1.05x		1.10x

- Covenants under Senior Facilities as at the first calculation date being 31 December 2010 for DSCR (only for the purposes of paying Interest on Healthscope Notes) and 30 June 2011 for all other covenants. Refer to Section 8 for further information.
- The Total Leverage Ratio is required to be below 5.00x (prior to a Material Disposal) or 4.25x (on or after a Material Disposal) before additional debt facilities can be incurred by the Issuer or other member (or other member of the Security Group). Investors should note, however, that further debt can be drawn under the Senior Facilities and other Permitted Finance Debt may be incurred without needing to satisfy the Total Leverage Ratio. Refer to Section 8 and the Terms of Issue in Appendix A.
- Interest payments under the Healthscope Notes will be suspended on the occurrence of any of the Suspension Conditions set out in the Terms of Issue, including the Interest Suspension Financial Covenant which requires a Debt Service Cover Ratio of greater than 1.10:1 at all times. The Interest Suspension Financial Covenant will be tested at each Ratio Testing Date being the end of the previous calendar quarter before the relevant Interest Payment Date.
- Interest expense is calculated on drawn facilities at an effective interest rate of 9.52%, plus commitment fees on undrawn facilities at 2.7%.
- Interest expense is calculated at an effective interest rate of 11.25% on \$215 million of Healthscope Notes.
- Senior Leverage Ratio is the ratio of the aggregate amount outstanding under the Senior Facilities, the transactional banking facilities and the leasing and additional capital expenditure facilities permitted under the Senior Facility Agreement (excluding any contingent indebtedness and exposure under hedging agreements), less cash and cash equivalents, to the Adjusted EBITDA and is required to be below 5.15x on the first calculation date (being 30 June 2011). Refer further to Section 8.5.
- Total Leverage Ratio is the ratio of the aggregate amount outstanding under all Finance Debt on a consolidated basis (excluding any contingent indebtedness and exposure under hedging agreements, shareholder debt and intra-group liabilities or indebtedness), less cash and cash equivalent, to Adjusted EBITDA.
- The Total Interest Cover Ratio is the ratio of Adjusted EBITDA to Net Interest Expense (excluding capitalised or suspended interest) is required to be at or above 1.45x on the first calculation date (being 30 June 2011). Refer further to Section 8.5.
- Debt Service Cover Ratio is the ratio of the Adjusted EBITDA (less relevant capital expenditure paid in cash, less certain net taxes paid in cash and less any increase (or plus any decrease) in working capital) for the 12 month period ending on the relevant Ratio Testing Date to the aggregate of Net Interest Expense, scheduled repayments under the Senior Debt Facilities and certain payments on finance leases and hire purchase agreements for that same period.

Note, in relation to the Suspension of Interest condition referred to in the table above, interest payments on Healthscope Notes may be suspended if the relevant payment would cause the Debt Service Cover Ratio to be less than or equal to 1.10 times. Based on the Adjusted EBITDA for the 12 months ended 30 September 2010, Adjusted EBITDA would need to have been \$35 million lower to trigger the Suspension of Interest condition.²

Notes

- Pro forma ratios are calculated as per the applicable definitions in the Healthscope Notes Terms of Issue and the Senior Facility Agreement.
- Based on all other relevant components of the calculation of the Debt Service Cover Ratio being held constant (e.g. relevant capital expenditure, taxes, and changes in working capital).

If the amount raised is less than \$215 million, it would have a favourable effect on the financial covenants (for example, if the Offer raises \$170 million, the DSCR would be 1.35x).

For further information on the calculation of the financial covenants under the Senior Facility Agreement and the financial covenants under the Terms of Issue, refer to Section 8.

7.7 RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

For the purpose of assessing compliance with the financial covenants under the Senior Facility Agreement and the Terms of Issue, certain adjustments are required to be made to EBITDA (as referred to in Section 8.6).

The table below summarises the calculation of the Adjusted EBITDA for the LTM to 30 September 2010.

\$ MILLION	REF	LTM TO 30-SEP-10
EBITDA		235
<i>Exclude:</i>		
significant and non-recurring items	1	2
loss/gain arising from the disposal and revaluation of assets	2	(2)
net profits/losses from associated entities	3	(2)
transaction and one-off costs related to acquisitions	4	37
any restructuring costs incurred	5	6
<i>Include:</i>		
pro forma EBITDA adjustments for growth capital expenditure prior to completion of the relevant projects	6	8
pro forma EBITDA adjustments for growth capital expenditure in relation to projects completed	7	7
dividends received from non-consolidated entities	8	2
Total adjustments		58
Adjusted EBITDA		293

1. Any contribution or deduction in respect of individually significant (and non-recurring) or extraordinary items;
2. Any loss or gain against book value arising from the disposal of any asset (not being disposals made in the ordinary course of trading) during that period and any increment or decrement relating to the revaluation of any asset during that period;
3. Net profits/losses consolidated from associated entities;
4. Transaction and one-off costs and expenses in connection with the acquisition of Healthscope Limited;
5. Any restructuring costs incurred by a Group Member;
6. Adjustments for growth capital expenditure prior to completion of the relevant project equal to the relevant proportion (being the proportion which that growth capital expenditure represents to the total growth capital expenditure budgeted for that project) of expected EBITDA for that project for the first 12 months (but no pro forma adjustment shall be made for growth capital expenditure on a project more than 9 months before the scheduled completion of the project);
7. Adjustments for growth capital expenditure in relation to a project completed during the previous 12 months equal to the budgeted EBITDA for that project for the relevant 12 months less the actual EBITDA relating to that growth capital expenditure for the relevant period, provided that such adjustments are not negative; and
8. Dividends received from any entity which has not been consolidated.

The above represents applicable adjustments to the Adjusted EBITDA relevant to the 12 months ended 30 September 2010 under the Healthscope Notes Terms of Issue and the Senior Facility Agreement. It does not represent all possible adjustments relevant to a particular period. Refer to Section 8.6 for further information regarding the determination of Adjusted EBITDA.

FINANCIAL INFORMATION

7.8 MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION OF THE HEALTHSCOPE GROUP

30 September 2010 compared to 30 September 2009

Revenue for the 12 months to 30 September 2010 has increased from \$1,686 million to \$1,906 million, which represents an increase of 13%. The increase in revenue reflects the continued strong underlying growth particularly in hospitals and from increasing market share in the Australian Pathology business.

EBITDA before non-recurring items for the 12 months to 30 September 2010 has increased from \$230 million to \$278 million, which represents an increase of 20.9% compared to the previous corresponding 12 months. Margins have improved primarily due to leveraging of volume growth and the mix of revenue in hospitals.

30 June 2010 compared to 30 June 2009

Revenue increased from \$1,654 million to \$1,843 million in FY10, which represents an increase of 11.5%. Revenue growth was driven by organic growth across both the Hospitals and Pathology divisions, and investment in new businesses, infrastructure and equipment. This included the commissioning of Norwest Private Hospital, the completion of a number of hospital expansion projects, the acquisition of ARL Pathology and the commencement of the Labtests contract.

EBITDA before non-recurring items increased from \$228 million to \$264 million in FY10, which represents an increase of 15.5%. The increase in EBITDA was driven by revenue growth, and increased operating efficiencies across both Hospitals and Pathology divisions.

30 June 2009 compared to 30 June 2008

Revenue for the 12 months to FY09 of \$1,654 million was an increase of 11.2% on the prior year. The growth in revenue was primarily driven by organic growth in hospitals which reflected growth in admissions and continued growth in membership of private health insurance. Australian Pathology excluding acquisitions and medical centres also reflected strong growth with revenue increasing by approximately 8%.

EBITDA before non-recurring items in FY09 increased 15.4% to \$228 million. EBITDA margins increased by 7% in the hospital division as hospitals were able to leverage increased volumes and implemented efficiency improvements.

EBITDA margins for the Pathology and Medical Centres divisions, including the International division increased by 3% on the prior year. Increased volumes and a marginal increase in the proportion of private billing enabled margins to improve in Australia in the second half of the year.

7.9 HEALTHSCOPE GROUP OUTLOOK

The Healthscope Group has historically experienced consistent growth in revenue and EBITDA through the economic cycle.

The Healthscope Group's management team continues to implement growth strategies across key divisions. These include development of new and existing hospital sites and leveraging the Healthscope Group's vertically integrated health services model to enhance its revenue base and capture available synergies. Based on information available to the Directors at the date of this Prospectus, the Directors believe that, subject to no material change in business conditions, the Healthscope Group's growth strategies and broader attractive healthcare industry fundamentals continue to support a positive outlook for growth in the Healthscope Group's revenue and EBITDA in the short to medium term.

This statement should be read in conjunction with the risk factors that may have a material impact on the financial and operational performance of the Healthscope Group set out in Section 9.

7.10 CAPITAL EXPENDITURE

The Healthscope Group's capital expenditure is categorised as either maintenance capital expenditure or growth capital expenditure.

The table below summarises capital expenditure incurred for 30 June FY2008, FY2009, FY2010 and for the 12 months ended 30 September 2010.

\$ MILLION	FY08	FY09	FY10	LTM TO 30-SEP-10
Maintenance capital expenditure	56	82	81	84
Growth capital expenditure	27	83	236	199

Maintenance capital expenditure is defined as the capital expenditure incurred to keep all facilities and equipment at the required standard to maintain the existing operations and earnings of the Security Group (which include the operating entities of the business).

Growth capital expenditure is categorised as follows:

- **Technology** – providing infrastructure and systems to improve efficiency and support the expanding network of hospitals, pathology and medical centres.
- **New equipment** – investment in new equipment for expansion of hospital services, new laboratories, expanding existing laboratories, establishment of or improvements to collection centres or medical centres.
- **Brownfields** – investment in additional beds, theatres, car parking and consulting suites to support increased activity in existing hospitals.
- **Greenfields** – investment in new hospitals or health services in new markets.

\$ MILLION	FY08	FY09	FY10	LTM TO 30-SEP-10
Technology	8	11	20	20
New equipment	5	9	46	49
Brownfields	–	45	80	123 ¹
Greenfields	14	18	90	7
Total	27	83	236	199

¹ Includes the purchase of land and buildings for the Newcastle site.

FINANCIAL INFORMATION

7.11 CASH FLOW AND CASH CONVERSION

Cash flow from operating activities was \$144 million for the 12 month period to 30 September 2010. After adjusting for the cash impact of the non-recurring items, cash conversion for LTM September 2010 was 98%. Healthscope has achieved a cash conversion ratio of 97% to 103% since FY2008.

Gross Operating Cash to EBITDA

\$ MILLION, UNLESS OTHERWISE NOTED	FY08	FY09	FY10	LTM TO 30-SEP-10
Cashflow from Operating Activities	124	151	160	144
Add back				
Net Interest Paid	58	49	55	58
Income Tax Paid	21	28	30	28
Non-recurring cash Items	2	6	10	43
Total Gross Operating Cash	204	232	254	273
EBITDA before Non-recurring Items	198	228	264	278
Ratio of Gross Operating Cash to EBITDA	103%	102%	97%	98%

DESCRIPTION OF INDEBTEDNESS

8



DESCRIPTION OF INDEBTEDNESS

8.1 INTRODUCTION

The acquisition of Healthscope Limited was funded by both equity and debt. The debt funding comprised drawn Senior Debt of \$1,200 million (which was used to fund in part the acquisition and the refinancing of Healthscope Limited's existing debt) and a \$200 million Subordinated Bridge Facility. The net proceeds of the Offer will be used to repay the aggregate amount outstanding under the Subordinated Bridge Facility.

If the net proceeds of the Offer are insufficient to pay the aggregate amount outstanding under the Subordinated Bridge Facility, then funds advised and managed by Carlyle and TPG will provide shareholder loans into the Healthscope Group in an amount sufficient to enable the payment of the balance of the aggregate amount outstanding under the Subordinated Bridge Facility. Further details of the terms of these shareholder loans is specified in Section 8.11.

8.2 SENIOR FACILITIES

Senior Facilities (described below) have been made available under the Senior Facility Agreement. The Senior Facility Agreement establishes the Healthscope Borrower as the primary borrowing entity of the Healthscope Group (although other Obligor may become borrowers under Facility C or D in accordance with the Senior Facility Agreement). Certain members of the Healthscope Group guarantee various obligations relating to the Senior Debt (these group members are referred to as Obligors and are a subset of the Security Group).

The Senior Facilities consist of Facilities A, B, C and D (as described below). The Senior Facilities drawn at the Acquisition Date comprise the following:

SENIOR FACILITIES	DESCRIPTION	TERM FROM FINANCIAL CLOSE	COMMITMENT (\$M)	DRAWN AT THE ACQUISITION DATE (\$M)
Facility A	Amortising term loan	5 years	300	300
Facility B	Bullet term loan	5 years	900	900
Facility C	Growth capital expenditure facility	5 years	300	–
Facility D	Revolving working capital facility	5 years	50	14 ¹

Each of Facilities A, B and C are term loans and any amounts repaid may not be redrawn during their term. Facility D is revolving, so that amounts repaid may be redrawn during its term.

8.3 PURPOSE

The Senior Facilities may be drawn for the following purposes:

Facility A (amortising term loan) and Facility B (bullet term loan)

Facility A and Facility B were both fully drawn at Acquisition Date and used for the purpose of funding the payment of part of the purchase price for Healthscope Limited's shares and the refinancing of part of Healthscope Limited's existing debt.

Facility C (growth capital expenditure facility)

Facility C must only be used for the purpose of financing growth capital expenditure (including permitted acquisitions), restructuring costs or such other purposes as the Facility Agent (acting on the instructions of all Senior Financiers) may approve in writing.

Facility D (revolving working capital facility)

The revolving working capital facility must only be used to finance the general corporate purposes of the Security Group (excluding growth capital expenditure) or such other purposes as the Facility Agent (acting on the instructions of all Senior Financiers) may approve in writing.

Note

- Facility D amount drawn (\$14 million) was for guarantees, which are contingent liabilities.

8.4 INTEREST AND FEES

The interest payable on each advance made under each Senior Facility accrues daily.

The rate of interest payable in connection with each Senior Facility is equal to the aggregate of the base rate determined at the beginning of each interest period and the margin for the particular Senior Facility as set out below.

The relevant fees for the Senior Facilities are also outlined below.

Base rate

The base rate will be the bid rates displayed on Reuters page "BBSY" for the relevant interest period (for Australian dollar drawings), the bid rates displayed on Reuters page "LIBOR01" for the relevant interest period (for US dollar drawings and Sterling drawings), or the base rate for any other applicable currency for which the Senior Facilities may be drawn. By way of illustration, if the relevant interest period under Facility A (which is only denominated in Australian dollars) was 6 months, as at October 2010, the base rate would be 4.93%.

An interest rate equal to the relevant interest rate plus 2.0% applies to any amounts that are not paid when due.

The Healthscope Borrower has agreed to enter into agreements to hedge at least 75% of its exposure to floating interest rate movements under Facilities A, B and C until 11 October 2013, and thereafter to hedge at least 50% of its exposure to floating interest rate movements under those Facilities until the maturity date.

Investors should note that the base rate may be reset (and therefore the interest rate increased) for a loan due to a disruption in the relevant interbank market (eg, if the applicable screen page is not available or if the cost to Senior Financiers of funding matching deposits in that interbank market exceeds the prescribed base rate (subject to certain exceptions)).

Senior Facilities margins

For the period from Financial Close up to and including 30 June 2011, the relevant margin for each Senior Facility will be as follows:

FACILITY	MARGIN (% PER ANNUM)
A	4.25
B	4.50
C	4.50
D	4.25

After 30 June 2011, the margin will be determined pursuant to the table below with reference to the Senior Leverage Ratio (as described below) and as notified on a prior calculation date (commencing 30 June 2011):

SENIOR LEVERAGE RATIO	FACILITY A (% PER ANNUM)	FACILITY B (% PER ANNUM)	FACILITY C (% PER ANNUM)	FACILITY D (% PER ANNUM)
Greater than 3.75x	4.25	4.50	4.50	4.25
Greater than 3.50x up to and including 3.75x	4.00	4.25	4.25	4.00
Greater than 3.25x up to and including 3.50x	3.50	3.75	3.75	3.50
Greater than 3.00x up to and including 3.25x	3.25	3.50	3.50	3.25
Less than or equal to 3.00x	2.75	3.00	3.00	2.75

DESCRIPTION OF INDEBTEDNESS

Senior debt fees

A commitment fee equal to 60% of the applicable margin for Facility C and Facility D is payable on the undrawn commitment under Facility C and Facility D. The commitment fee is payable quarterly in arrears and accrues from Financial Close.

An issuance fee equal to the applicable margin for loan drawings under Facility D for amounts drawn under that facility as letters of credit or bank guarantee is payable quarterly in arrears from the date of issue of that letter of credit or bank guarantee.

8.5 SENIOR FACILITY FINANCIAL COVENANTS

Under the terms of the Senior Facility Agreement, the Healthscope Borrower has undertaken to ensure that the following financial covenants are met. Investors should note that failure to meet the following financial covenants will be an event of default under the Senior Facility Agreement and will cause interest payable on the Healthscope Notes to be suspended.

Debt Service Cover Ratio

The Healthscope Borrower must ensure that the Debt Service Cover Ratio does not fall below 1.05:1 on each calculation date. Investors should note that the Debt Service Cover Ratio has the same meaning in the Senior Facility Agreement and the Terms of Issue. The Debt Service Cover Ratio for the purpose of the payment of Interest on the Healthscope Notes will be calculated at each Ratio Testing Date being the end of the previous calendar quarter before the relevant Interest Payment Date, the first Ratio Testing Date will be 31 December 2010.

Senior Leverage Ratio and Total Interest Cover Ratio

The Healthscope Borrower must ensure that:

- the Senior Leverage Ratio (being the ratio of the aggregate amount outstanding under the Senior Facilities, the transactional banking facilities and the leasing and additional capital expenditure facilities permitted under the Senior Facility Agreement (excluding any contingent indebtedness and exposure under hedging agreements), less cash and cash equivalents, to the Adjusted EBITDA) on each calculation date is not above the ratio for that period set out in the table below;
- the Total Interest Cover Ratio (being the ratio of Adjusted EBITDA to Net Interest Expense (excluding capitalised or suspended interest)) on each calculation date is not below the ratio for that period set out in the table below:

PERIOD	SENIOR LEVERAGE RATIO	TOTAL INTEREST COVER RATIO
1 April 2011 up to and including 30 June 2011	5.15x	1.45x
1 July 2011 up to and including 30 September 2011	5.05x	1.50x
1 October 2011 up to and including 31 December 2011	5.00x	1.50x
1 January 2012 up to and including 31 March 2012	5.00x	1.50x
1 April 2012 up to and including 30 June 2012	4.80x	1.55x
1 July 2012 up to and including 30 September 2012	4.70x	1.55x
1 October 2012 up to and including 31 December 2012	4.60x	1.60x
1 January 2013 up to and including 31 March 2013	4.60x	1.60x
1 April 2013 up to and including 30 June 2013	4.45x	1.65x
1 July 2013 up to and including 30 September 2013	4.30x	1.70x
1 October 2013 up to and including 31 December 2013	4.15x	1.80x
1 January 2014 up to and including 31 March 2014	4.00x	1.85x
1 April 2014 up to and including 30 June 2014	3.80x	1.90x
1 July 2014 up to and including 30 September 2014	3.65x	2.00x
1 October 2014 up to and including 31 December 2014	3.45x	2.00x
1 January 2015 up to and including 31 March 2015	3.25x	2.15x
1 April 2015 up to and including 30 June 2015	3.05x	2.20x
1 July 2015 up to and including 30 September 2015	2.90x	2.30x
1 October 2015 up to and including 31 December 2015	2.70x	2.35x

Capital Expenditure

The Healthscope Borrower must ensure that the Security Group does not incur Capital Expenditure in a financial year above the Capital Expenditure Limit set out in the table below:

PERIOD	CAPITAL EXPENDITURE LIMIT (\$ MILLION)
Up to and including 30 June 2011	230.2
1 July 2011 up to and including 30 June 2012	218.1
1 July 2012 up to and including 30 June 2013	230.3
1 July 2013 up to and including 30 June 2014	162.1
1 July 2014 up to and including 30 June 2015	138.4

Up to 100% of the unspent capital expenditure of the Security Group for any financial year based on the budgeted capital expenditure of the Security Group for that financial year may be carried forward into the following financial year, provided that those funds may not be carried forward to any future year and are deemed to be spent first in the year in which it was carried forward. Any such amounts carried forward are deducted in any calculation of the excess cashflow of the Security Group for the year from which it was carried forward.

There are a number of exceptions to the Capital Expenditure Limit which would permit members of the Security Group to incur Capital Expenditure without reference to this Capital Expenditure Limit. These include Capital Expenditure:

- funded from amounts permitted towards reinvestment in assets or to fund additional Capital Expenditure permitted under the Senior Facility Agreement or any other amounts received or receivable in respect of permitted disposals;
- funded from an equity raising, subordinated shareholder debt or additional debt that is subordinated on terms approved by the Facility Agent to the Senior Facilities;
- funded from any excess cashflow following any voluntary or mandatory prepayments made in accordance with the Senior Facility Agreement;
- funded from any amount under the Additional Leasing Facility or Additional Capex Facility; or
- on certain permitted acquisitions.

Covenant Cure

The Healthscope Borrower has the ability to prevent and/or cure breaches of any of the financial covenants described above if additional equity contributions (including by way of subscriptions for ordinary or preference shares or any subordinated shareholder debt) are made (and applied as a permanent prepayment of the principal outstanding under the Senior Facilities) in an amount at least equal to cure the breaches, when included as of the first day of the relevant test period, provided that there shall be no more than two cures in any 12 month period.

EBITDA and Net Interest Expense until 12 October 2011

For the purposes of the financial covenant calculations under the Senior Facility Agreement, until 12 October 2011:

- Adjusted EBITDA for the period prior to the completion date of the Scheme of Arrangement will be the aggregate of the consolidated Adjusted EBITDA of the Healthscope Group for that period; and
- Net Interest Expense will be tested on the basis of annualised figures.

The Senior Leverage Ratio, Total Interest Cover Ratio and Debt Service Cover Ratio are calculated quarterly commencing 30 June 2011. In order to calculate the Debt Service Cover Ratio for the purposes of the payment of interest under the Subordinated Finance Documents, the Debt Service Cover Ratio will be calculated quarterly commencing 31 December 2010.

Investors should note that there are two ratios which are calculated for the purposes of the Terms of Issue: the Debt Service Cover Ratio (referred to as the 'Interest Suspension Financial Covenant') and the Total Leverage Ratio. The Debt Service Cover Ratio under the Terms of Issue is calculated in the same way as the Senior Facility Agreement. In respect of any payment of interest, if making an interest payment would result in the Debt Service Cover Ratio being less than or equal to 1.10x, interest on a Note will be suspended. In contrast to the Senior Leverage Ratio in the Senior Facility Agreement, the Total Leverage Ratio covers all Finance Debt (ie, it is not limited to the Senior Facilities) (subject to certain exclusions) and applies in connection with an Obligor's restriction on incurring Finance Debt (at levels above 5.00x prior to a Material Disposal or above 4.25x on or after a Material Disposal) or payment of distributions. Refer to the Terms of Issue for further details.

DESCRIPTION OF INDEBTEDNESS

8.6 ADJUSTED EBITDA FOR THE PURPOSE OF FINANCIAL COVENANT CALCULATIONS

For the purpose of calculating the financial covenants under the Senior Facility Agreement, certain adjustments are entitled to be made to EBITDA. These adjustments include, but are not limited to, the following:

- any contribution or deduction in respect of individually significant (and non-recurring) or extraordinary items;
- any loss or gain against book value arising from the disposal of any asset (not being disposals made in the ordinary course of trading) during that period and any increment or decrement relating to the revaluation of any asset during that period;
- transaction and one-off costs and expenses in connection with the acquisition of Healthscope Limited;
- unrealised exchange gains and losses and any unrealised gains or losses on derivative financial instruments; and
- pro-forma EBITDA adjustments, including:
 - adjustments for entities acquired by the Security Group during the previous 12 months on a full year run rate basis;
 - adjustments for cost savings made for entities acquired by the Security Group during the previous 12 months on a full year run rate basis;
 - adjustments for the growth capital expenditure of the Security Group prior to completion of the relevant project equal to the relevant proportion (being the proportion which that growth capital expenditure represents to the total growth capital expenditure budgeted for that project) of expected EBITDA for that project for the first 12 months (but no pro forma adjustment shall be made for growth capital expenditure on a project more than 9 months before the scheduled completion of that project);
 - adjustments for growth capital expenditure of the Security Group in relation to a project completed during the previous 12 months equal to the expected EBITDA for that project for the relevant 12 months less the actual EBITDA relating to that growth capital expenditure for the relevant period, provided that such adjustments are not negative; and
 - dividends received from any entity which has not been consolidated within consolidated operating profit (or loss) during that period.

Other adjustments to EBITDA are as described in the definition of Adjusted EBITDA in the Terms of Issue, which is consistent with the equivalent definition in the Senior Facility Agreement. Refer to Section 7 for further information (including a table which reconciles statutory EBITDA for the 12 month period ended 30 September 2010 to Adjusted EBITDA for the same period calculated as defined under the Senior Facility Agreement).

8.7 SENIOR DEBT REPAYMENT

Final repayment

The Senior Facilities must be repaid in full on the maturity date for the Senior Facilities (being 11 October 2015) and otherwise as required under the Senior Facility Agreement.

Repayment under Facility A

The Healthscope Borrower must make scheduled principal repayments of the principal outstanding under Facility A as follows:

REPAYMENT DATE	AMOUNT OF REPAYMENT (\$ MILLION)
31 December 2011	11.25
30 June 2012	11.25
31 December 2012	21.00
30 June 2013	21.00
31 December 2013	35.25
30 June 2014	35.25
31 December 2014	55.00
30 June 2015	55.00
Maturity Date (being 11 October 2015)	55.00

Repayment under Facility D

The Healthscope Borrower (and any other Security Group member which has drawn under Facility D) must repay that amount on the last day of its interest period (except to the extent it is redrawn on that date).

Mandatory prepayment

Certain prepayments are mandatory under the terms of the Senior Facility Agreement and must be applied against the Senior Facilities. In most cases, mandatory prepayments must be applied first to Facility A on a pro rata basis until repaid in full, second to Facility B until repaid in full, third to Facility C until repaid in full and finally to Facility D.

Proceeds of the following events must be applied (subject to certain exceptions) as prepayments of amounts outstanding under the Senior Facilities (and as a pro rata reduction of the Senior Financier's commitments to make available such facilities):

- net proceeds from an IPO, flotation or other public offering of a member of the Healthscope Group (other than certain members) but only to such amount so that the Senior Leverage Ratio is less than 2.50x;
- net proceeds from certain disposals of assets in excess of \$10 million in aggregate in any financial year (subject to certain conditions);
- net proceeds from certain insurance claims in excess of \$5 million per claim (excluding, among other things, proceeds received from any public or third party liability policy or business interruption insurance);
- net proceeds from a claim in respect of any due diligence report provided to the Senior Financier in connection with the acquisition of Healthscope Limited in excess of \$2.5 million (excluding net proceeds committed towards meeting the liability, compensation or replacement or reinstatement of the asset);
- certain amounts of excess cashflow of the Security Group (which have not already been prepaid) in any financial year in excess of \$5 million for that financial year determined by reference to the percentage set out in the following table:

APPLICABLE SENIOR LEVERAGE RATIO FOR THE FINANCIAL YEAR	PERCENTAGE OF EXCESS CASHFLOW (%)
Greater than 3.25x	75
Greater than 2.75x and up to and including 3.25x	50
Greater than 2.25x and up to and including 2.75x	25
Less than or equal to 2.25x	0

The Senior Facilities will be cancelled and all outstanding amounts under the Senior Finance Documents become immediately due and payable if any of the following events occur:

- certain change of control events; or
- the sale of all or substantially all of the Security Group's assets.

DESCRIPTION OF INDEBTEDNESS

8.8 SENIOR EVENTS OF DEFAULT AND SENIOR REVIEW EVENT

Senior Events of Default

The Intercreditor Deed defines a Senior Event of Default as an event of default under a Senior Finance Document. Such events are usual events of default found in facilities similar to the Senior Facilities, including, among others:

- an Obligor fails to pay any amount due by it under a Senior Finance Document (after any applicable grace period);
- an Obligor fails to perform its obligations under a Senior Finance Document (after any applicable cure period);
- any representation or warranty made by an Obligor in any Senior Finance Document is incorrect or misleading in any material respect (after any applicable cure period);
- an Obligor fails to pay any other amount due greater than \$15 million (except in relation to a Subordinated Finance Document);
- an Obligor becomes insolvent;
- a final non-appealable judgment in an amount exceeding \$15 million is obtained against an Obligor;
- an Obligor reduces its capital without the consent of the Facility Agent (other than as permitted under the Senior Facility Agreement);
- all or a material part of the secured property is compulsorily acquired;
- a change of ownership occurs in respect of the Obligors other than as permitted under the Senior Facility Agreement;
- an Obligor repudiates or rescinds a Senior Finance Document;
- a material provision of the Senior Finance Documents is or becomes void, voidable, illegal or unenforceable and the same is prejudicial to the interests of the financiers;
- An event or circumstance occurs which has or would have material adverse effect on:
 - the consolidated business, operations, assets of financial condition of the Security Group (taken as a whole);
 - the ability of the Obligors (taken as a whole) to meet the payment and other material obligation under any Senior Finance Documents;
 - subject to reservations in legal opinions accepted by the Facility Agent, the validity or enforceability of the whole or any material part of the Senior Finance Document or any material rights and remedies;
 - subject to reservations in legal opinions accepted by the Facility Agent, the effectiveness or priority of the Security Interest given under any Senior Finance Document.

Senior Review Event

A review event under the Senior Facility Agreement occurs if any two or more key management positions (being chief executive officer, chief financial officer or chief operating officer of the Healthscope Group) are vacant for more than 180 days and those positions are not filled with personnel with appropriate qualifications.

If such a review event occurs, the Healthscope Borrower must consult with the Facility Agent for a period of up to 30 days as to the continuation of the Senior Facilities. If the Facility Agent and the Healthscope Borrower cannot reach agreement within that period, the Facility Agent (acting on the instructions of the majority Senior Financiers) may cancel the Senior Facilities and require payment of all Senior Debt within 60 days.

8.9 TRANSACTIONAL FACILITY

The Healthscope Borrower is a borrower of \$26,920,000 transactional facilities provided by Australia and New Zealand Banking Group Ltd. The facilities comprise an online facility (for \$26,770,000) and an encashment facility (for \$150,000). The Healthscope Borrower or a member of the Security Group can access the online facility to manage, among other things, the Healthscope Group's pay away exposure on any one day. The transactional facilities are secured and rank equally with the other Senior Debt.

8.10 SUBORDINATED FACILITY SUMMARY

The Healthscope Borrower has drawn \$200 million under the Subordinated Facility Agreement. This amount is the Subordinated Bridge Facility. Except for tenor and pricing, the Subordinated Facility Agreement is broadly consistent with the terms of the Senior Facility Agreement. The aggregate amount outstanding under the Subordinated Facility Agreement is proposed to be repaid using the net proceeds of the Offer.

If the net proceeds of the Offer are insufficient to pay the aggregate amount outstanding under the Subordinated Facility Agreement, then funds advised and managed by Carlyle and TPG will provide shareholder loans into the Healthscope Group in an amount sufficient to enable the payment of the balance of the aggregate amount outstanding under the Subordinated Bridge Facility. Further details of the terms of these shareholder loans is specified in Section 8.11.

The Subordinated Bridge Facility is secured by the same security referred to in Section 8.12 but on a subordinated basis.

8.11 SHAREHOLDER LOANS

Funds advised and managed by Carlyle and TPG made shareholder loans (being structurally subordinated to the Senior Debt and the Subordinated Debt) to, and invested equity into, the holding companies of the Healthscope Group totalling approximately \$1.5 billion to capitalise the group in connection with the acquisition of Healthscope Limited.

Part of the group's capitalisation was then lent by those holding entities to the Security Group via shareholder loans. These shareholder loans are unsecured, fixed rate and subordinated, including to the Healthscope Notes. These shareholder loans have a maturity date of 7 years from the initial drawdown (or a later date as agreed between the lender and borrower up to a maximum of 10 years). Interest in respect of these loans is deferred and payable on prepayment or repayment of the loan and any unpaid interest capitalises.

If the net proceeds of the Offer are insufficient to pay the aggregate amount outstanding under the Subordinated Facility Agreement, then funds advised and managed by Carlyle and TPG will provide shareholder loans into the Healthscope Group in an amount sufficient to enable the payment of the balance of the aggregate amount outstanding under the Subordinated Bridge Facility. These shareholder loans will be unsecured, fixed rate and subordinated, including to the Healthscope Notes. These shareholder loans will have a term greater than the term of the Healthscope Notes. Interest in respect of these shareholder loans will be deferred and payable on prepayment or repayment of the loan and any unpaid interest on these loans will be capitalised.

While the Senior Debt and the Subordinated Debt (including the Healthscope Notes once issued) is outstanding, no payments in respect of the shareholder loans can be made except from permitted distributions under the Senior Facility Agreement and Subordinated Facility Agreement (or after the Subordinated Note Issue Date, the Terms of Issue), provided that at the time payment is made, all payments then due and owing in respect of the Senior Debt and Subordinated Debt have been paid.

8.12 SECURITY

The securities and guarantees currently granted in support of the obligations under the Senior Facilities and the Subordinated Bridge Facility include:

- cross guarantees from the Initial Obligors; and
- fixed and floating charges and share and loan mortgages from the Initial Obligors over all their assets in favour of the Security Trustee.

The security and guarantee which is also required to be provided (to the extent it has not already been provided) includes:

- cross guarantees from the majority of the entities of the Security Group to support the payment obligations of the Senior Debt and Subordinated Debt (as defined in the Intercreditor Deed) (which, following the Subordinated Notes Issue Date, will include amounts owing under the Healthscope Notes), respectively;
- fixed and floating charges and share and loan mortgages from the majority of the entities of the Security Group over all their assets in favour of the Security Trustee; and
- real property mortgages over material freehold and leasehold interests (if any) of certain entities of the Security Group to the extent required under the Senior Finance Documents in favour of the Security Trustee.

The Healthscope Borrower is required to ensure on an ongoing basis that the entities who grant the above security and guarantee are those entities of the Security Group which represent not less than 90% of the assets and Adjusted EBITDA of the Security Group (excluding non-wholly owned subsidiaries). Failure to comply with this requirement at any time will not constitute a default under the Senior Facility Agreement if the Healthscope Borrower procures that additional members of the Security Group grant the above security and guarantee to the extent required to ensure compliance within 35 days (for members of the Security Group incorporated in Australia) or the later of 35 days and any longer period provided under applicable foreign laws (for members of the Security Group incorporated outside of Australia). The Senior Agent has the right (acting on the basis of reasonable suspicion of non-compliance) to request a certificate of compliance with the 90% tests referred to above no more than twice in any 12 month period.

Before granting the above securities and guarantees, shareholders of those entities in the Security Group which were members of the Healthscope Group prior to the Acquisition Date were required to approve those companies financially assisting APHG to acquire shares in Healthscope Limited under the applicable companies legislation (including the Corporations Act).

These shareholder resolutions were passed and the relevant Security Group companies have now granted the charges, share and loan mortgages and guarantees. Investors should note that the Obligors now include (among others) Healthscope Limited, The Gribbles Group Pty Limited and Healthscope New Zealand Limited and each of these entities (together with other members of the Security Group required to become Obligors to satisfy the 90% tests referred to above) have now granted the above security and guarantee.

DESCRIPTION OF INDEBTEDNESS

Under the terms of the Security Trust Deed and the Intercreditor Deed (a summary which appears in Sections 8.13 and 8.14 respectively) these securities have been (or will be) granted in favour of the Security Trustee, on a first ranking basis with respect to the Senior Debt and on a second ranking basis with respect to the Subordinated Debt. When the Offer is completed and the aggregate amount outstanding under the Subordinated Bridge Facility is paid following the issue of the Healthscope Notes, whether solely through the net proceeds of the Offer or with some payment made through shareholder loans, these securities will also secure the Healthscope Notes on a second ranking basis.

Investors should note that, in addition to sharing in the charges and mortgages granted by the Obligor (on a subordinated basis), the Holders will have the benefit of a subordinated guarantee and indemnity (referred to in this Prospectus as the Note Guarantee) from each Obligor on the same terms granted under the Senior Facility Agreement but on a subordinated basis. The Obligors granting such Note Guarantee will represent not less than 90% of the assets and Adjusted EBITDA of the Security Group (excluding non-wholly-owned subsidiaries).

8.13 SECURITY TRUST DEED

Security Trust

The Security Trustee holds the Security (including the security referred to in Section 8.12) and any proceeds derived from the enforcement of that security on behalf of the security beneficiaries (being the Senior Creditors and the Subordinated Creditors (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders)).

Each Holder (via the Note Trustee becoming a party to the Security Trust Deed and Intercreditor Deed on the Holder's behalf) will become a Subordinated Creditor for the purpose of the Security Trust Deed and the Intercreditor Deed with the same rights and benefits of a Subordinated Creditor once the amounts under the Subordinated Facility Agreement are repaid from the issue of the Healthscope Notes. Accordingly, the amounts owing to Holders under the Healthscope Notes will constitute Subordinated Debt and will therefore be secured by, and have the benefit of, the Security, and subject to the Intercreditor Deed.

Application of recovered money

The Security Trustee must apply any moneys received in the following order:

- first, in payment of all amounts which, to the extent required by law, have priority over other payments set out below;
- second, in payment of all costs, charges and expenses (including any GST) of the Security Trustee, any controller (as defined in the Corporations Act) or any attorney incurred in, or incidental to, the exercise or performance or attempted exercise or performance of any power conferred by any Senior Finance Document or Subordinated Finance Document or applicable law;
- third, in payment of the Security Trustee Secured Moneys;
- fourth, *pari passu* and rateably in payment of the Representative Secured Moneys payable to the Facility Agent and the Representative Secured Moneys payable to the Trustee (but excluding, for the avoidance of doubt, the amount of principal and unpaid interest outstanding under the Healthscope Notes);
- fifth, in payment of any other outgoings due to a controller or attorney;
- sixth, in payment of the Secured Moneys (other than Security Trustee Secured Moneys or the Representative Secured Moneys payable to the Trustee) as follows:
 - to each Senior Creditor towards satisfaction of the Senior Debt owed to it; and
 - to each Subordinated Creditor (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) towards satisfaction of the Subordinated Debt owed to it; and
- seventh, any surplus to the relevant Obligor (without interest).

8.14 INTERCREDITOR DEED

Subordination of the Healthscope Notes

The Intercreditor Deed provides as follows:

- all the Subordinated Debt (which from the Subordinated Note Issue Date will include the Healthscope Notes) and payment of, and the rights and claims of the Subordinated Creditors (which from the Subordinated Note Issue Date will include the Trustee acting for the Holders and Holders and the Note Trustee) in respect of, all the Subordinated Debt, are subordinated and postponed and made subject in right of payment to all the Senior Debt and payment of, and the rights and claims of the Senior Creditors in respect of, all the Senior Debt; and

-
- until the Senior Debt has been paid or satisfied in full, the Subordinated Debt must not be paid or repaid unless such payments constitute permitted payments (as described below, which includes interest on the Healthscope Notes).

The amounts owing to Holders under the Healthscope Notes will from the Subordinated Note Issue Date constitute Subordinated Debt for the purposes of the Intercreditor Deed and will therefore be subject to, and have the benefit of, the Security under the terms of the Intercreditor Deed. Investors should note that shareholder loans made available to the Security Group as referred to Section 8.11 (being referred to in the Intercreditor Deed as Shareholder Debt) above rank behind Subordinated Debt, which from the Subordinated Note Issue Date will include the Healthscope Notes.

Turnover of receipts and permitted payments

Payments that are made to the Subordinated Creditors (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) while Senior Debt is Outstanding on account of any payment under the Subordinated Finance Documents by any Obligor must be held on trust and distributed to the Security Trustee unless such payments constitute permitted payments, namely:

- the proceeds of the Healthscope Notes to refinance the Subordinated Bridge Facility and associated costs and expenses; or
- a payment whereby:
 - no amount of the Senior Debt is due and payable but unpaid (other than amounts due and payable as a result of an excess cashflow mandatory prepayment (as described above in Section 8.7));
 - the Debt Service Cover Ratio is greater than 1.10x (and will remain so once the payment is made to the Subordinated Creditors);
 - no Payment Blockage (i.e. no Senior Event of Default or Senior Potential Event of Default) is currently subsisting (except to the extent that such Senior Event of Default or Senior Potential Event of Default has been subsisting for 179 days); and
 - in the case of the payment of principal or PIK (capitalised) interest, the payment made is made from amounts which would otherwise be available to pay Distributions under certain provisions of the Senior Facility Agreement.

As noted in Section 8.11 above, while the Senior Debt and the Subordinated Debt (which from the Subordinated Note Issue Date will include the Healthscope Notes) is outstanding, no payments in respect of the Shareholder Debt can be made except from permitted distributions under the Senior Facility Agreement and Subordinated Facility Agreement (or after the Subordinated Note Issue Date, the Terms of Issue), provided that at the time payment is made, all payments then due and owing in respect of the Senior Debt and Subordinated Debt, which from the Subordinated Note Issue Date will include the Healthscope Notes, have been paid.

Amendments, waivers and consent by the Senior Creditors binding

Any amendment, waiver, consent, approval or release by a Senior Creditor under a Senior Finance Document which has been notified to the Trustee will bind the Subordinated Creditors (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) and will have the same effect in relation to any equivalent provision of the Subordinated Finance Documents (other than, for example, in relation to any Obligor's obligations to pay the Subordinated Creditors (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders), any undertakings applying exclusively for the benefit of the Subordinated Creditors (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) or any waivers or consents given by the Senior Creditors in respect of any restriction imposed on any Obligor incurring finance debt).

Acceleration and enforcement rights of the Subordinated Creditors (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders)

While the Senior Debt is outstanding, the Subordinated Creditors' (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) right to declare the Subordinated Debt immediately due and payable is limited to certain circumstances including, without limitation, if any permitted payment due and payable is not paid within 15 business days of written notice from the Subordinated Creditors (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) to the Facility Agent or during or after an Obligor is insolvent (subject to exceptions and conditions).

A Subordinated Creditor (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) may only take enforcement action against an Obligor if (subject to conditions) the Senior Debt has not been repaid within 6 months of the Senior Creditors declaring the Senior Debt immediately due and payable or the Senior Debt has not been repaid within 6 months of the last maturity date and no instructions have been given to the Security Trustee by the Senior Creditors to commence enforcement action.

DESCRIPTION OF INDEBTEDNESS

Refinancing of Senior Debt

Unless all of the Subordinated Debt has been repaid in full or as otherwise agreed by the Trustee, an Obligor may only refinance the Senior Debt with the proceeds of any Finance Debt if, among other things:

- the new senior facility is on terms consistent with the Intercreditor Deed and new senior financiers assume the obligations of a Senior Creditor under the Intercreditor Deed;
- the aggregate of the Finance Debt to which the Subordinated Debt is subordinated following the refinancing does not exceed the sum of:
 - the total principal outstanding, undrawn commitments and unpaid accrued interest of the Senior Debt immediately prior to the refinancing; and
 - any costs, fees and expenses (including break costs) associated with the refinancing of Senior Debt.

Permitted Actions

A Subordinated Creditor (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) may seek an injunction, declaratory relief or other equitable remedy (other than claiming equitable damages) at any time to enforce, among other things, any covenant to:

- pay all or any part of its Subordinated Debt if an Obligor breaches any payment obligations (where such payment is a permitted payment) and such breach is not remedied within 10 business days after a notice to that effect being issued;
- prevent Senior Creditors amending, among other things:
 - any provision in the Senior Facility Agreement or related finance documents relating to lock up or restriction on payments of Subordinated Debt or imposing restrictions on payments of distributions; or
 - the maturity date, repayment profile, interest rate or applicable margin to any amounts under a Senior Finance Document; or
- prevent a refinancing of Senior Debt on terms other than those permitted in the Intercreditor Deed.

Investors should note, however, that there are restrictions on the rights of Subordinated Creditors (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) to commence enforcement action as described above in this Section 8.14 under the heading 'Acceleration and Enforcement Rights of the Subordinated Creditors (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders)'.

Further restrictions on Subordinated Creditors

The Intercreditor Deed also contains various further restrictions on the Subordinated Creditors (which from the Subordinated Notes Issue Date includes the Trustee acting for Holders and Holders) taking certain actions with respect to the Subordinated Debt including:

- varying any Subordinated Finance Document in a manner which would have the effect of increasing the amount of interest or fees payable under any Subordinated Finance Document or the frequency of those payments; or
- bringing forward the maturity date for repayment of the principal amount of the Subordinated Debt;
- requesting or convening a meeting to consider a resolution for winding up (or apply to the court to wind up) an Obligor or any arrangement with creditors of an Obligor, except where permitted in the circumstances described in 'Permitted Actions' immediately above,

in each case without the prior written consent of all Senior Creditors.

The above is not an exhaustive list or a complete description of the restrictions. Noteholders should refer to the full terms of the Intercreditor Deed and the Security Trust Deed.

8.15 INCORPORATION BY REFERENCE

The Issuer has lodged the Security Trust Deed, the Intercreditor Deed and the Amendment Deed (Security Trust Deed and Intercreditor Deed), some of the content of which is described above, and the Trust Deed with ASIC and the information in each deed is incorporated by reference into this Prospectus. The Issuer will provide a copy of these documents free of charge to any person who requests a copy during the Offer Period.

INVESTMENT RISKS

9



INVESTMENT RISKS

9.1 INTRODUCTION

There are risks associated with an investment in Healthscope Notes. There are a number of factors, some specific to the Issuer, some specific to the Healthscope Group and which may affect the Healthscope Group's future operating and financial performance and some of a general nature, any of which may impact the Issuer's ability to pay interest and repay principal on the Healthscope Notes. Some of these risk factors are listed below.

Prospective investors should note that the list of risk factors below may not be exhaustive, and should consider these risk factors in conjunction with other information disclosed in this Prospectus. Each of the risks set out below could, if they eventuate, have a material adverse impact on the Issuer's ability to pay Interest and repay Principal on the Healthscope Notes. Investors should specifically consider the factors contained within this Section in order to fully appreciate the risks associated with an investment in Healthscope Notes. Investors should carefully consider these factors in light of their personal circumstances and seek professional advice from their broker, solicitor, accountant or other independent financial adviser before deciding whether to invest.

9.2 RISKS ASSOCIATED WITH AN INVESTMENT IN HEALTHSCOPE NOTES

Insufficient cash flow to meet payments

Healthscope Borrower, as a borrower of monies, is liable to pay interest and repay principal on Senior Debt in addition to its commitments to pay interest and repay principal to the Issuer, which payments the Issuer is reliant upon to make interest payments on, and to repay the principal of, the Healthscope Notes. Cash flows from the operations, investments and financing activities of the Healthscope Group will be periodically provided to Healthscope Borrower in order to enable Healthscope Borrower to service its interest obligations to the Senior Creditors and the Issuer. It is these interest payments from Healthscope Borrower which enable the Issuer to pay its interest obligations to Holders. The Healthscope Group may not generate sufficient cash flows or may be unable to obtain appropriate finance to enable Healthscope Borrower to meet its commitments which would in turn prevent the Issuer meeting its commitments. The Issuer is obliged to suspend interest payments on Healthscope Notes in certain circumstances set out in the Terms of Issue.

Senior Debt and subordination

Healthscope Borrower has entered into the Senior Facilities, the details of which are set out in Section 8. These facilities contain a number of provisions and covenants, a breach of which may cause Healthscope Borrower to default on the Senior Debt and entitle the Senior Creditors to exercise certain rights including suspension of interest payable on Healthscope Notes, the repayment of any amounts outstanding on the Senior Debt and the enforcement of their security interests. Healthscope Notes are subordinated to the Senior Debt. In any winding up of the Healthscope Group, Holders will rank behind the Senior Creditors and will not have a right to receive repayment of principal or interest until the Senior Creditors have been repaid in full.

Substantial debt obligations

Following the completion of the Offer, the Healthscope Group will have a substantial amount of indebtedness through the Senior Debt and the Issuer will have indebtedness to Holders through Healthscope Notes. Through the various financing arrangements in place within the Healthscope Group, the Healthscope Group will periodically forward funds derived from its operations, investments and financing activities to Healthscope Borrower which, in turn, will periodically forward funds to the Issuer. This indebtedness will require the Healthscope Group to dedicate a substantial portion of its cash flow from operations towards required interest and principal payments, thereby reducing the availability of cash flow for working capital, capital expenditure or potential acquisitions. This indebtedness may limit the Healthscope Group's flexibility in planning for, or reacting to, changes in the businesses and industries in which it operates. Such leverage may also detract from its ability to successfully withstand a potential downturn in the business. If the operating performance of the Healthscope Group deteriorates or the Healthscope Group's capital structure changes, this may result in an adverse change in the underlying credit quality of Healthscope Notes. Changes in credit quality may adversely impact the market price of Healthscope Notes and hence impair trading in Healthscope Notes.

Interest rate rises

The Interest Rate payable on Healthscope Notes is fixed for the term of Healthscope Notes. The market value of Healthscope Notes may fluctuate up or down with movements in prevailing interest rates generally. Interest rate rises create a risk that Healthscope Notes may become less attractive when compared to the rates of return available on comparable securities. This reduction in attractiveness may adversely impact the market price of Healthscope Notes.

Healthscope Borrower has a substantial amount of indebtedness through the Senior Debt. Interest payments on this indebtedness may be impacted by movements in interest rates, and may increase if interest rates rise. The amount of this impact is, however, partially offset by hedging agreements into which the Healthscope Borrower has agreed to enter. A description of these agreements is provided in Section 8.

No prior public market for Healthscope Notes

The Offer represents the initial public offering of the Healthscope Notes. As there has not previously been a market for Healthscope Notes, the price after quotation on ASX may be volatile.

Lack of liquidity

There can be no assurance as to what the market price of Healthscope Notes will be at any time, or that an active market will develop to facilitate trading in Healthscope Notes. There may be relatively few buyers or sellers of Healthscope Notes on ASX at any time. Lack of liquidity may increase the volatility of the market price of Healthscope Notes and also may affect the prevailing market price at which Holders are able to sell their Healthscope Notes.

Cessation of ASX listing

The liquidity of Healthscope Notes is dependent on Healthscope Notes remaining quoted on ASX. The Terms of Issue contain certain obligations on the Issuer to use reasonable efforts to ensure that quotation of Healthscope Notes on ASX is maintained. There is a risk that trading in Healthscope Notes could be suspended or Healthscope Notes could cease to be quoted in certain circumstances, including if the Issuer fails to comply with the Listing Rules.

No right of Redemption

Holdings have no general rights to require the Issuer to redeem their Healthscope Notes other than following a Delisting Event.

Early Redemption

The Issuer has a right to redeem Healthscope Notes on the occurrence of certain events. Consequently, Holders may be required to accept a Redemption of their Healthscope Notes at a time or price which they do not wish to accept and which may disadvantage Holders in light of market conditions or individual circumstances. If Healthscope Notes are redeemed or exchanged before the Maturity Date, interest will only be paid up until the date of such Redemption or Exchange.

No IPO

No decision has been made regarding an IPO. The stock market and other conditions are subject to change, consequently there is no certainty that an IPO will occur. In the event there is no IPO, there will be no Exchange Right for Holders.

Senior Debt refinancing

The existing Senior Facilities mature on 11 October 2015 and may need to be refinanced by that date. A risk exists that this debt will not be able to be refinanced or will be refinanced on terms less attractive than those that currently apply. This may have a materially adverse effect on the Issuer's ability to pay interest and repay principal on Healthscope Notes. If the Senior Debt cannot be refinanced on acceptable terms on or prior to its maturity date, interest payments on Healthscope Notes may be suspended.

Taxation

The financial performance of the Healthscope Group relies on certain existing taxation treatments and interpretation of applicable fiscal arrangements in Australia and offshore jurisdictions. Such tax rules or their interpretation in relation to the Healthscope Group may change over time. In particular, both the level and basis of taxation may change. Furthermore, an investment in Healthscope Notes may involve tax considerations which could differ for each investor. Prospective investors should seek independent advice in relation to their own individual taxation position. Future changes in Australian taxation law may affect the taxation treatment of acquiring, holding (including the receipt of interest payments) and disposing of Healthscope Notes.

General economic and financial market conditions

General economic conditions (both domestically and internationally), long-term inflation rates, exchange rate movements, interest rate movements and movements in the general market for ASX and internationally listed securities may adversely impact the Issuer's ability to pay interest and repay principal and may affect the price of Healthscope Notes. As a result of the above-mentioned factors, the Issuer is unable to forecast the market price for Healthscope Notes and they may trade on ASX at a price that is below their Issue Price.

None of the Issuer, its Directors or any other member of the Healthscope Group or its directors or any other person guarantees the market performance of the Healthscope Notes. Since the second half of 2007, global capital markets have experienced difficult conditions. These challenging market conditions have resulted in significantly reduced availability of funds, increased volatility, increased costs of funding, the unavailability of funds in certain markets, industry sectors or specific companies, forced asset sales, a lack of price transparency in many markets and heightened prospects of regional recession.

INVESTMENT RISKS

9.3 HEALTHSCOPE GROUP SPECIFIC RISKS

Government policy and regulation

There are a number of Federal and State policies and regulations that, if changed, may have a material impact on the financial and operational performance of the Healthscope Group.

The risks relating to these policies and regulations in relation to the Healthscope Group's hospitals business include:

- changes to Federal Government initiatives which currently promote private health insurance;
- changes to regulations relating to health funds;
- changes to private hospital licensing policy;
- changes to medical negligence legislation;
- changes to immigration laws; and
- policy direction changes to public hospitals which encourages them to compete with private hospitals.

The risks relating to these policies and regulations to the Healthscope Group's pathology business include:

- the impact on industry structure and profitability from the deregulation of collection centre licences from 1 July 2010 and from the expected introduction of patient choice of pathology provider from 1 July 2011;
- changes to the Medicare regime, including any reduction of Medicare rebates for pathology services;
- further changes to the nature and extent of the regulation or licensing systems; and
- changes coming out of the Federal Government's review of future pathology funding arrangements that is currently underway.

Licences

Hospitals and pathology laboratories and collection centres are required to be licensed under various legislation. These licences are generally subject to regular review and are subject to revocation in certain circumstances. If the Healthscope Group is unable to secure licences for the operation of its hospitals and pathology laboratories (where licences are required) in the future, or any of its existing licences are adversely amended or revoked, this may adversely impact on the financial performance and position, and future prospects, of the Healthscope Group.

Competition

The Healthscope Group operates in markets with established competitors. There is a risk that the actions of existing or future competitors may have a material adverse effect on the Healthscope Group's businesses, financial performance and position and future prospects.

Relationships with health funds

The majority of private hospital revenue is derived from health funds. Failure to reach a satisfactory commercial relationship with a key health fund has the potential to impact on the financial and operational performance of the Healthscope Group. In addition, if the participation rate in private health insurance declines, this may also have an adverse impact on the financial performance and position, and future prospects, of the Healthscope Group.

Relationships with doctors

Doctors have the ability to impact a patient's selection of hospitals and pathology practices and services. Therefore, demand for the Healthscope Group's services is largely dependent on doctors. There is no guarantee that doctors will continue to refer their patients to the Healthscope Group's hospitals or pathology practices. Doctors may refer fewer patients to the Healthscope Group's hospitals or pathology practices than they currently refer.

Reliance on nursing

The most significant cost in hospital operations is nursing labour. Due to a shortage of nurses in certain geographic regions, there is enhanced competition to recruit and retain nursing staff which can lead to upward pressure on nursing costs.

Industrial relations

Many of the Healthscope Group's employees are covered by enterprise bargaining agreements and other workplace agreements, which periodically require negotiation and renewal. Disputes may arise in the course of such renegotiations which may lead to strikes or other forms of industrial action that could disrupt the Healthscope Group's operations. Further, any such renegotiation could result in increased labour costs for the Healthscope Group.

Reliance on key suppliers

There are several key suppliers who provide medical supplies, consumables and equipment to the Healthscope Group. If any of these key suppliers terminated their supply arrangements with the Healthscope Group, there could be a disruption cost to the business. In addition, new supply arrangements may be on less favourable terms and conditions than those presently in place.

Insurance

Insurance is maintained by the Healthscope Group within ranges of coverage consistent with industry practice. 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.

Medical indemnity claims and costs

Healthcare companies, and particularly those with hospitals businesses, are exposed to the risk of medical indemnity claims and litigation. Current or former patients may, in the normal course of business, commence or threaten litigation for medical negligence against the Healthscope Group. Subject to the indemnity insurance arrangements the Healthscope Group has in place at the relevant time, future medical malpractice litigation, or threatened litigation, against the Healthscope Group could have an adverse impact on the financial performance and position, and future prospects, of the Healthscope Group.

Development projects

The Healthscope Group currently has a number of development projects underway, particularly in relation to the expansion of its hospital portfolio. There are a number of risks associated with development projects, including cost overruns, and delays in revenues flowing from proposed developments which could impact on the Healthscope Group's financial performance and position and future prospects.

Australian Pathology market

Following the recent introduction of cuts to Medicare benefits in relation to pathology services,¹ Australian pathology market growth rates have fallen and volumes have remained flat. The Healthscope Group's Australian Pathology division (including medical centres) contributes approximately 17% of group revenues. Underlying drivers of pathology demand such as preventative medicine, ageing of population and availability of new diagnostic tests may assist in stimulating future growth. However, if growth rates continue to remain flat it may impact the future performance of the Healthscope Group.

Note

1. Effective 1 November 2009.

INVESTIGATING ACCOUNTANT'S REPORT

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15 November 2010

The Directors
Healthscope Notes Limited
Level 1,
312 St Kilda Road
Melbourne, Victoria, 3004
AUSTRALIA

Dear Sirs,

Investigating Accountant's Report on Pro forma Historical Financial Information

Introduction

At the request of the Directors of Healthscope Notes Limited (the Issuer) this report has been prepared for inclusion in the Prospectus to be dated 15 November 2010 in connection with the proposed issue of redeemable, exchangeable and secured, but subordinated to the Senior Debt, Healthscope Notes at \$100 per Note.

A number of defined words and terms used in this report have the same meaning as set out in the Glossary contained in the Prospectus.

Background

Through a transaction which closed on 12 October 2010, Asia Pacific Healthcare Group Pty Ltd, a company owned by funds advised and managed by The Carlyle Group and TPG Capital ("the Consortium"), acquired all of the fully paid ordinary shares in Healthscope Limited.

The Issuer is seeking to raise approximately \$170 million through the issue of 1,700,000 Healthscope Notes at an issue price of \$100 each (although the issuer may accept over-subscriptions of up to \$45 million). The proceeds of the offer will be used to pay a Subordinated Bridge Facility which formed part of the funding for the acquisition of Healthscope Limited by the Consortium.

The pro forma historical financial information has been presented in order to assist investors to understand the state of affairs and results of the aggregated entities (Healthscope Group) from which the cash flows to service the interest on the notes will be derived.

INVESTIGATING ACCOUNTANT'S REPORT

Deloitte

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15 November 2010

Pro forma Historical Financial Information

Deloitte Touche Tohmatsu ("Deloitte") has been requested to prepare a report in relation to the following pro forma historical financial information set out in Sections 7.3 and 7.4 of the Prospectus:

- The pro forma historical consolidated EBITDA statements of Healthscope Limited for the years ended 30 June 2008, 30 June 2009, 30 June 2010 and for the 12 months ended 30 September 2010;
- The pro forma historical aggregated balance sheet of the Healthscope Group as at 30 September 2010;
- The pro forma unaudited balance sheet of the Issuer adjusted to reflect the issue of the Healthscope Notes; and
- The pro forma adjustments and assumptions on which they are based;

together known as the "Pro forma Historical Financial Information".

The Pro forma Historical Financial Information has been derived from the audited financial statements of Healthscope Limited for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the reviewed financial statements of Healthscope Limited for the 12 months ended 30 September 2010, which were audited and reviewed respectively by Deloitte. The audit and review reports issued by Deloitte to the members of Healthscope Limited relating to those financial statements were unqualified.

Directors' responsibility for the Financial Information

The Directors of the Issuer are responsible for the Pro forma Historical Financial Information including the determination of the pro forma adjustments. The Directors' responsibility also includes the preparation of the Prospectus in accordance with the Corporations Act 2001.

We disclaim any responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than for which it was prepared. This report should only be read in conjunction with the Prospectus.

The Pro forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act 2001.



Scope

We conducted our review on the Pro forma Historical Financial Information in accordance with Australian Standard on Review Engagements (ASRE) 2405 “Review of Historical Financial Information Other than a Financial Report” so that we can state whether anything has come to our attention which causes us to believe that the Pro forma Historical Financial Information as set out in Sections 7.3 and 7.4 of the Prospectus is not presented fairly in accordance with the basis of preparation and the assumptions adopted by the Directors as disclosed in Sections 7.1 and 7.2 of the Prospectus.

Our work included making such enquiries and performing such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- Review of work papers, accounting records and other documents;
- A review of the extraction of the Pro forma Historical Financial Information from the audited and reviewed Healthscope Limited financial statements;
- Analytical procedures applied to the Pro forma Historical Financial Information;
- A comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including the Australian Accounting Interpretations) and the accounting policies adopted by Healthscope Group as referred to in the Prospectus;
- A review of the pro forma adjustments and the assumptions on which they are based as described in Sections 7.1, 7.2, 7.3 and 7.4 of the Prospectus; and
- Enquiry of the Directors and management of Healthscope Group.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro forma Historical Financial Information.

ASRE 2405 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

Review Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information set out in Sections 7.3 and 7.4 of the Prospectus:

- is not presented fairly, in all material respects, in accordance with the basis of preparation and the assumptions adopted by the Directors as disclosed in Sections 7.1 and 7.2 of the Prospectus.
- has not been properly prepared, in all material respects, on the basis of the pro forma adjustments and that the pro forma adjustments do not form a reasonable basis for the Pro Forma Historical Financial Information.

INVESTIGATING ACCOUNTANT'S REPORT

Deloitte.

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15 November 2010

Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, nothing has come to our attention that would cause us to believe that matters arising after 30 September 2010 would require comment on, or adjustments to, the information contained in Sections 7.3 and 7.4 of the Prospectus, or would cause such information to be misleading or deceptive.

Independence and Disclosure of Interests

Deloitte does not have any interest in the outcome of this Prospectus other than the preparation of this Investigating Accountant's Report and other services in relation to the Prospectus for which normal professional fees will be received. Deloitte is the auditor of the Healthscope Group and from time to time it also provides certain other professional services to the Healthscope Group, for which normal professional fees are received.

Consent

Deloitte has consented to the inclusion of this Investigating Accountants' Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Deloitte makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



T Imbesi
Partner
Chartered Accountants

ADDITIONAL INFORMATION

11



ADDITIONAL INFORMATION

11.1 ISSUER'S REPORTING AND DISCLOSURE OBLIGATIONS

The Issuer has applied for the quotation of Healthscope Notes on ASX. The ordinary shares in the Issuer are not and will not be quoted. However, the Issuer will be required to comply with continuous disclosure obligations and to lodge half-yearly and annual accounts in accordance with the Listing Rules and the Corporations Act.

The Issuer will be required to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the market conducted by ASX.

In particular, the Issuer will have an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is, or becomes, aware which a reasonable person would expect to have a material effect on the price or value of Healthscope Notes. That information will then be available to the public at ASX.

In addition, the Issuer proposes to prepare half year and full year financial reports which aggregate the Hospitals group, the Australian Pathology group and the International Pathology group. These financial reports will be released on ASX on a half year and annual basis. These financial reports will be prepared as general purpose financial reports in accordance with the Australian accounting standards and will include for the Healthscope Group a statement of financial performance, a statement of comprehensive income, a statement of cash flows, a statement of changes in equity and accompanying note on significant accounting policies and relevant notes to the financial statements.

11.2 TERMS OF ISSUE

The rights and obligations attached to Healthscope Notes are:

- set out in the Terms of Issue annexed as Appendix A; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and the general law.

11.3 SUMMARY OF TRUST DEED

The Trust Deed is between the Issuer and the Trustee. The Trustee acts as trustee for the Holders under the Trust Deed and holds the benefit of the Trust Deed on trust for the Holders. All Holders are bound by the terms of the Trust Deed. Any provision in the Trust Deed which is inconsistent with the provision in the Security Trust Deed or Intercreditor Deed will not operate to the extent of the inconsistency (and the Trustee will become party to these documents as trustee on behalf of Holders). Investors should note that it is a condition of the Holders receiving rights and benefits under the Intercreditor

Deed and Security Trust Deed (including sharing on a subordinated basis in the security) that the Holders are bound by the Intercreditor Deed and the Security Trust Deed and perform all obligations and comply with all subordinations, restrictions and limitations under those documents (without needing to become party to those documents).

Noteholders should be aware, however, that the rights of the Trustee and Holders to take action against the Issuer upon the occurrence of an Event of Default are subject to restrictions set out in the Intercreditor Deed, the Security Trust Deed and the Trust Deed. Refer to Sections 8.13 and 8.14 for a summary of the Security Trust Deed and Intercreditor Deed.

Holders should therefore be aware that although the Trustee may be empowered to do certain things under the Trust Deed, or may be directed by Holders to undertake certain actions, the Trustee and Holders may be restrained from doing so by the terms of the Intercreditor Deed and the Security Trust Deed.

The Trust Deed provides, however, that:

- a provision of the deed which is inconsistent with the Trustee's statutory obligations (including a provision of the Corporations Act) does not operate to the extent of the inconsistency;
- to the extent a provision ('infringing provision') breaches or contravenes, or if complied with would result in a breach or contravention of (1) the statutory obligations of the Trustee; or (2) a right, power, authority, discretion or remedy conferred on the Trustee by the trust deed or by law, the trust deed is taken not to contain that provision.

These overriding provisions prevail over all other provisions of the Trust Deed including any infringing provision of the Intercreditor Deed or Security Trust Deed that purports to override the Trust Deed.

The Trust Deed provides for the following:

Issue of Healthscope Notes

The Issuer may issue Healthscope Notes to any person on and subject to the terms of the Trust Deed and the Terms of Issue. The aggregate principal amount of Healthscope Notes is limited to an initial maximum of \$216 million (plus oversubscriptions).

The Trustee directs the Issuer to pay any monies owing to the Holders directly to the Holders in accordance with their rights and entitlements, unless the Issuer is being liquidated or the Issuer is otherwise directed by the Trustee, in which case the payment must be made to the Trustee.

The Healthscope Notes are obligations of the Issuer, secured and subordinated in accordance with the provisions of the Security Trust Deed and the Intercreditor Deed and rank equally without any preference among themselves.

The Issuer must, in accordance with the Trust Deed and the Terms of Issue, repay each Holder the principal amount of the Healthscope Notes and interest in respect of the Healthscope Notes.

Cleared funds

If the Issuer issues Healthscope Notes and the Issuer has not received any moneys due on application for Healthscope Notes in accordance with the Terms of Issue or any payment for Healthscope Notes is not cleared, those Healthscope Notes are void as from their date of issue or such other date as the Issuer determines.

Covenants

The Issuer covenants with the Trustee that it will:

- pay to the Trustee for the account of Holders, all amounts due on or in respect of Healthscope Notes as and when due in accordance with the Trust Deed and Terms of Issue;
- comply with the terms of the Trust Deed including the Terms of Issue;
- comply with its obligations under the Corporations Act (including Chapter 2L), the Listing Rules and the ASX Settlement Operating Rules;
- promptly notify the Trustee after it becomes aware of a breach by the Issuer of any obligation of the Trust Deed, Chapter 2L of the Corporations Act or the Terms of Issue;
- do all things which are required to be done to enable the Trustee to comply with the Trustee's obligations under the Trust Deed, the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules;
- provide to the Trustee the Issuer's annual and semi-annual financial statements as well as all information and documents provided to the ASX and/or Holders;
- provide the Trustee with written details of any newly created charge within 21 days of it being created;
- ensure that any financial statements provided to the Trustee comply with current accounting practice and give a true and fair view of the matters with which they deal; and
- where there exists any recurring obligation on the Trustee or the Issuer and the Trustee to furnish to any governmental agency any information, furnish to the Trustee such information as would be reasonably required by the Trustee to properly discharge its obligations.

The Issuer must comply with its reporting obligations to the Trustee and to the Holders under the Corporations Act, including section 283BF.

Trustee's powers

Under general law, the Trustee must act honestly and in good faith and comply with all laws in performing its duties and in the exercise of its discretions under the Trust Deed.

While the Trustee has agreed to meet its statutory duties under the Corporations Act, the Trustee is not obliged to provide to any person any information concerning the business, financial condition, status or affairs of the Company, investigate the adequacy, accuracy or completeness of any information provided by the Company, assess, investigate or keep under review the business, financial, condition, status or affairs of the Company or monitor compliance by the Company of its obligations under the Trust Deed other than as required under the Corporations Act.

The Trustee may delegate to its related bodies corporate or any other person (including, without limitation, the Issuer and persons associated with the Issuer), to do anything which the Trustee may lawfully do (on such terms and conditions as the Trustee may think fit) including, without limitation, holding any trust property and executing documents on its behalf.

The Trustee may determine as between itself and the Holders, all questions and matters of doubt arising in relation to the Trust Deed. Such determination shall be conclusive unless a court determines otherwise.

The Trustee may hold Healthscope Notes and may contract with Holders and deal in any capacity with the Issuer. The Trustee may act in any capacity in relation to any other trusts.

The Trustee is not required to:

- provide to any person any information concerning the business, financial condition, status or affairs of the Issuer;
- investigate the adequacy, accuracy or completeness of any information provided by the Issuer; or
- assess, investigate or keep under review the business, financial condition, status or affairs of the Issuer.

The Issuer may, subject to the Security Trust Deed and the Intercreditor Deed, by instrument in writing and without the authority, assent, or approval of Holders, alter the Trust Deed if the alteration is, in the opinion of an independent law firm appointed by the Issuer, of a formal, minor or technical nature, made to correct a manifest error or convenient for the purpose of obtaining, or maintaining the listing or quotation of Healthscope Notes, or made to comply with any law, the Listing Rules or the listing or quotation requirements on any stock exchange or is not likely to be prejudicial to the interests of the Holder if the Company has provided the Trustee with a copy of the proposed alteration and a legal opinion for the benefit of the Trustee attesting to these matters.

ADDITIONAL INFORMATION

Fees and expenses

The Issuer must pay to the Trustee a fee as agreed from time to time in respect of the Trustee's services under the Trust Deed. If the Trustee takes any enforcement action in relation to the Trust Deed, the Issuer must pay to the Trustee on demand such additional remuneration as is commensurate with any additional duties and responsibilities performed by the Trustee. Unless otherwise agreed, such payment is to be calculated on a time basis at reasonable hourly rates. The Issuer must pay all costs and expenses reasonably incurred by the Trustee in connection with the negotiation, preparation and performance of the Trust Deed.

Liability of the Trustee and indemnity

The Trustee is indemnified by the Issuer in respects of all costs, liabilities and expenses except in circumstances where the Trustee has been negligent or fraudulent or has acted in wilful default of the terms of the trust. The Issuer and the Holders may only enforce any rights they have against the Trustee arising from the breach or non performance of its obligations to the extent it can be satisfied out of the assets of the trust against which the Trustee is actually indemnified in respect of the relevant liability incurred by the Trustee. These provisions do not apply to any obligation or liability arising as a result of the Trustee's fraud, negligence or wilful default.

Retirement of Trustee

The Trustee may retire at any time by giving 60 days notice to the Issuer. The power to appoint a new Trustee is vested in the Issuer. If, however, the Issuer has not appointed a new Trustee within 60 days of the Trustee having given notice, the retiring Trustee may appoint a new trustee.

Replacement of Trustee

The Issuer may by written notice remove the Trustee if the Trustee is in material breach of the Trust Deed and has not rectified the breach within 10 Business Days of receiving written notice from the Issuer, if the Trustee ceases to carry on business, is wound up, cannot be an eligible trustee or has failed or refused to act as trustee.

Register

The Issuer will establish and maintain a register in respect of the Healthscope Notes.

Meetings of Holders

Meetings of Holders must be carried out in accordance with the provisions of the Trust Deed and the Corporations Act. A meeting of Holders may be called at any time by the Trustee or the Issuer, and must be convened by the Issuer where a request has been made by the Holders who together hold 10% or more of the Healthscope Notes.

At least 10 Business Days notice (15 Business Days notice for a special resolution) must be given to the Trustee, the Issuer and the Holders, by the party convening the meeting.

The quorum for any meeting is at least 5 persons holding, or represented by attorney or proxy, at least 10% of the Healthscope Notes. If a quorum is not present within half an hour from the time appointed for the meeting, the meeting will be adjourned to such day and time as the chairperson directs. At an adjourned meeting the Holders with at least 5% of the Healthscope Notes who are present either in person or by proxy constitute a quorum and are entitled to pass the resolution.

At any meeting a resolution put to the vote of the meeting shall be decided or a show of hands unless a poll is required by law or demanded by the chairperson, the Trustee, the Issuer or at least 5 persons holding or represented by attorney or proxy, at least 5% of the Healthscope Notes.

On a show of hands every Holder who is present shall have one vote and on a poll every Holder who is present shall have one vote for every Note held. In the case of equality of votes, the chairperson of a meeting has a casting vote in addition to their votes (if any) as a Holder both on a show of hands and on a poll.

A resolution passed at a meeting shall be binding on all the Holders.

Discharge and release

The Trust Deed terminates on the earlier of:

- (a) the day the last of the following occur:
 - the redemption or conversion of all Healthscope Notes;
 - payment of all amounts of principal and distributions due on Healthscope Notes;
 - payment of all costs reasonably and properly incurred by the Trustee; and
 - the satisfaction or waiver of all other obligations or liabilities of the Issuer to the Trustee and Holders; or
- (b) on the date on which Holders unanimously determine that the trust be wound up; or
- (c) the date required by law.

The Trustee or the Issuer must, if requested by the other, execute a confirmation or release in favour of the Trustee or Issuer (as appropriate). If the Trust Deed is terminated, the Trustee will distribute the balance of the capital and income (if any) of the trust in accordance with the provisions set out in the Trust Deed.

As noted in Section 8.15 the Trust Deed is incorporated by reference into this Prospectus. The Issuer will provide a copy of the Trust Deed free of charge to any person who requests a copy during the Offer Period.

11.4 SUMMARY OF THE OFFER MANAGEMENT AGREEMENT

The Offer is managed by the Joint Lead Managers pursuant to an offer management agreement dated 15 November 2010 between the Issuer, the Guarantors and the Joint Lead Managers (Offer Management Agreement). Under the Offer Management Agreement, the Joint Lead Managers have agreed to manage the Offer, including the Bookbuild and allocation processes for the Offer, and provide settlement support in connection with the issue of Healthscope Notes allocated under the Bookbuild.

Commission, fees and expenses

The Issuer must pay the Joint Lead Managers an aggregate management and selling fee of up to 2.75% of the gross proceeds of the offer of Healthscope Notes (excluding GST).

The Issuer has also agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer. The Joint Lead Managers are responsible for all fees and commissions payable to the Participating Brokers, co-managers and certain institutional investors.

Warranties

The Offer Management Agreement contains certain standard representations, warranties and undertakings provided by the Issuer to the Joint Lead Managers. The warranties relate to matters such as the conduct of the parties and information provided by the parties in relation to the Prospectus and the Offer. The Issuer's undertakings include that it will not, during the period following the date of the Offer Management Agreement until 120 days after the issue and transfer of Healthscope Notes under the Offer, issue or agree to issue any debt securities (as defined in the ASX Listing Rules) or equity linked securities of the Issuer or any Group Member, other than pursuant to the Offer or the Offer Management Agreement.

Indemnity

Subject to certain exclusions relating to, among other things, fraud, recklessness, wilful misconduct or negligence by an indemnified party, the Issuer and the Guarantors agree to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

Termination events

A Joint Lead Manager may at any time by notice to the Issuer, the Guarantors and the other Joint Lead Managers, immediately without any cost or liability to that Joint Lead Manager, terminate the Offer Management Agreement if any of the following occurs:

- the Joint Lead Managers require (acting reasonably) the Issuer, or the Issuer is otherwise required, to lodge a supplementary prospectus with ASIC and:

- the Issuer has not obtained the Joint Lead Managers' approval to the form and content of the supplementary prospectus (provided the Joint Lead Managers have not unreasonably withheld or delayed their approval); and
- provided the Joint Lead Managers have not unreasonably withheld or delayed their approval, the Issuer does not lodge the supplementary prospectus in the form approved by the Joint Lead Managers,

as soon as practicable but in any event no later than 5 Business Days after being notified or becoming aware of a requirement to lodge a supplementary prospectus; or

- any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Healthscope Group (taken as a whole), including any material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Issuer or the Healthscope Group (taken as a whole) from those respectively disclosed in the Prospectus or other publicly available information; or
- a director of the Issuer is charged with an indictable offence; or
- approval is refused or approval is not granted which is unconditional or conditional only on customary listing conditions which would not, in the opinion of the Joint Lead Managers, have a material adverse effect on the success of the Offer, to the admittance of the Issuer to the official list of ASX or the official quotation of all of the Healthscope Notes on ASX, on or before the date specified in the Offer Management Agreement, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- any of the following notifications are made:
 - ASIC gives notice of intention to hold a hearing in relation to the Prospectus under section 739(1) or issues an order or interim order under section 739;
 - an application is made by ASIC for an order under Part 9.5 in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus;
 - any person (other than a Joint Lead Manager) gives a notice under section 733(3) or any person who has previously consented to the inclusion of its name in the Prospectus (or any Supplementary Prospectus) or to be named in the Prospectus (or any Supplementary Prospectus) (other than a Joint Lead Manager) withdraws that consent; or

ADDITIONAL INFORMATION

- any person (other than a Joint Lead Manager) gives a notice under section 730 in relation to the Prospectus; or
- the Issuer withdraws the Prospectus or the Offer or fails to proceed with the Offer by the date of lodgement of the Prospectus; or
- the Issuer is or becomes insolvent; or
- there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Offer Management Agreement), any of which does or is likely to prohibit or materially adversely regulate the Offer, capital issues or stock markets or materially adversely affect the taxation treatment of the Healthscope Notes; or
- the S&P/ASX200 Index of ASX falls by an amount that is 12.5% or more of the level as at the close of trading on the business day before the date of the Offer Management Agreement, and remains at or below that level for a period of at least 2 consecutive business days or a period ending on the close of trading on the date on which Healthscope Notes are to be allotted; or
- any of the following occurs:
 - the average mid-rate for the iTraxx Australia Index (Series 12) of a term of 5 years increases by an amount that is 0.35% above the level as at the close of trading on the business day before the date of the Offer Management Agreement, and remains at or above that level for a period of at least 3 consecutive business days or a period ending on the close of trading on the date on which Healthscope Notes are to be allotted; or
 - the 5 year Swap Rate increases by an amount that is 0.5% or more above the level as at the close of trading on the business day before the date of the Offer Management Agreement, and remains at or above that level for a period of at least 3 consecutive business days or a period ending on the close of trading on the date on which Healthscope Notes are to be allotted.
- a statement contained in the Prospectus is misleading or deceptive (including, without limitation, misleading representations within the meaning of section 728(2)), or a matter is omitted from the Prospectus (having regard to the provisions of sections 710, 711, 715A and 716); or
- the legal due diligence report or any other information supplied by or on behalf of the Issuer to a Joint Lead Manager in relation to the Healthscope Group or the Offer is misleading or deceptive; or
- the Finance Documents (as defined in the Security Trust Deed and Intercreditor Deed) are terminated, has received notice that it has been breached or rescinded, or a condition precedent to performance of the Finance Documents in whole or in part (in the reasonable opinion of the Joint Lead Managers) becomes incapable of being satisfied, or a condition or obligation is waived by the Issuer, or the Finance Documents are amended in a material respect, without the prior written consent of the Joint Lead Managers or an “event of default” (as defined in the Finance Documents); or
- a default by the Issuer in the performance of any of its obligations under the Offer Management Agreement; or
- a representation or warranty contained in the Offer Management Agreement on the part of the Issuer is not true or correct in any respect, or is misleading or deceptive; or
- any certificate given under the Offer Management Agreement by the Issuer is false, misleading, deceptive or inaccurate; or
- a change to the chief executive officer or chief financial officer of the Issuer; or
- a contravention by the Issuer or any entity in the Healthscope Group of the Corporations Act, the *Trade Practices Act 1974* (Cth), its constitution, or any of the Listing Rules; or
- the Prospectus or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation; or
- at any time prior to the date on which Healthscope Notes are to be allocated, hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, Japan, Russia or a member state of the European Union, Indonesia, North Korea, South Korea or the People’s Republic of China or a major terrorist attack is perpetrated anywhere in the world. This event may not be relied upon by a Joint Lead Manager after the date on which Healthscope Notes are to be allocated; or

Termination events subject to materiality

If a Joint Lead Manager has reasonable grounds to believe and does believe that the event has or is likely to have a materially adverse effect on the outcome, success or settlement of the Offer or could give rise to a liability of that Joint Lead Manager under any law or regulation, then a Joint Lead Manager may at any time, by notice to the Issuer, the Guarantors and to the other Joint Lead Managers, immediately without any cost or liability to that Joint Lead Manager terminate the Offer Management Agreement if any of the following occurs:

- either of the following occurs:
 - a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading,
 in either case the effect of which is such as to make it, in the reasonable judgment of a Joint Lead Manager, impractical to promote the offer of Healthscope Notes or to enforce contracts to issue and transfer the Healthscope Notes.

11.5 RECEIVABLES PURCHASE AGREEMENT

Background

Healthscope Limited is a party to a Receivables Purchase Agreement with Westpac under which Healthscope Limited may offer to sell receivables and related rights originated by Healthscope Limited or certain approved originators within the Healthscope Group to Westpac from time to time in accordance with the terms of the Receivables Purchase Agreement.

The scheduled termination date of the commitment under the Receivables Purchase Agreement is 25 October 2015 (or as otherwise extended), however, the commitment may be terminated earlier by Westpac in certain circumstances, such as following specified early amortisation events and events of default (which are further discussed below).

Purchase of receivables and related rights

Westpac is not obliged to accept any offer for the sale of receivables and related rights and the acceptance of any offer is subject to the satisfaction of a range of conditions precedent.

Westpac acquires the equitable title to any purchased receivables and related rights ("Purchased Receivables") and holds the relevant cash reserves as agent for participants who have acquired an interest in those receivables and other assets. Currently, Westpac is the senior participant and Healthscope Limited is the mezzanine participant and subordinated participant. The participants receive interest and principal in respect of their participations from collections on the Purchased Receivables in accordance with the terms of the Receivables Purchase Agreement. Westpac also receives certain program fees and other costs under and in connection with the Receivables Purchase Agreement (including as a result of a change in law).

The Receivables Purchase Agreement includes restrictions on when receivables and related rights may be acquired by Westpac if certain limits are

exceeded and sets out concentration limits in respect of certain obligors. The current purchase limit under the Receivables Purchase Agreement is \$140,000,000.

Servicing of the Purchased Receivables

Healthscope Limited has been appointed as servicer of the Purchased Receivables and has various obligations including to service, administer and collect the Purchased Receivables. Collections in respect of the Purchased Receivables are to be applied to specified collection accounts and accounted to Westpac in accordance with the terms of the Receivables Purchase Agreement. Westpac has the right to remove Healthscope Limited as servicer, to perfect its rights in the Purchased Receivables and to appoint a replacement servicer upon the occurrence of certain servicer transfer events such as the insolvency of Healthscope Limited.

The approved originators under the Receivables Purchase Agreement have also provided to Westpac a guarantee of the amounts which Healthscope Limited, as servicer, is or at any time may become actually or contingently liable to pay to or for the account of Westpac.

General obligations of Healthscope

In certain circumstances Healthscope Limited has an obligation to pay deemed collections. For example, deemed collections can arise when specified dilutions in respect of the Purchased Receivables occur.

Healthscope Limited also gives a broad range of representations, warranties and undertakings as seller and servicer which include representations, warranties and undertakings that go to the nature and characteristics of the receivables and related rights and Purchased Receivables, the servicing of the Purchased Receivables and general corporate matters (including the Senior Facilities). Many of the representations, warranties and undertakings are typical for an agreement of this nature.

Healthscope Limited also indemnifies Westpac (including its successors and assigns and its officers, directors, shareholders and other specified persons) on demand for all damages, losses, claims, liabilities and related costs that Westpac may sustain or incur as a direct result of certain events in respect of the Receivables Purchase Agreement, such as a breach of a representation or warranty by Healthscope Limited.

Termination of the Receivables Purchase Agreement

The occurrence and continuation of certain events are early amortisation events and events of default entitling Westpac to terminate its commitment and perfect its interest in the Purchased Receivables. Many of the early amortisation events and events of default are typical for an agreement of this nature.

If the termination date of the commitment under the Receivables Purchase Agreement is a date other than the scheduled termination date, Healthscope Limited is required to pay to Westpac a prepayment amount. If

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Healthscope Limited determines that it does not intend to offer any further receivables under the Receivables Purchase Agreement certain break costs are also payable by Healthscope Limited.

Healthscope Limited may voluntarily terminate the commitment under the Receivables Purchase Agreement and reduce the unused portion of the purchase limit.

11.6 AUSTRALIAN TAXATION IMPLICATIONS

The following is a general summary of the taxation treatment under the Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997 and the Taxation Administration Act 1953 (collectively, the "Tax Act") and A New Tax System (Goods and Services Tax) Act 1999, having regard to any relevant regulations, rulings or judicial or administrative pronouncements, at the date of this Prospectus, of payments of interest and certain other amounts on the Healthscope Notes and certain other matters.

This summary does not consider the taxation implications for investors who:

- are in the business of trading or dealing in securities or otherwise hold interest bearing securities on revenue account; or
- are exempt from income tax in Australia.

This summary is not exhaustive and is not intended to be, nor should it be construed as, legal or tax advice to any particular investor. Prospective Holders should consult their professional advisers on the tax implications of an investment in the Healthscope Notes in their particular circumstances.

Australian income tax

Australian residents

Interest derived by an Australian resident Holder in respect of the Healthscope Notes, and any gains upon disposal or redemption, should be included in their assessable income, subject to any specific exemption applicable to that Holder.

The manner and timing of inclusion of such amounts in assessable income will depend upon the specific tax rules applying to the Holder, including whether and how the TOFA rules in Division 230 of the Tax Act apply to the Holder. Where the TOFA rules do not apply, a Holder will need to consider the application of the rules dealing with 'traditional securities' on the basis that no interest will be deferred more than twelve months.

In the event of an IPO, Holders have a priority right (the "Exchange Right") to apply up to 100% of the Issue Price of their Healthscope Notes in application for the subscription or purchase of Listed Securities at a 2.5% discount to the price payable by retail investors.

There should be no assessable gain or loss on exercise of the Exchange Right if Healthscope Notes are exchanged into ordinary shares of a connected entity of the Issuer.

In addition, any capital gain or capital loss otherwise arising from the exchange of Healthscope Notes for ordinary shares of a connected entity of the Issuer should be deferred until the Listed Securities are sold or otherwise disposed.

The capital gains tax cost base of the Listed Securities should be equal to the cost base of the Healthscope Notes at the time of Exchange, plus any amounts paid by the Holders in relation to the Exchange. If the Listed Securities are not ordinary shares, the Exchange should be a taxable event. The assessable gain should equal the market value of the Listed Securities received on Exchange less the cost base of Healthscope Notes exchanged. The capital gains tax cost base of the Listed Securities (in circumstances where the Listed Securities are not ordinary shares) should be equal to the market value of Healthscope Notes at the time of the Exchange, plus any amounts paid by Holders in relation to the Exchange.

Non-residents

If not for the exemptions discussed below, payments of interest on the Healthscope Notes would be within the scope of Australia's rules on interest withholding tax. Under the Tax Act a payment of interest by an Australian resident, not acting through a permanent establishment outside Australia, to either:

- a non-resident, not acting through a permanent establishment in Australia; or
- to an Australian resident acting through a permanent establishment outside Australia,

is ordinarily subject to withholding tax at the rate of 10%.

For these purposes interest includes amounts in the nature of interest. A premium on redemption of a security would generally be treated as an amount in the nature of interest. In addition, a payment in consideration of the transfer of certain securities can be deemed to be interest:

- where the transfer price of a 'qualifying security' exceeds the issue price; or
- where the security is disposed of to an Australian resident prior to the payment of interest with the sole or dominant purpose of avoiding withholding tax on that interest (a 'washing arrangement').

Section 128F of the Tax Act provides an exemption from Australian interest withholding tax if all of the prescribed conditions are met. The exemption under section 128F also applies to the extended definition of interest.

The Issuer intends to issue the Healthscope Notes in a manner that will satisfy the conditions for the application of the interest withholding tax exemption in section 128F. In particular, the Issuer will apply for the Healthscope Notes to be quoted on the ASX and the Healthscope Notes are not expected to be issued or sold to an associate of the Issuer in a manner that would cause the failure of the public offer test in the section 128F exemption.

On that basis, interest paid in respect of the Healthscope Notes to a Holder who is not a resident of Australia and does not hold the Healthscope Notes through a permanent establishment in Australia, should not be included in the assessable income of the Holder.

A gain arising to a non-resident Holder from disposal or exchange of Healthscope Notes should only be subject to Australian tax, and a loss should only be deductible, if:

- the non-resident Holder is a resident of a country with which Australia has concluded a comprehensive double tax treaty and the Healthscope Notes are held through a permanent establishment through which the Holder is doing business in Australia; or
- the non-resident Holder is not a resident of a country with which Australia has concluded a comprehensive double tax treaty and the gain (or loss) has an Australian source. Where a non-resident Holder makes a gain (or loss) from a disposal of a Healthscope Note to another non-resident, and the relevant negotiations are undertaken and the transaction is documented outside of Australia, the gain (or loss) would not ordinarily have an Australian source. Depending upon the non-resident Holder's individual circumstances, where the disposal of a Healthscope Note has a connection with Australia (e.g. the disposal takes place on the ASX), the gain (or loss) may have an Australian source, and the Holder should consult his or her professional advisers on the tax implications.

Other Australian tax matters

Debt interests

The Healthscope Notes should be 'debt interests', rather than 'equity interests', for the purposes of Australian debt/equity tax rules. Accordingly, interest paid on the Healthscope Notes should not be treated as dividends for the purposes of Australia's dividend imputation (franking) system and dividend withholding tax rules.

The Terms of Issue allow the terms of Healthscope Notes to be subsequently changed. Where an amendment to the Terms of Issue resulted in Healthscope Notes satisfying the definition of "equity interest" and ceasing to qualify as debt interest for the purposes of Division 974 of the Tax Act, Healthscope Notes would be treated as equity interests from the time of the amendment to the Terms of Issue.

Holder may also need to assess whether Healthscope Notes continue to be debt interests for tax purposes if the Issuer entered into a new arrangement that was related to the issue of Healthscope Notes. Such an assessment would need to be made on the basis that Healthscope Notes and the related arrangement constituted a single interest that came into existence at the time the related arrangement was entered into.

If either of these events were to occur and as a result Healthscope Notes ceased to be debt interests and instead became equity interests for the purposes of the Tax Act, payments made by the Issuer in respect of Healthscope Notes after either of these events would effectively be treated as dividends. The Issuer will advise Holders of any change in the tax treatment of Healthscope Notes that arise as a consequence of either:

- an amendment to the Terms of Issue of Healthscope Notes; or
- the Issuer entering into a new arrangement that was related to the issue of Healthscope Notes.

TFN Withholding tax

A Holder that does not provide their tax file number, Australian Business Number or exemption category may have an amount of tax deducted from any interest in respect of the Healthscope Notes equal to the top marginal tax rate for individuals plus the Medicare levy (currently 46.5%). A Holder that is a non resident and does not hold the Healthscope Notes through a permanent establishment in Australia is exempt from quoting a tax file number.

Supply withholding tax

Payments in respect of the Healthscope Notes can be made free and clear of the "supply withholding tax" imposed under section 12-190 of Schedule 1 to the Tax Act.

Additional withholdings from certain payments to non-residents

Section 12-315 of Schedule 1 to the Tax Act gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents of Australia. However, section 12-315 expressly provides that the regulations will not apply to interest and other payments which are already subject to Division 11A of Part III of the Tax Act or specifically exempt from those rules. The existing regulations made pursuant to section 12-315 are not relevant to any payments in respect of the Healthscope Notes and it is not anticipated that any future regulations would apply in respect of such payments.

Garnishee notices

The Commissioner of Taxation may issue a notice requiring any person who owes, or who may later owe, money to a taxpayer who has a tax-related liability, to pay to him the money owed to the taxpayer. If the Issuer is served with such a notice in respect of a Holder, then the Issuer will comply with that notice.

Death duties

No Healthscope Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death.

ADDITIONAL INFORMATION

Goods and Services Tax ("GST")

The issue, disposal, Redemption or Exchange of Healthscope Notes are in most cases financial supplies and, consequently, no GST will be payable in respect of these events.

Holders of Healthscope Notes are unlikely to be able to obtain a full input tax credit for GST paid on acquisitions relating to Healthscope Notes. However, this will depend on the particular Holder's circumstances.

11.7 SECTION 283BH DESCRIPTION

Healthscope Notes are "unsecured notes" for the purposes of section 283BH of the Corporations Act which requires debt instruments that are offered to the public with disclosure under chapter 6D of the Corporations Act to be described as either "mortgage debentures", "debentures" or "unsecured notes". Such debt instruments may only be described as "mortgage debentures" or "debentures" if certain conditions are met. In any other case, they must be described as "unsecured notes".

Debt instruments can only be described as mortgage debentures or debentures if they are secured by a first mortgage given to the trustee over land vested in the borrower or guarantors, which mortgage is registered or has been lodged for registration and the total amount secured by mortgages over that land which rank equal with the mortgage does not exceed 60% of the value of the interest of the borrower or guarantor in that land as shown in a valuation included in the disclosure document.

Debt instruments may also be described as debentures if they are secured by a charge in favour of the trustee over the whole or any part of the tangible property of the borrower or guarantors and the tangible property is sufficient and reasonably likely to be sufficient to meet the liabilities of the debt instrument that have been or may be incurred and that rank in priority to or equally with that liability.

As Healthscope Notes cannot be described as mortgage debentures or debentures, for the purposes of section 283BH they are unsecured notes for the purposes of that section of the Corporations Act. However, this does not mean that Healthscope Notes have no security. See Section 8.12 for a description of the security granted to Holders, being security subordinated to the Senior Debt, over the majority of the assets and entities of the Healthscope Group. Refer to Section 8 for a description of the Security.

11.8 DIRECTORS' INTERESTS

Other than as set out in this Prospectus, no Director or proposed Director of the Issuer holds, at the time of lodgement of this Prospectus with ASIC, or has had in the two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Issuer;
- the Offer; or
- any property acquired or proposed to be acquired by the Issuer in connection with the formation or promotion of the Issuer or the Offer.

At the time of lodgement of this Prospectus with ASIC, except as set out in this Prospectus, no amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, and no one has given or agreed to give a benefit, to any Director or proposed Director:

- to induce that person to become, or to qualify as, a Director; or
- for services provided by a Director or proposed Director in connection with the formation or promotion of the Issuer or the Offer.

Participation in the Offer

Directors of the Issuer (and their associates) may participate in the issue of Healthscope Notes.

Interest in securities

Directors are not required under the Issuer's constitution to hold any shares in the Issuer or any Healthscope Notes. As at the date of this Prospectus, no Director is the direct or indirect beneficial owner of any shares or options in the Issuer.

Remuneration

The Directors do not receive remuneration from the Issuer for their services as Directors of the Issuer.

11.9 CONSENTS AND LIABILITIES

Each of the parties referred to as relevant persons who are named below:

- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in this Section; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name and a statement (if any) included in this Prospectus with the consent of that person as specified in this Section.

11.10 INTERESTS OF ADVISERS

Other than set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Issuer; or
- broker to the Offer (including the Joint Lead Managers),

(each, a relevant person) holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Issuer;
- the Offer; or
- any property acquired or proposed to be acquired by the Issuer in connection with the formation or promotion of the Issuer or Offer.

Other than as set out in this Prospectus, no relevant person has been paid or agreed to be paid any amount and no benefit has been given or agreed to be given to any relevant person in connection with the formation or promotion of the Issuer or the Offer.

The amounts set out below are exclusive of GST.

Freehills has acted as legal advisers (other than in respect of taxation matters) to the Issuer in connection with the Offer. In aggregate, the Issuer has paid or agreed to pay Freehills approximately \$210,000 (excluding disbursements and GST) for these services to the date of this Prospectus. Further amounts may be paid to Freehills in accordance with its normal time-based charges.

Deloitte Touche Tohmatsu has acted as the Investigating Accountant to the Issuer in connection with the Offer and has performed work in relation to the Investigating Accountant's Report. In aggregate, the Issuer has paid or agreed to pay Deloitte Touche Tohmatsu approximately \$125,000 (excluding disbursements and GST) for these services to the date of this Prospectus. Further amounts may be paid to Deloitte Touche Tohmatsu in accordance with its normal time-based charges.

ANZ, Credit Suisse, Macquarie Capital Advisers, UBS and Westpac have acted as the Joint Lead Managers to the Offer in respect of which they will be entitled to receive a fee calculated in accordance with the terms of the Offer Management Agreement described in Section 11.4. The Joint Lead Managers have appointed FIIG as a Co-Manager and will be responsible for fees payable to FIIG. In addition, the Joint Lead Managers will be responsible for paying the broker stamping fee.

Macquarie Capital Advisers and UBS will also be entitled to a subordinated debt restructuring fee of up to \$645,000 each (excluding GST) on completion of the issue of the Healthscope Notes.

FIIG has been appointed a Co-Manager to the Offer and will be entitled to receive a fee of 1.25% of the value of Healthscope Notes allocated to it.

The Trust Company (Australia) Limited is acting as Trustee for the Holders under the Trust Deed. In respect of this role, the Issuer has paid or agreed to pay an ongoing fee of \$25,000 per annum (excluding GST and disbursements). Further amounts may be paid in accordance with the Trust Deed, summarised in Section 11.3.

11.11 EXPENSES OF THE OFFER

The estimated amount of expenses of the Offer is up to \$7.8 million (excluding GST). This amount includes fees payable to the Joint Lead Managers, legal, accounting, tax, listing, as well as registry, advertising, printing, distribution and other expenses related to this Prospectus.

11.12 FOREIGN SELLING RESTRICTIONS

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in jurisdictions outside Australia, then you should seek advice on, and observe, any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws.

This Prospectus and the Healthscope Notes have not been, and will not be, registered in any jurisdiction other than Australia. This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

Hong Kong

Warning: This document does not constitute a prospectus (as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance")), or notice, circular, brochure or advertisement offering any Healthscope Notes to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any Healthscope Notes, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO").

No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Healthscope Notes have not been and will not be offered or sold in Hong Kong by means of any document, other than:

- to "professional investors" (as defined in the SFO and any rules made under that ordinance); or
- in other circumstances that do not result in this document being a "prospectus" (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

ADDITIONAL INFORMATION

No person may issue or have in its possession for the purposes of issue, this document or any invitation or document relating to the Healthscope Notes, whether in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Healthscope Notes that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Healthscope Notes may sell, or offer to sell, such notes in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such Healthscope Notes.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to the Healthscope Notes have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Healthscope Notes, may not be issued, circulated or distributed, nor may the Healthscope Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined under the SFA) or (ii) a "relevant person" (as defined under section 275(2) of the SFA). In the event that you are not an institutional investor or accredited investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Healthscope Notes being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Healthscope Notes. As such, investors are advised to acquaint themselves with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

11.13 ASX CONFIRMATION

The Issuer expects that ASX will grant approval to the Issuer to allow Healthscope Notes to trade on a deferred settlement trading basis for a short period following the issue and quotation of Healthscope Notes.

11.14 LITIGATION

The Directors are not aware of any current or threatened litigation in which the Issuer or the Healthscope Group is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Issuer or the Healthscope Group.

11.15 GOVERNING LAW

This Prospectus, the Offer and the contracts formed on acceptance of Applications under the Offer are governed by the laws in force in the State of Victoria and the Issuer and each Applicant for Healthscope Notes submits to the non-exclusive jurisdiction of the courts of Victoria.

11.16 EXPIRY DATE

No Healthscope Notes will be offered on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

11.17 DIRECTORS' CONSENT

Each Director has given, and has not withdrawn, their consent to the issue of this Prospectus and to its lodgement with ASIC.

DEFINITIONS AND GLOSSARY

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DEFINITIONS AND GLOSSARY

Unless the context requires otherwise, the following terms used in this Prospectus have the meanings set out below. For defined terms not listed below, refer to the Terms of Issue in Appendix A, the Security Trust Deed, the Intercreditor Deed and the Trust Deed incorporated into this Prospectus by reference.

\$	Australian Dollar Currency
US\$	United States dollar currency
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACHA	Adelaide Community Healthcare Alliance
Acquisition Date	The date Asia Pacific Healthcare Group Pty Ltd acquired Healthscope Limited, being 12 October 2010
Adjusted EBITDA	Has the meaning given to it in the Terms of Issue in Appendix A
Allocation	The number of Healthscope Notes allotted to successful Applicants
ANZ	ANZ Securities Limited (ABN 16 004 997 111)
Applicant	A person who submits an Application Form in accordance with this Prospectus
Application	A valid Application made on the conditions set out in the Prospectus by using an Application Form to apply for a specified number of Healthscope Notes
Application Form	Each Application Form attached to or accompanying the electronic or printed version of this Prospectus upon which an offer to subscribe for Healthscope Notes may be made
Application Monies or Application Payment	Money received from Applicants in respect of their Applications
ASIC	Australian Securities and Investments Commission
ASX Settlement Operating Rules	The settlement rules of ASX Settlement Pty Limited (ABN 49 008 504 532) as amended or replaced from time to time
ASX	ASX Limited (ABN 98 008 624 691) or the market it operates
Australian Accounting Standards	Accounting principles and practices applying by law or otherwise generally accepted in Australia consistently applied
Board	All or some of the Directors acting as a board for the Issuer
Bookbuild	The process conducted by the Joint Lead Managers in consultation with the Issuer before the Opening Date to determine the Interest Rate and firm allocations of Healthscope Notes to Participating Brokers and Institutional Investors. In this process, the Participating Brokers (including the Joint Lead Managers) and Institutional Investors are invited to lodge bids for a number of Healthscope Notes. On the basis of those bids, the Issuer and the Joint Lead Managers agreed the Interest Rate and the Joint Lead Managers, in consultation with the Issuer, determined the firm allocations to Participating Brokers and Institutional Investors

Broker Firm Allocation	An allocation to: <ul style="list-style-type: none"> – an Australian or New Zealand resident retail client of a Participating Broker under the Broker Firm Offer; or – a foreign client of a Participating Broker in a jurisdiction determined by the Issuer to whom an offer of securities may lawfully be made without the need for registration, lodgement or other formality provided that such person is not located in the United States and is not a US Person or acting for the account or benefit of a US Person under the Broker Firm Offer
Broker Firm Applicant	An Australian or New Zealand resident retail client of a Participating Broker or a foreign client of a Participating Broker in a jurisdiction determined by the Issuer to whom an offer of securities may lawfully be made without the need for registration, lodgement or other formality provided that such person is not located in the United States and is not a US Person or acting for the account or benefit of a US Person under the Broker Firm Offer who applies for Healthscope Notes in response to a Broker Firm Allocation from a Participating Broker
Broker Firm Offer	The offer made by the Issuer pursuant to this Prospectus to Australian or New Zealand resident retail investors and foreign investors in a jurisdiction determined by the Issuer to whom an offer of securities may lawfully be made without the need for registration, lodgement or other formality provided that such person is not located in the United States and is not a US Person or acting for the account or benefit of a US Person who have received a Broker Firm Allocation of Healthscope Notes from a Participating Broker
Business Day	Has the same meaning as in the Listing Rules
CAGR	Compound annual growth rate
Carlyle	Carlyle Asia Partners III, L.P. and its affiliates and Carlyle Partners V, L.P. and its affiliates
CHESS	Clearing House Electronic Subregister System
Closing Date	The last day on which Application Forms will be accepted, expected to be 9 December 2010 for both General Applicants and applicants under the Healthscope Shareholder Priority Offer and 16 December 2010 for Broker Firm Applicants the (in each case, unless extended)
Consortium	Funds advised and managed by Carlyle and TPG
Corporations Act	The Corporations Act 2001 (Cth)
Credit Suisse	Credit Suisse (Australia) Limited (ABN 94 007 016 300)
Director	A director of the Issuer
Early Redemption	A Redemption of Healthscope Notes before the Maturity Date, as permitted under the Terms of Issue
EBITDA	Earnings before interest, tax, depreciation and amortisation expense and excluding impairment gains or losses
Eligible Healthscope Shareholder	Any former shareholder of Healthscope Limited, who is an Australian or New Zealand resident, who received consideration under the Scheme of Arrangement in October 2010
Exchange	The exchange of up to 100% of Healthscope Notes into Listed Securities in the event of an IPO, in accordance with the Terms of Issue
Exchange Right	The right of a Holder resident in Australia to exchange up to 100% of their Healthscope Notes for Listed Securities in the event of an IPO, in accordance with the Terms of Issue
Expiry Date	The date of expiry of this Prospectus, which is expected to be 13 months from the date of this Prospectus

DEFINITIONS AND GLOSSARY

Exposure Period	The seven day period after the date this Prospectus was lodged with ASIC during which the Corporations Act prohibits the acceptance of Applications
Facility Agent	The agent for the senior lenders appointed under the Senior Facility Agreement, being initially Westpac Banking Corporation
FIIG	FIIG Securities Limited (ABN 68 085 661 632)
Financial Close	The date of initial funding in respect of the acquisition of Healthscope Limited by Asia Pacific Healthcare Group Pty Ltd, being 11 October 2010
General Applicant	Members of the general public who are not applying for Healthscope Notes through a Participating Broker
General Offer	The Offer open to General Applicants on the terms set out in this Prospectus
GST	The Goods and Services Tax as defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth)
Group Member	A member of the Security Group
Guarantor	Each Group Member which is or has become party to the Note Guarantee
HIN	Holder Identification Number
Healthscope Group	<p>For the period from the Acquisition Date, each of APHG Holdings 1 Pty Ltd (ACN 144 840 639), APHG No. 2 Holdings 1 Pty Ltd (ACN 145 250 157) and CT HSP (Dutch) Coöperatief U.A. and their subsidiaries and the business conducted by them as described in Section 5 of this Prospectus, as the context requires. The Healthscope Group includes all of the Security Group.</p> <p>For the period, prior to the Acquisition Date, each of Healthscope Limited and its subsidiaries and the business conducted by them, as the context requires.</p>
Healthscope Borrower	Healthscope Finance Pty Ltd (ACN 145 126 067)
Healthscope Limited	Healthscope Limited (ACN 006 405 152)
Healthscope Notes	The redeemable and exchangeable notes with security, subordinated to the Senior Debt, over the majority of the assets and entities of the Healthscope Group, offered by the Issuer on the Terms of Issue set out in Appendix A
Healthscope Notes Offer Information Line	The information line 1300 038 928 (within Australia) or +61 3 9938 4386 (International) between the hours of 8.30 am to 5.00 pm AEDT, Monday to Friday
Healthscope Shareholder Priority Offer	The priority offer of Notes to Eligible Healthscope Shareholders described in Section 3
Holder	In relation to any Healthscope Note, a person whose name is for the time being registered in the Healthscope Notes Register as the holder of that Healthscope Note
Institutional Investor	<p>An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Issuer is willing to comply with), including:</p> <ul style="list-style-type: none"> – in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (disregarding section 708AA); and – outside Australia, persons in jurisdictions determined by the Issuer, to whom an offer of securities may lawfully be made without need for registration, lodgement or other formality, <p>provided that such a person is not located in the United States and is not a US Person or acting for the account or benefit of a US Person.</p>

Institutional Offer	The Offer open to Australian and certain international Institutional Investors on the terms set out in this Prospectus
Interest	The interest payable on Healthscope Notes at the rate and on the terms set out in the Terms of Issue
Interest Payment Dates	Dates on which interest is due to be paid to Holders, namely, 25 March, 25 June, 25 September and 25 December in each year up to the date the relevant Healthscope Notes are redeemed or exchanged. The first payment is expected to be made on 25 March 2011
Interest Rate	The Interest Rate will be fixed until the Maturity Date at 11.25% per annum as determined under the Bookbuild
Investigating Accountant	Deloitte Touche Tohmatsu
IPO or Initial Public Offering	<p>An initial public offering of:</p> <ul style="list-style-type: none"> – shares in the Issuer, or any Related Body Corporate of the Issuer or any other entity in the Healthscope Group, or any special purpose vehicle established by any such entity; and/or – units in a trust, <p>that (in either case, or together) owns or will own directly or indirectly a significant portion of the business currently conducted by the Healthscope Group, for the purposes of the quotation of the relevant shares and/or units on ASX (or any other Australian securities exchange).</p>
Issue	The issue of Healthscope Notes at an Issue Price of \$100 each in accordance with this Prospectus
Issue Date	The date of issue of the Healthscope Notes
Issue Price	Price payable for each Healthscope Note under the Offer, being \$100
Issuer	Healthscope Notes Limited (ACN 147 250 780)
Joint Lead Managers	ANZ, Credit Suisse, Macquarie, UBS and Westpac
Listed Securities	In respect of any IPO, the securities issued or transferred pursuant to such IPO
Listing Rules	The listing rules of ASX, as amended or replaced from time to time
Macquarie Capital Advisers	Macquarie Capital Advisers Limited (ABN 79 123 199 548)
Material Disposal	Has the meaning given to it in the Terms of Issue in Appendix A
Maturity Date	The date being 5½ years after the Issue Date
Note Guarantee	The guarantee and indemnity deed poll given by a Group Member in favour of the Trustee and each Holder in respect of the obligations of the Issuer and each other Note Guarantor under the Subordinated Note Funding Documents
Obligor	Has the meaning given to it in the Security Trust Deed and the Intercreditor Deed
Offer	The invitation made pursuant to this Prospectus for Applicants to subscribe for Healthscope Notes
Offer Management Agreement	The offer management agreement dated on or about 15 November 2010 between the Issuer and the Joint Lead Managers, a summary of which is set out in Section 11.4
Offer Period	The period when Applications for the Offer can be lodged

DEFINITIONS AND GLOSSARY

Opening Date	The first date on which Application Forms will be accepted, expected to be 24 November 2010
Original Prospectus	The prospectus issued by the Issuer dated 15 November 2010, which was lodged with ASIC on that date and which is replaced by this Prospectus.
Participating Broker	The Joint Lead Managers and brokers who are offered a firm allocation of Healthscope Notes, by the Joint Lead Managers
Prospectus	This prospectus issued by Healthscope Notes Limited in respect of the Offer of Healthscope Notes
Receivables Purchase Agreement	The facility provided under the agreement entitled "Receivables Purchase Agreement" dated on or about 27 June 2007 between Healthscope Limited and Westpac (as amended)
Redemption	The redemption of all or some of Healthscope Notes. See the Terms of Issue for the circumstances in which Healthscope Notes can be redeemed
Redemption Amount	The amount payable to Holders upon redemption of their Healthscope Notes, in accordance with the Terms of Issue
Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Related Body Corporate	Has the meaning given in the Corporations Act
Representative Secured Moneys	Has the meaning given to it in the Security Trust Deed
Scheme of Arrangement	The scheme of arrangement in relation to the acquisition of all of the fully paid ordinary shares in Healthscope Limited by Asia Pacific Healthcare Group Pty Ltd, which completed in October 2010
Security	Has the meaning given to it in the Security Trust Deed
Security Group	Each of APHG Holdings 2 Pty Ltd (ACN 145 126 094) and its subsidiaries, each of APHG No.2 Pty Ltd (ACN 146 342 832) and its subsidiaries and CT HSP Holdings (Dutch) B.V. (registered number 34308383) and its subsidiaries. The Security Group is a sub-set of the Healthscope Group and includes all of the operating entities of the Healthscope Group.
Security Trustee Secured Money	Has the meaning given to it in the Security Trust Deed
Senior Creditors	Has the meaning given to it in the Intercreditor Deed
Senior Debt	Has the meaning given to it in the Intercreditor Deed (and includes the amounts drawn under the Senior Facilities)
Senior Event of Default	Has the meaning given to it in the Security Trust Deed and Intercreditor Deed, as summarised in Section 8
Senior Facilities	The debt facilities provided under the Senior Facility Agreement, as summarised in Section 8
Senior Facility Agreement	Has the meaning given to it in the Security Trust Deed
Senior Finance Documents	Has the meaning given to it in the Security Trust Deed
Senior Financier	Has the meaning given to it in the Security Trust Deed and Intercreditor Deed
Senior Leverage Ratio	Means the leverage ratio described in Section 8

Senior Potential Event of Default	Any event or circumstance which would, with the expiry of a grace period or the giving of notice under the Senior Finance Documents or both, be a Senior Event of Default
Shareholder Debt	Has the meaning given to it in the Intercreditor Deed
SRN	Securityholder Reference Number
State of Victoria or Victoria	State of Victoria, Australia
Subordinated Bridge Facility	The facility provided under the Subordinated Facility Agreement
Subordinated Creditor	Has the meaning given to it in the Intercreditor Deed
Subordinated Facility Agreement	The Subordinated Syndicated Bridge Facility Agreement dated 22 September 2010 between, among others, the Healthscope Borrower and each Initial Subordinated Creditor
Subordinated Note Funding Document	Has the meaning given to it in the Intercreditor Deed, and includes the Terms of Issue and the Healthscope Notes
Subordinated Note Issue Date	The date on which the Subordinated Debt under the Subordinated Facility Agreement has been repaid in full using Takeout Proceeds (as defined in the Intercreditor Deed), which includes the proceeds of the Healthscope Notes
Swap Rate	The average of the mid points of the quoted average swap reference rate on any day for the period of 5 years as quoted at 10.00 am (or such other time as the Issuer and the Joint Lead Managers agree) (and, in any event, before 12.00 midday) on the relevant date on the Reuters page – SWAPREF (or its successor page)
Terms of Issue	The terms of issue of the Healthscope Notes set out in Appendix A
TFN	Tax File Number
TPG	TPG Asia V, L.P., TPG Partners VI, L.P. and affiliates
Trust Deed	The Trust Deed dated on or about 15 November 2010 between the Issuer and the Trustee as amended from time to time
Trustee	The Trust Company Limited (ABN 59 004 027 749)
UBS	UBS AG, Australia Branch (ABN 47 088 129 613)
US	The United States of America
US Person	The meaning given to “US Person” in Regulation S of the US Securities Act
US Securities Act	The US Securities Act of 1933
Westpac	Westpac in its capacity as a Joint Lead Manager: Westpac Institutional Bank – a division of Westpac Banking Corporation (ABN 33 007 457 141) Westpac in its capacity as a party to the Receivables Purchase Agreement: Westpac Banking Corporation (ABN 33 007 457 141)

TERMS OF ISSUE

A

1. GENERAL

1.1 Form

The Notes are redeemable and exchangeable subordinated notes. Holders are entitled to the benefit of, and are bound by the provisions of, the Trust Deed. The Trust Deed has been lodged with ASIC, and is available for inspection by Holders at the office of the Trustee.

1.2 Issue price

Each of the Notes to be issued by the Issuer:

- (a) will have a face value of \$100; and
- (b) must be paid for in full on or before issue.

1.3 Ranking and subordination

The Notes are subordinated debt obligations of the Issuer which rank behind the Senior Debt as set out in the Intercreditor Deed, and rank equally without any preference among themselves.

Under the Security Trust Deed and the Intercreditor Deed, Holders will have the benefit of the same security as secures the Senior Facilities (being the Security) but will rank second in respect of that security behind the Senior Creditors.

In the event of the Issuer being wound up, Holders will be entitled to receive a repayment of the issue price of the Notes plus any accrued interest after the Senior Creditors have been paid in full but before any distributions are made to preference or ordinary shareholders of the Issuer. The obligations of the Issuer in respect of the Notes rank in priority (by virtue of being secured under the Security) ahead of all its unsecured and unsubordinated payment obligations other than claims mandatorily preferred by law and existing security interests, or any other security interest, of the Security Group as permitted by the Senior Facility Agreement.

1.4 Security

The Notes are secured over the key operating assets of the Security Group in accordance with the provisions of the Security Trust Deed, the Intercreditor Deed and each Security. Each Holder is taken to have acknowledged and agreed that it is bound by the Security Trust Deed and the Intercreditor Deed. The Security Trust Deed and the Intercreditor Deed have been lodged with ASIC, and are available for inspection by Holders at the office of the Trustee.

2. INTEREST

2.1 Interest

Subject to these Terms of Issue, interest will accrue on each Note on a daily basis at the Interest Rate.

2.2 Payment of Interest

Subject to clause 6.5, interest is due and payable by the Issuer on the Notes in arrears on each Interest Payment Date and each Redemption Date (in respect of the amount redeemed or exchanged, as the case may be), unless the Suspension Condition is satisfied in respect of an Interest Payment Date or a Redemption Date, in which case the Issuer's obligation to pay interest will be suspended in accordance with clause 2.3(a).

2.3 Suspension of Interest

- (a) Interest on a Note which is otherwise due and payable on any Interest Payment Date or any Redemption Date (including any Suspended Interest arising as a consequence of any prior operation of this clause 2.3(a)) that is not due and payable by the Issuer on that date as a result of the provisions of clause 2.2 is automatically suspended and will fall due for payment on:
 - (i) in the case of interest suspended on an Interest Payment Date, the earlier of:
 - (A) the next Interest Payment Date on which the Suspension Condition is not satisfied; and
 - (B) the date that any principal in respect of the Notes is due and payable in accordance with the provisions of these Terms of Issue; and
 - (ii) in the case of interest suspended on a Redemption Date, the first date on which the Suspension Condition is not satisfied or the date on which such interest is deemed to be repaid under clause 3.4(d)(i).
- (b) The Issuer will give notice to the Trustee and the Holders that payment of interest will be suspended under clause 2.3(a) as soon as practicable after it makes such determination.
- (c) The suspension of any interest payment under clause 2.3(a) will not constitute a default by the Issuer for any purpose.

2.4 Cumulative Interest

Interest accrues on any Suspended Interest and any other interest that is due and payable but unpaid on a daily basis and compounds on a quarterly basis from (and including) the relevant Interest Payment Date or Redemption Date to (but excluding) the date of actual payment at a rate equal to the sum of the Interest Rate and 2.00% per annum. Interest accrued under this clause 2.4 is due and payable on the next Interest Payment Date after the suspension or non-payment (as applicable) of the relevant interest.

TERMS OF ISSUE

2.5 Restrictions on distributions

The Issuer must not, and shall procure that each other Obligor does not, announce the payment of, or make any distribution to, its ordinary shareholders or to holders of preference shares, in each case in their capacity as holder of such security, or in respect of any other securities or similar indebtedness, the right to which, by the terms of its creation or issue or law, is or is expressed to be subordinated to the Notes, or buy-back any ordinary shares or preference shares or such other security or indebtedness, if on such day:

- (a) any amount in respect of interest on any Note is due and payable but unpaid;
- (b) any amount in respect of interest on any Note is suspended in accordance with clause 2.3(a);
- (c) any amount in respect of principal on any Note is due and payable but unpaid;
- (d) the Total Leverage Ratio on such day is greater than 4.50 times or would be greater if such distribution was made; or
- (e) an Event of Default or Potential Event of Default is subsisting.

2.6 Restrictions on Finance Debt

The Issuer must not, and shall procure that each other Obligor does not, incur any Finance Debt which ranks senior in priority to or *pari passu* with the Notes (other than Permitted Finance Debt), if incurring such Finance Debt (other than Permitted Finance Debt) would cause the Total Leverage Ratio on such day to exceed the Maximum Leverage Level.

2.7 Testing of Financial Covenants

The financial covenants set out in clauses 2.5(d) and 2.6, and the Interest Suspension Financial Covenant, will be tested on each Ratio Testing Date by reference to the most recently available quarterly aggregated, unaudited financial statements for the relevant Ratio Testing Date, unless annual aggregated, audited financial statements for the Security Group for all or any part of the relevant period are available on the date on which any such covenant is tested, in which case those annual accounts shall be used instead.

2.8 Payment of Outstanding Interest

Subject to clause 2.9, the Issuer may pay all or any Outstanding Interest on all, but not some, of the Notes to the Holders at any time, provided the Suspension Condition is not then satisfied and subject to the Issuer notifying the Holders at least 5 Business Days prior to any such payment of the date of payment and the amount of such interest to be paid in respect of each Note.

2.9 Priority of Interest payments

Any payment of interest by the Issuer must be applied:

- (a) first, in payment of any interest accrued on any Suspended Interest under clause 2.4 which has not been paid or otherwise satisfied in full at that time;
- (b) secondly, in payment of any Suspended Interest; and
- (c) lastly, in payment of any other Outstanding Interest.

2.10 Calculation of Interest

Interest will be calculated on the basis of a 365 day year and the number of days elapsed. All calculations of interest will be rounded to four decimal places. Any fraction of a cent in the payment of any interest in respect of a Holder's aggregate holding of the Notes will be disregarded.

3. EXCHANGE RIGHT

3.1 Grant of Exchange Right

The Issuer grants each Holder resident in Australia the right described in this clause 3 ("Exchange Right") in respect of any IPO. The Issuer may, at its discretion, extend the Exchange Right to Holders with registered addresses in any jurisdiction outside Australia where the Issuer reasonably believes that it is not prohibited or it is not unduly onerous or impractical to implement the Exchange Right to Holders in that jurisdiction.

3.2 Notice to Holders

The Issuer must:

- (a) if a disclosure document in respect of an IPO is lodged with ASIC that is not a supplementary or replacement disclosure document (an "IPO Disclosure Document"), send to each Holder that is on the Notes Register at 7.00 pm on the Business Day immediately prior to the lodgement of the IPO Disclosure Document with ASIC (at the Holder's address as it appears in the Notes Register) within three Business Days of lodgment of the IPO Disclosure Document with ASIC, notice of the IPO together with a form of exercise of the Exchange Right ("Exchange Notice"); and
- (b) ensure that:
 - (i) the Application Form in respect of any IPO specifically contemplates and allows for the priority application by Holders for Listed Securities in respect of the IPO Exchange Amount on the basis described in clause 3.4, and otherwise in accordance with these Terms of Issue;
 - (ii) copies of Exchange Notices and the relevant IPO Disclosure Document (including an Application Form) are obtainable by Holders on request from the Issuer or any other person appointed by the Issuer; and

- (iii) the close of the retail offer of the IPO will be no sooner than 15 Business Days after the lodgement of the relevant IPO Disclosure Document with ASIC.

3.3 Exercise of Exchange Right

To exercise the Exchange Right under any Note in respect of any IPO, a Holder must:

- (a) be listed on the Notes Register on the record date to be determined by the Issuer and advised by the Issuer to Holders in the Issuer's discretion including by way of an announcement to ASX or in a newspaper widely circulated in Australia; and
 - (b) at its own expense:
 - (i) complete and execute an Exchange Notice stating the number of Notes in respect of which the Exchange Right is exercised ("Exercised Holding") which number must not be greater than the number of Notes held by the relevant Holder on the Final Deposit Date that the Holder continues to hold on the Exchange Date; and
 - (ii) complete and execute, in accordance with the directions on the form, an Application Form under the IPO applying for Listed Securities in respect of the Exercised Holding ("Application Form"); and
 - (c) deposit the Exchange Notice, the Application Form and other documents required under the terms of the IPO to accompany the Application Form, at the address specified in the Exchange Notice (or if no address is specified, the registered office of the Issuer) during normal business hours on or before the date (the "Final Deposit Date") which is three Business Days prior to the close of the offer period for retail investors for the IPO (or such different date advised by the Issuer to Holders in the Issuer's discretion including by way of an announcement to ASX or in a newspaper widely circulated in Australia).
 - (d) The Issuer and the Trustee will have no responsibility for any error or misstatement by a Holder on an Exchange Notice or an Application Form and the Issuer is not bound to act on an Exchange Notice or Application Form which contains an error or misstatement.
- (b) the Issuer must procure that, subject to clause 3.7, the issuer or vendor (as the case may be) of the Listed Securities under the IPO accepts the Holder's Application in respect of the IPO Exchange Amount;
 - (c) the Issuer must apply on behalf of the Holder the IPO Exchange Amount in application for the subscription or purchase, as the case may be, of the Listed Securities in respect of the IPO, on or before the due date for payment under the terms of the IPO;
 - (d) upon issue or transfer of the Listed Securities to the Holder under the IPO, the Issuer will redeem the Exercised Holding, and:
 - (i) the IPO Exchange Amount shall be deemed to be repaid by way of the application of that amount on behalf of the Holder under clause 3.4(c) (except to the extent that the Holder is not issued or transferred Listed Securities to the full amount of the IPO Exchange Amount, in which case the Notes will not be redeemed to that extent); and
 - (ii) any interest accrued under clauses 2.1 or 2.4 from the previous Interest Payment Date to the date of issue or transfer will be due and payable to the Holder (unless the Suspension Condition is then satisfied in which case such accrued interest will be added to the IPO Exchange Amount); and
 - (e) in application of the IPO Exchange Amount in accordance with clause 3.4(c) (including through the operation of clause 3.4(d)), the Issuer will not apply any amount in respect of a fraction of a Listed Security. Any amount remaining after the application in accordance with clause 3.4(c) will be disregarded by the Issuer and the Issuer is discharged of its obligations to either apply such amount in accordance with clause 3.4(c) or deliver such amount to the Holder.

3.5 Price of Listed Securities

The Issuer must procure that the subscription or purchase price of any Listed Securities to be issued or transferred to a Holder on exercise of any Exchange Right is 97.5% of the price of such securities to retail investors pursuant to the general retail offer, or if there is no general retail offer, the broker firm retail offer.

3.6 Issue or transfer of securities

For the avoidance of doubt, nothing in these provisions requires any securities to be issued or transferred to any Holder in accordance with this clause 3 other than pursuant to and in accordance with the terms of an IPO.

3.7 Limitations on Exchange Right

Holders will not be entitled to exercise the Exchange Right to the extent that this would result in less than 10% of the total amount to be raised from the IPO (being the aggregate amount received by all persons issuing and/or transferring securities pursuant to the IPO) being raised from investors other than the Holders.

3.4 Obligations of the Issuer

Subject to Completion of the IPO, upon the exercise of the Exchange Right by a Holder in accordance with the provisions of these Terms of Issue:

- (a) the Issuer must ensure that the Application Form in respect of the IPO is delivered to the issuer or vendor (as the case may be) of the Listed Securities under the IPO before the closing date of the IPO;

TERMS OF ISSUE

3.8 Reduction of Exercised Holding

If, in relation to any IPO, Holders exercise the Exchange Right in respect of an aggregate amount which exceeds the total amount available for subscription and/or purchase by Holders under the IPO (being the total amount to be raised from the IPO less 10%), then the Exercised Holding of each such Holder will be deemed to have been reduced by a proportionate amount of such excess.

3.9 General

For the avoidance of doubt, Holders are not required to subscribe in an IPO and may, subject to clause 4, choose instead to continue to hold all or any part of their holdings in the Notes (and receive any relevant premium upon redemption of such Notes).

4. REDEMPTION

4.1 Subordination

The redemption by the Issuer of any Note is subject to the provisions of the Security Trust Deed and the Intercreditor Deed.

4.2 Final Redemption

The Issuer must redeem all the Notes on issue on the Maturity Date at their then outstanding principal amount plus any Outstanding Interest on those Notes as at such date.

4.3 Early Redemption by Issuer

(a) (Early Redemption on Refinancing Event)

If a Refinancing Event occurs on any date falling on or prior to the date that is 12 months after the Issue Date, the Issuer may, on the date the Refinancing Event occurs or within 3 months after that date (provided the Issuer has first given not less than 28 days notice to the Holders and the Trustee (which notice will be irrevocable)), redeem all (but not part or some only) of the Notes in which event:

- (i) the redemption will take effect on the date specified in the Issuer's notice; and
- (ii) the redemption amount will be 105% of the principal amount outstanding under the Notes.

For the avoidance of doubt, if the redemption notice given under this clause 4.3(a) states that the redemption is conditional on completion of the refinancing then if the refinancing does not proceed and the Issuer advises Holders that the refinancing will not proceed, the notice of redemption issued by the Issuer will lapse. However, if the refinancing does proceed then the redemption notice will be valid.

(b) (Early Redemption following IPO)

If at any time on or prior to the date that is 24 months after the Issue Date, there is an issue of Listed Securities pursuant to an IPO, then the Issuer may at any time afterwards, by giving not less than 28 days

notice to the Holders and the Trustee (which notice will be irrevocable), redeem all or any part of the Notes (after taking into account elections by Holders of the Notes to subscribe in the IPO pursuant to the Exchange Right) at 105% of such part of the principal amount of the Notes as is being redeemed and in such circumstances the redemption will take effect on the date specified in the Issuer's notice. If the Issuer proposes to redeem only part of the Notes in accordance with this clause 4.3(b), the Issuer shall redeem each Note pro rata. For the avoidance of doubt, the Issuer may make more than one redemption in accordance with the provisions of this clause 4.3(b).

(c) (Early Redemption Issuer call option)

The Issuer may, on any date falling on or after the date that is 12 months after the Issue Date, redeem all or part (pro rata across Holders) of the Notes at the Early Redemption Amount by giving not less than 28 days notice of the call to the Holders and the Trustee. In such circumstances, the redemption will take effect on the date specified in the Issuer's notice (which may be given before the date that is 12 months after the Issue Date provided the redemption does not take effect before the date that is 12 months after the Issue Date). For the avoidance of doubt, the Issuer may make more than one redemption in accordance with the provisions of this clause 4.3(c).

(d) (Early Redemption in connection with IPO)

If on any date falling on or after the date that is 24 months after the Issue Date, a disclosure document for an IPO (not being a supplementary or replacement disclosure document) is lodged with ASIC, the Issuer may, by giving not less than 28 days notice to the Holders and the Trustee (which notice will be irrevocable), redeem all or any part of the Notes in which event:

- (i) the redemption will take effect on the later of the date specified in the Issuer's notice and the date of issue or transfer (as the case may be) of Listed Securities pursuant to the relevant IPO (or, if the IPO is withdrawn prior to the issue or transfer of Listed Securities, the date of announcement of such withdrawal);
- (ii) the redemption amount will be 102.5% of such part of the principal amount of the Notes as is being redeemed; and
- (iii) if the proposed redemption relates to part only of the Notes, the Issuer must redeem the Notes pro rata across Holders (after taking into account elections by Holders of the Notes to subscribe in the IPO pursuant to the Exchange Right),

provided that the Issuer may only give a notice of redemption under this clause 4.3(d) within 3 months after the date of first lodgement of the relevant IPO disclosure document with ASIC (but provided it does

so, it may give more than one such notice).

For the avoidance of doubt, if the redemption notice given under this clause 4.3(d) states that the redemption is conditional on Completion of the IPO then if the relevant securities under the IPO are not issued or transferred due to the IPO not proceeding or being withdrawn and the Issuer advises Holders that the IPO will not proceed, the notice of redemption issued by the Issuer will lapse. However, if the IPO proceeds and the Listed Securities are issued and/or transferred, then the redemption notice will be valid and the redemption will be subject to the Exchange Right.

- (e) **(Early Redemption for Tax Event)**
The Issuer may redeem the Notes for the principal amount outstanding plus any Outstanding Interest at any time after the occurrence of a Tax Event.
- (f) **(Clean-up call for small value of Notes)**
The Issuer may at any time redeem the Notes for the Early Redemption Amount on the date of redemption if the aggregate value of Notes on issue is less than \$50 million.
- (g) **(Interaction with Senior Finance Documents)**
No early redemption will occur unless it is permitted under the Senior Finance Documents.
- (h) **(Interest on redemption)**
Where a Note is redeemed under this clause 4.3, the Issuer must pay the relevant Holder, in addition to the relevant redemption amount payable, all Outstanding Interest payable in respect of the Note being redeemed.
- (i) **(Premium)**
For the avoidance of doubt, where Notes are redeemed pursuant to the exercise of the Exchange Right, Holders will not be entitled to any premium on the principal amount outstanding on those Notes (other than the 2.5% discount on the price of Listed Securities pursuant to an IPO payable by retail investors pursuant to the general retail offer, or if there is no general retail offer, the broker firm retail offer). Conversely, where Notes are redeemed in circumstances other than the exercise of the Exchange Right, including under clause 4.3, Holders will not be entitled to any discount in respect of those Notes on the issue or transfer price of Listed Securities pursuant to an IPO.
- (j) **(Multiple redemption rights)**
Where the Issuer is entitled to exercise a right of redemption pursuant to more than one sub-paragraph in clause 4.3, the Issuer can elect, in its absolute discretion, pursuant to which sub-paragraph or sub-paragraph(s) it exercises such right.

4.4 Early redemption by Holders following a Delisting Event

- (a) **(Early Redemption following Delisting Event)**
If a Delisting Event occurs, the Holder of a Note may require the Issuer to redeem all, but not some, of their Notes on the Delisting Redemption Date for the principal amount outstanding plus any Outstanding Interest.
- (b) **(Consultation with Trustee)**
Promptly after the occurrence of a Delisting Event, the Issuer must inform the Trustee of the Delisting Event and must consult with the Trustee in good faith in respect of that Delisting Event.
- (c) **(Notice)**
As soon as reasonably practicable after the occurrence of a Delisting Event and consultation with the Trustee in accordance with paragraph (b), the Issuer must give notice of the Delisting Event to the Trustee with a copy to the Registry, the Holders and ASX (a **Delisting Notice**). The Delisting Notice will contain a statement informing Holders of their entitlement to exercise their rights to require redemption of the Notes pursuant to this clause 4.5 and will also specify:
 - (i) all information material to the Holders concerning the Delisting Event;
 - (ii) the closing price of the Notes on the day that the Notes were trading on ASX immediately prior to the occurrence of the Delisting Event;
 - (iii) the form of the exercise notice (**Delisting Redemption Exercise Notice**);
 - (iv) the last day of the Delisting Redemption Period; and
 - (v) such other information relating to the Delisting Event as the Trustee may reasonably require.
- (d) **(Delisting Redemption Exercise Notice)**
To exercise the right under paragraph (a), a holder must deliver to the Registry (as agent for the Issuer) a duly completed and signed Delisting Redemption Exercise Notice, in the form attached to the Delisting Notice at any time in the Delisting Redemption Period.
- (e) **(Redemption)**
If a Delisting Redemption Exercise Notice is delivered by a Holder in accordance with paragraph (d), the Issuer must redeem all Notes the subject of the Delisting Redemption Exercise Notice on the relevant Delisting Redemption Date for the principal amount outstanding plus any Outstanding Interest.

4.5 Early redemption by Holders

A Holder of a Note has no rights of redemption except pursuant to clause 4.4, as at the Maturity Date and under the Exchange Right.

TERMS OF ISSUE

5. EVENTS OF DEFAULT AND ENFORCEMENT

5.1 Restrictions on actions

The rights of the Trustee and each Holder to take action against the Issuer upon the occurrence of an Event of Default are subject to the restrictions set out in the Security Trust Deed, the Intercreditor Deed and the Trust Deed. For the avoidance of doubt, in the case of any inconsistency between the Trust Deed and either of the Security Trust Deed or Intercreditor Deed (as applicable), the Security Trust Deed or Intercreditor Deed (as applicable) will prevail.

5.2 Consequences

If an Event of Default occurs and continues, the Trustee must call a meeting of the Holders in accordance with the Trust Deed as soon as is reasonably practicable and:

- (a) the Trustee may; and
- (b) if directed by the Holders in accordance with the Trust Deed (and subject to the Trustee being indemnified pursuant to the Trust Deed), the Trustee must,

give notice to the Issuer declaring the Notes to be due and payable at their principal amount outstanding.

5.3 Enforcement

At any time that the Notes have become due and payable in accordance with a notice given by the Trustee pursuant to clause 5.2, the Trustee may, subject to the restrictions set out in the Security Trust Deed and the Intercreditor Deed, direct the Security Trustee to take such proceedings against the Issuer as the Security Trustee may think fit to enforce payment in respect of the Notes.

5.4 Trustee not bound to take action

The Trustee shall not in any event be bound to take any action referred to in clause 5.3 unless the Trustee shall have been so directed by the Holders pursuant to the Trust Deed and the requirements of clause 8.2 of the Trust Deed have been met.

5.5 Holders' right to take action

No Holder shall be entitled to proceed directly against the Issuer to enforce any right or remedy under or in respect of any Note unless the Trustee, having become bound to proceed under clause 8.2 of the Trust Deed, fails to do so within a reasonable period and such failure is continuing, in which case a Holder may, upon giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) and subject to clause 9.3 of the Trust Deed, itself institute proceedings against the Issuer pursuant to clause 8.1 of the Trust Deed.

6. PAYMENTS

6.1 Record Dates

For the purposes of determining a Holder's entitlement to payments of interest on the Notes in respect of any Interest Period, only those persons who are registered as Holders at 7.00 pm on the Record Date in respect of such Interest Period shall be entitled to receive the payment.

6.2 Deductions

- (a) The Issuer may deduct from any interest or other amount payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by the Issuer to the relevant revenue authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by the Issuer.
- (b) The Issuer shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and shall, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority without unreasonable delay after it is received by the Issuer.

6.3 No Set-off

A Holder has no right to set off any amounts owing by it to the Issuer against claims owing by the Issuer to the Holder.

6.4 Payment method

Any amount which is payable to Holders in respect of the Notes in accordance with these Terms of Issue will, unless the Issuer and the Holder otherwise agree, be paid by direct credit to a nominated account at an Australian financial institution.

6.5 Payment days

If an amount is due and payable in respect of any Note on a day on which trading banks in Victoria are not open for business, that amount will be due and payable on the next day on which those banks are open for business. For the avoidance of doubt, such delay in payment will not constitute a default by the Issuer for any purpose, and no additional amount of interest will be payable with respect to such delayed payment.

7. GENERAL

7.1 Quotation

The Issuer must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure official quotation of the Notes on a stock market conducted by ASX and to procure such quotation is maintained.

7.2 Reporting requirements

The Issuer will observe the reporting requirements set out in the Trust Deed, which include requirements to furnish reports on the financial performance of the Issuer.

7.3 Notes redeemed

All the Notes redeemed by the Issuer in accordance with these Terms of Issue will thereupon be cancelled and may not be reissued.

8. HOLDING STATEMENTS

A Holder is entitled to receive such statements of the holdings of the Notes of the Holder as the Issuer is required to give pursuant to the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules.

9. TRANSFER OF NOTES

9.1 Forms of transfer

A Holder may transfer any Notes the Holder holds by:

- (a) a Proper ASTC Transfer or any other method of transferring or dealing in the Notes introduced by ASX or operated in accordance with the ASX Settlement Operating Rules or the Listing Rules and, in any such case, recognised under the Corporations Act; or
- (b) a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX, that is otherwise permitted by law.

9.2 Registration of transfer

A transferor of any Notes remains the owner of such Notes transferred until the transfer is registered and the name of the transferee is entered in the Notes Register in respect of the Notes, and the transferee of the Notes on being entered on the Notes Register shall have all the rights and obligations which the transferor had and all the rights and obligations of a Holder under the Trust Deed and these Terms of Issue.

9.3 Transfers which are not Proper ASTC Transfers

The following provisions apply to instruments of transfer referred to in clause 9.1(b):

- (a) unless the instrument of transfer is otherwise a sufficient transfer under the Corporations Act, the instrument must be signed by, or executed by or on behalf of:
 - (i) the transferor; and
 - (ii) if required by the Issuer, the transferee;
- (b) the instrument of transfer duly stamped will be left at the place where the Notes Register is kept; and
- (c) the instrument of transfer must be endorsed or accompanied by an instrument executed by the transferee to the effect that the transferee agrees to accept the Notes subject to the terms and conditions on which the transferor held them, to become a Holder and to be bound by the Trust Deed and these Terms of Issue.

9.4 Directors to register transfers

Subject to clauses 9.3 and 9.5, for so long as the Notes Register is maintained by the Issuer, the Directors will not refuse to register or fail to register or give effect to a transfer of the Notes.

9.5 Refusal to register transfers other than Proper ASTC Transfer

- (a) The Directors may refuse to register any transfer of the Notes (other than a Proper ASTC Transfer) where the Listing Rules permit the Issuer to do so.
- (b) The Directors will refuse to register any transfer of the Notes (other than a Proper ASTC Transfer) where the Corporations Act or the Listing Rules require the Issuer to do so, or the transfer is in breach of the Listing Rules.

9.6 Notice of refusal to register

- (a) Where the Directors refuse to register a transfer of the Notes under clause 9.5, the Issuer will give written notice of the refusal and the reasons for the refusal to the transferee and the person who lodged the transfer, if not the transferee, within 5 Business Days after the date on which the transfer was lodged with the Issuer.
- (b) Failure by the Issuer to give notice under clause 9.6(a) will not invalidate the refusal to register the transfer in any way.

9.7 Clearing systems

Notes or interests in Notes held through a Clearing System will be transferable only in accordance with the rules and regulations of that Clearing System. The rules and regulations of that Clearing System prevail over this clause 9 with respect to those Notes, or interest in Notes, to the extent of any inconsistency.

9.8 Registrar

If the Issuer appoints a registrar to maintain the Notes Register in accordance with the Trust Deed, then the Issuer will procure the registrar to comply with the provisions of this clause 9 as if references to 'the Issuer' or 'the Directors' were references to 'the Registrar'.

10. JOINT HOLDERS

10.1 Payment to one Holder effective discharge

If several persons are entered in the Notes Register as joint Holders in respect of a Note, the payment to any one of such persons of any monies from time to time payable to the joint Holders will be an effective discharge to the Issuer for the monies so paid.

10.2 More than three joint Holders

Subject to the ASX Settlement Operating Rules, the Issuer will not be bound to register more than 3 persons as the joint Holders of any Notes. A Note registered in the name of more than one person is held by those persons as joint tenants.

10.3 Actions of joint Holders

All of the joint Holders in respect of any Note must join in any transfer of the relevant Note.

TERMS OF ISSUE

11. NON RESIDENT HOLDERS

- (a) Where the Notes are held by, or on behalf of, a person resident outside Australia, then, despite anything to the contrary contained in or implied by these Terms of Issue, it is a condition precedent to any right of the Holder to receive payment of any monies in respect of those Notes that all necessary authorisations (if any) and any other statutory requirements which may then be in existence are obtained at the cost of the Holder and satisfied.
- (b) For the purposes of clause 11(a), authorisation includes any consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, approval, direction, declaration, authority or exemption from, by or with any government or any governmental agency.

12. INDEMNITY TO THE ISSUER

- (a) Whenever in consequence of:
- (i) the death of a Holder;
 - (ii) the non-payment of any Tax payable by a Holder;
 - (iii) the non-payment of any stamp or other duty by the legal personal representatives of a Holder or their estate; or
 - (iv) any other act or thing in relation to a Note or a Holder,
- any law for the time being of any country or place, in respect of a Note, imposes or purports to impose any liability of any nature whatever on the Issuer to make any payments to any governmental agency, the Issuer will in respect of that liability be indemnified by that Holder and his legal personal representatives and any monies paid by the Issuer in respect of that liability may be recovered from that Holder and/or the Holder's legal personal representative as a debt due to the Issuer and the Issuer shall have a lien in respect of those monies upon the Notes held by that Holder or his legal personal representatives and shall be entitled to set off those monies against any monies payable by it in respect of those Notes.
- (b) Nothing in clause 12(a) will prejudice or affect any right or remedy which any such law may confer or purport to confer on the Issuer.

13. DEATH OR LEGAL DISABILITY

13.1 Death or Legal Disability

If a Holder dies, becomes subject to a legal disability, becomes bankrupt or is liquidated, the survivor (in the case of joint Holders), the legal personal representative or the person entitled to the Notes as a result of the death, disability, bankruptcy or liquidation of the Holder or the making of vesting orders by a court or other judicial or quasi judicial body or authority will be recognised, on providing such evidence of that person's title as the Issuer thinks sufficient, as having an enforceable claim to the Notes registered in the Holder's name.

13.2 Transfer, Transmission under clause 13.1

Subject to the Listing Rules, the Issuer need not register any transfer or transmission under clause 13.1 unless the transferee provides an indemnity in favour of the Issuer in a form determined by or satisfactory to the Issuer in respect of any consequence arising from the transfer or transmission.

13.3 Two or More Persons Jointly Entitled

Where two or more persons are jointly entitled to any Note in consequence of the death of the registered holder of that Note, for the purpose of these Terms of Issue, they will be deemed to be joint holders of that Note.

13.4 Monies Payable in Respect of the Notes

The Directors will be at liberty to retain any monies payable in respect of any of the Notes which any person under this clause 13 is entitled to until such person is registered or has duly transferred the Notes in accordance with these Terms of Issue.

14. AMENDMENTS TO THESE TERMS OF ISSUE

These Terms of Issue may only be amended in accordance with the provisions of the Trust Deed.

15. GOVERNING LAW AND JURISDICTION

15.1 Governing Law

The Notes and these Terms of Issue are governed by the laws of Victoria, Australia.

15.2 Jurisdiction

The Issuer and each Holder submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Victoria, Australia in connection with matters concerning the Notes or these Terms of Issue. The Issuer and each Holder waives any right they have to object to an action being brought in those courts, or to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

16. NOTICES

16.1 Service of Notices

- (a) Without limiting anything else in these Terms of Issue, a notice may be given by the Issuer to any Holder, or in the case of joint Holders to the Holder whose name appears first in the Notes Register, personally, by leaving it at the Holder's registered address or by sending it by prepaid post (airmail if posted to a place outside Australia) or facsimile transmission addressed to the Holder's registered address or, in any case, by other electronic means determined by the Directors. If the notice is signed, the signature may be original or printed.
- (b) A notice given by a Holder to the Issuer must:

- (i) be in writing; and
- (ii) be left at, or sent by prepaid post (airmail if posted from a place outside Australia) to the address below or the address last notified by the Issuer, or sent by facsimile transmission to the fax number below or the fax number last notified by the Issuer:

Ground Floor
312 St Kilda Road
Melbourne VIC 3004
Facsimile: +61 3 9356 7599
Attention: Company Secretary

16.2 When Notice Considered to be Received

Any notice is taken to be given:

- (a) if served personally or left at the intended recipient's address, when delivered;
- (b) if sent by post, on the second Business Day after it is mailed in a prepaid envelope to the intended recipient's address (or the fifth Business Day if mailed to a place outside Australia); and
- (c) if sent by facsimile or other electronic transmission, on production of a report by the machine or other system by which the transmission is sent indicating that the transmission has been made in its entirety to the correct fax number or other transmission address and without error.

16.3 Notice to Transferor Binds Transferee

Every person who, by operation of law, transfer or any other means, becomes entitled to be registered as the holder of any of the Notes is bound by every notice which, prior to the person's name and address being entered in the Notes Register, was properly given to the person from whom the person derived title to those Notes.

16.4 Service on Deceased Holders

A notice served in accordance with this clause 16 is (despite the fact that the Holder is then dead and whether or not the Issuer has notice of the Holder's death) considered to have been properly served in respect of any of the Notes, whether held solely or jointly with other persons by the Holder, until some other person is registered in the Holder's place as the Holder or joint Holder. The service is sufficient service of the notice or document on the Holder's legal personal representative and any person jointly interested with the Holder in the Notes.

17. INTERPRETATION AND DEFINED TERMS

17.1 Interpretation

In these Terms of Issue, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (d) a reference to \$ or dollars is to Australian currency;
- (e) a reference to time is to Melbourne, Australia time;
- (f) a reference to a person includes a reference to the person's executors, administrators, successors and permitted assigns and substitutes;
- (g) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (h) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (i) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- (j) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally; and
- (k) subject to clause 6.5, if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

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17.2 Defined Terms

The following defined terms apply in these Terms of Issue:

Accounting Standards	The equivalent to the International Financial Reporting Standards in the jurisdiction of incorporation of a Security Group Member or, absent those, generally accepted accounting standards in the jurisdiction of incorporation of that Security Group Member.
Acquisition	The acquisition by Bidco of all the shares in Healthscope Limited.
Additional Capex Facility	Has the meaning given to it in the Security Trust Deed.
Additional Leasing Facility	Has the meaning given to it in the Intercreditor Deed.
Adjusted EBITDA	<p>In respect of a period, consolidated operating profit (or loss) of the Security Group from ordinary operations for that period after adjustment to exclude (to the extent not already excluded and without double counting):</p> <ul style="list-style-type: none"> (a) any deduction or contribution in respect of corporate Taxes and other Taxes on income or gains during that period; (b) Net Interest Expense incurred (including capitalised and suspended interest) during that period; (c) any contribution or deduction in respect of individually significant (and non-recurring) or extraordinary items during the period (but cash items will not be excluded from Adjusted EBITDA under this paragraph (c) to the extent that the relevant event has an impact on Adjusted EBITDA in subsequent quarters); (d) any amortisation or impairment of goodwill, intangible assets and acquisition costs during that period; (e) any depreciation or amortisation of fixed assets (including any leasehold property) during that period; (f) any costs related to any stock option incentive plan or any other similar share based employee compensation; (g) any loss or gain against book value arising from the disposal of any asset (not being disposals made in the ordinary course of trading) during that period and any increment or decrement relating to the revaluation of any asset during that period which goes through the profit and loss account; (h) the extent of any net profits or losses during that period of any entity which have been consolidated within consolidated profit during that period but are attributable to outside equity interests (not being a Security Group Member); (i) transaction and one-off costs and expenses in connection with any acquisition (whether or not consummated) incurred by any Security Group Member during that period not exceeding A\$5,000,000 (or its equivalent) in any Financial Year; (j) any restructuring costs incurred by a Security Group Member; (k) any unrealised exchange gains and losses and any unrealised gains or losses on derivative financial instruments; (l) any management fees which are permitted to be paid after mandatory prepayment of the Senior Facilities from Excess Cashflow under the Senior Facility Agreement (including that all interest (including suspended interest) due and payable under any Subordinated Finance Document or subordinated shareholder loans has been paid) and any directors' fees; (m) Adjusted EBITDA for the period of any entity or business sold, transferred or otherwise disposed of by any Security Group Member during such period; <p>plus:</p> <ul style="list-style-type: none"> (n) pro-forma Adjusted EBITDA adjustments for entities acquired by the Security Group during the previous 12 months (other than in respect of the Acquisition) of the Security Group on a full year run rate basis;

Adjusted EBITDA continued	<p>(o) pro-forma cost savings for entities acquired by the Security Group during the previous 12 months on a full year run rate basis;</p> <p>(p) pro-forma Adjusted EBITDA adjustments for Growth Capital Expenditure of the Security Group prior to completion of the relevant project (but no pro forma adjustment shall be made for Growth Capital Expenditure on a project more than 9 months before the scheduled completion of that project as set out in the board paper relating to that project) equal to the Relevant Proportion of the expected Adjusted EBITDA for that project for the first 12 months (as set out in the board paper relating to that project based on forecasts prepared with due care and having regard to historical figures for similar brownfields projects), where “Relevant Proportion” means the proportion which that Growth Capital Expenditure represents of the total Growth Capital Expenditure budgeted for that project;</p> <p>(q) pro-forma Adjusted EBITDA adjustments for Growth Capital Expenditure of the Security Group in relation to a project completed during the previous 12 months equal to the expected Adjusted EBITDA for that project for the relevant 12 months (as set out in the board paper relating to that project based on forecasts prepared with due care and having regard to historical figures for similar brownfields projects) less the actual Adjusted EBITDA relating to that Growth Capital Expenditure for the relevant period, provided that the Adjusted EBITDA adjustments under this paragraph are not negative; and</p> <p>(r) dividends received from any entity which have not been consolidated within consolidated operating profit (or loss) during that period,</p> <p>(which amount will be the aggregate of the consolidated Adjusted EBITDA of Healthscope Limited and its subsidiaries prior to the Acquisition for the period ending prior to the first anniversary of the Acquisition).</p>
Application Form	Has the meaning given to it in clause 3.3(b)(ii).
ASIC	The Australian Securities and Investments Commission.
ASTC	ASX Settlement Pty Ltd (ABN 49 008 504 532).
ASX	ASX Limited (ABN 98 008 624 691) or the market it operates.
ASX Settlement Operating Rules	The settlement rules of ASX Settlement Pty Limited (ABN 49 008 504 532) as amended or replaced from time to time.
Authorisations	<p>(a) any consent, authorisation, registration, filing, lodgement, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a Government Agency or stock exchange; or</p> <p>(b) in relation to anything which will be fully or partly prohibited or restricted by law if a Government Agency or stock exchange intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.</p>
Bidco	Asia Pacific Healthcare Group Pty Limited ACN 145 126 012.
Bookbuild	The process conducted by, or on behalf of, the Issuer prior to the opening of the offer of the Notes whereby certain institutional investors and brokers who wish to obtain a firm allocation of the Notes (whether for themselves or their clients) lodge bids for the Notes and, on the basis of those bids, the Issuer (or another party on its behalf) determines the Interest Rate and announces its determination prior to the opening of such offer.
Business Day	Has the same meaning as in the Listing Rules.

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Capital Expenditure	Payment for expenditure on the acquisition, development, maintenance, refurbishment or upgrading (including the purchase of new assets to replace obsolete assets) of equipment, machinery, fixed assets, real property improvements, Authorisations, software and information systems or other capital assets (including any costs incurred in connection with that expenditure) and any other expenditure, in each case, that under Accounting Standards is regarded as capital expenditure.
Clearing System	(a) the Clearing House Electronic Subregister System (CHES) operated by ASTC; (b) the Austraclear system owned and operated by Austraclear Limited (ABN 94 002 060 773); or (c) any other securities trading and/or clearance system.
Completion of the IPO	The issue and/or transfer of securities pursuant to the IPO as contemplated by the IPO Disclosure Document.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Debt Service Cover Ratio	On any date, the ratio of A:B where: A = Adjusted EBITDA of the Security Group in respect of the 12 month period ending on that date: (a) minus the amount of Net Capital Expenditure paid in cash; (b) minus all corporate Taxes or other Taxes on income or gains of the Security Group paid by a Security Group Member in cash (net of cash Tax refunds or other Tax receipts received); and (c) plus the amount of any decrease, or minus the amount of any increase, as the case may be, of the Working Capital of the Security Group (excluding changes in Working Capital relating to acquisitions), in each case, for the same period; and B = the aggregate of: (a) Net Interest Expense (excluding capitalised and suspended interest); (b) scheduled repayments of Senior Debt Facilities; and (c) the principal or capital payments on finance leases and hire purchase agreements, in each case, for the same period.
Delisting Event	Will occur if: (a) the Notes cease to be quoted or admitted to trading on ASX; or (b) trading of the Notes on ASX is suspended for a period of more than 15 consecutive Business Days.
Delisting Redemption Date	The Business Day that is 20 Business Days after the expiry of the Delisting Redemption Period.
Delisting Redemption Period	The period beginning on the date the Issuer provides the notification described in clause 4.4(c) and ending on the Business Day 20 Business Days after that Date.
Director	A Director of the Issuer.

Early Redemption Amount	<p>In respect of any Note:</p> <ul style="list-style-type: none"> (a) in respect of any Early Redemption Date falling from (and including) the date that is 12 months after the Issue Date to (and including) the date that is 24 months after the Issue Date, 105% of the principal amount of such Note on such day; (b) in respect of any Early Redemption Date falling from (but excluding) the date that is 24 months after the Issue Date to (and including) the date that is 36 months after the Issue Date, 104% of the principal amount of such Note on such day; (c) in respect of any Early Redemption Date falling from (but excluding) the date that is 36 months after the Issue Date to (and including) the date that is 48 months after the Issue Date, 103% of the principal amount of such Note on such day; and (d) in respect of any Early Redemption Date falling from (but excluding) the date that is 48 calendar months after the Issue Date to (and including) the Maturity Date, 100% of the principal amount of such Note on such day.
Early Redemption Date	<p>Any day on which Notes are redeemed prior to the Maturity Date in accordance with clause 4.3 or clause 4.4.</p>
Event of Default	<p>Any of the following:</p> <ul style="list-style-type: none"> (a) the Issuer fails to pay within three Business Days after the due date any principal on any Note; (b) the Issuer fails to pay within 14 Business Days after the due date any interest on any Note; (c) the Issuer fails to comply with any of its other obligations under these Terms of Issue or the Trust Deed and such failure remains unremedied for a period of 30 Business Days after the Issuer has received written notice from the Trustee in respect of the failure; (d) the occurrence of an Insolvency Event with respect to the Issuer or any other Obligor; or (e) any Finance Debt greater than A\$15,000,000 (or its equivalent in any other currency) of any Obligor becomes due and payable or can be made due and payable before its stated maturity due to the occurrence of an event of default (however described).
Excess Cashflow	<p>For any period, Adjusted EBITDA for that period (without double counting):</p> <ul style="list-style-type: none"> (a) minus all corporate Taxes or other Taxes on income or gains of the Security Group paid by a Security Group Member in cash during that period (net of cash Tax refunds or other Tax receipts received); (b) minus Net Interest Expense (including capitalised and suspended interest that has been paid) paid in cash during that period; (c) minus any permanent prepayment or repayment of principal (and, if the facility is revolving, where there is a contemporaneous and equal reduction in the commitment in respect of the facility that has been repaid), during that period; (d) minus the amount of Net Capital Expenditure paid in cash during that period; (e) minus unspent Capital Expenditure which can be carried forward to the next year as permitted under the Senior Facility Agreement in relation to that period; (f) plus any amount of Capital Expenditure that was carried forward from a previous period and not spent in the relevant period; (g) plus the amount of any realised (net of applicable Tax) cash gain received (or minus if cash cost incurred) by a Security Group Member in respect of any individually significant (and non-recurring) or extraordinary items or any disposal of assets (not being disposals in the ordinary course of business) during that period, but excluding any cash gain that is: <ul style="list-style-type: none"> (i) permitted under the Senior Finance Documents to be retained or applied for another purpose within any required time period; or (ii) used to prepay the Senior Debt Facilities;

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Excess Cashflow continued	<p>(h) minus distributions, directors' fees and any management fees paid in cash during that period in accordance with the Senior Finance Documents;</p> <p>(i) minus the amount of cash transaction and one-off set-up costs and expenses, and any costs relating to any acquisition (whether or not consummated) by any Security Group Member during that period not exceeding A\$5,000,000 (or its equivalent) in any Financial Year;</p> <p>(j) minus any restructuring costs paid in cash;</p> <p>(k) minus any cash costs related to unrealised exchange gains or losses and any realised or unrealised gains or losses on derivative financial instruments;</p> <p>(l) minus pro-forma Adjusted EBITDA adjustments for entities acquired by the Security Group during the previous 12 months (other than in respect of the Acquisition) of the Security Group on a full year run rate basis;</p> <p>(m) minus pro-forma cost savings for entities acquired by the Security Group during the previous 12 months on a full year run rate basis;</p> <p>(n) minus pro-forma Adjusted EBITDA adjustments for Growth Capital Expenditure of the Security Group prior to completion of the relevant project (but no pro forma adjustment shall be made for Growth Capital Expenditure on a project more than 9 months before the scheduled completion of that project as set out in the board paper relating to that project based on forecasts prepared with due care and having regard to historical figures for similar brownfields projects) equal to the Relevant Proportion of the expected Adjusted EBITDA for that project for the first 12 months (as set out in the board paper relating to that project), where "Relevant Proportion" means the proportion which that Growth Capital Expenditure represents of the total Growth Capital Expenditure budgeted for that project;</p> <p>(o) minus pro-forma Adjusted EBITDA adjustments for Growth Capital Expenditure of the Security Group in relation to a project completed during the previous 12 months equal to the expected Adjusted EBITDA for that project for the relevant 12 months (as set out in the board paper relating to that project based on forecasts prepared with due care and having regard to historical figures for similar brownfields projects) less the actual Adjusted EBITDA relating to that Growth Capital Expenditure for the relevant period, provided that the Adjusted EBITDA adjustments under this paragraph are not negative;</p> <p>(p) plus or minus, as the case may be, the change in Working Capital of the Security Group during that period (excluding changes in Working Capital relating to acquisitions); and</p> <p>(q) minus any non-cash items in Adjusted EBITDA not otherwise adjusted for in paragraphs (a) to (p) above.</p>
Exchange Notice	Has the meaning given to it in clause 3.2(a).
Exchange Right	Has the meaning given to it in clause 3.1.
Exercised Holding	Has the meaning given to it in clause 3.3(b)(i).
Final Deposit Date	Has the meaning given to it in clause 3.3(c).
Finance Debt	Has the meaning given to it in the Intercreditor Deed.
Finance Lease	A lease constituting a finance lease or a capital lease under the Accounting Standards.
Financial Year	Each 12 month period ending on 30 June.
Government Agency	Has the meaning given to it in the Security Trust Deed.
Growth Capital Expenditure	All Capital Expenditure other than Maintenance Capital Expenditure (and, for the avoidance of doubt, includes expenditure on leasehold properties).

Guarantee	Has the meaning given to it in the Security Trust Deed.
Healthscope Group	Each of APHG Holdings 1 Pty Ltd (ACN 144 840 639), APHG No. 2 Holdings 1 Pty Ltd (ACN 145 250 157) and CT HSP (Dutch) Coöperatief U.A. and their subsidiaries and the business conducted by them as described in Section 5 of the prospectus under which the Notes are initially offered, as the context requires.
Hedging Agreement	Has the meaning given to it in the Security Trust Deed.
Holder	In relation to any Note, a person whose name is for the time being registered in the Notes Register as the holder of that Note.
Insolvency Event	Has the meaning given in the Intercreditor Deed.
Intercreditor Deed	The Intercreditor Deed dated 22 September 2010 (as amended) made between, among others, APHG Holdings 3 Pty Ltd (ACN 145 126 067), the Senior Agent and the Security Trustee.
Interest Payment Dates	In relation to a Note: (a) 25 March, 25 June, 25 September and 25 December, commencing on 25 March 2011 and ending on the Maturity Date; and (b) the Maturity Date, unless earlier redeemed or exchanged in accordance with these Terms of Issue.
Interest Period	In respect of a Note: (a) the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date; and (b) thereafter, the period from (and including) each Interest Payment Date to (but excluding) the first to occur of: (i) the next Interest Payment Date; and (ii) the final Redemption Date in respect of that Note.
Interest Rate	11.25% per annum.
Interest Suspension Financial Covenant	In respect of any period, a Debt Service Cover Ratio of more than 1.10:1 at all times.
IPO	A public offering of: (a) shares in the Issuer, or any Related Body Corporate of the Issuer or any other entity in the Healthscope Group, or any special purpose vehicle established by any such entity; and/or (b) units in a trust, that (in either case, or together) owns or will own directly or indirectly a significant portion of the business currently conducted by the Healthscope Group, for the purposes of the quotation of the relevant shares and/or units on ASX (or any other Australian securities exchange).
IPO Disclosure Document	Has the meaning given to it in clause 3.2(a).
IPO Exchange Amount	In respect of an Exercised Holding, the principal amount outstanding plus any Suspended Interest as at the date of issue or transfer of the relevant Listed Securities.
Issue Date	The date of issue of the Notes.
Issuer	Healthscope Notes Limited (ACN 147 250 780).

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Listed Securities	In respect of any IPO, the securities issued or transferred pursuant to such IPO.
Listing Rules	The listing rules of ASX, as amended or replaced from time to time.
Maintenance Capital Expenditure	Payment for non-discretionary expenditure on the maintenance or refurbishment of equipment, machinery, fixed assets, real property, improvements, Authorisations, software and information systems or any other capital assets (including any costs incurred in connection with that expenditure) required to maintain the existing operations and earnings of the Security Group.
Material Disposal	The sale by any Security Group Member of a material business unit of the Security Group or the entry into by a Security Group Member of a sale and leaseback transaction in respect of any real property, the impact of which would be a pro forma decrease, assuming that the sale or sale and leaseback transaction became effective on the first day of the previous 12 months, of at least 20% in the Adjusted EBITDA for the previous 12 months prior to the sale or sale and leaseback transaction becoming effective.
Maturity Date	The date being 5.5 years after the Issue Date.
Maximum Leverage Level	At any time: (a) prior to Material Disposal, 5.00x; and (b) on or after a Material Disposal, 4.25x.
Net Capital Expenditure	For any period, Capital Expenditure during that period not funded by: (a) a drawdown under Facility C of the Senior Facility Agreement; (b) amounts received which are permitted to be applied towards reinvestment in assets or to fund additional Capital Expenditure in accordance with the mandatory prepayment provisions of the Senior Facility Agreement or any other amounts received or receivable in respect of Permitted Disposals; (c) an equity raising or additional debt that is subordinated to the Senior Facilities; (d) any Excess Cashflow following any voluntary or mandatory prepayments of the Senior Facilities; or (e) any amount under the Additional Leasing Facility or the Additional Capex Facility.
Net Interest Expense	For a period, an amount equal to all interest, margin, discount and other recurring payments of a similar nature paid by a Security Group Member in relation to any Finance Debt and any receivables purchase facility to which a Security Group Member is a party (or any replacement of that facility) (after taking into account the net effect of any difference payments under any Hedging Agreements) including fees payable for any Guarantee or letter of creditor and the interest element of Finance Leases but excluding: (a) capitalised interest and suspended interest; (b) any distribution (or similar payment) in respect of equity contributions; and (c) any amounts payable to another Security Group Member, net of any interest received by the Security Group for that period, (which amount will be annualised for the period ending prior to the first anniversary of the Acquisition).
Notes	The redeemable and exchangeable subordinated notes to be issued by the Issuer on these Terms of Issue.
Notes Register	The register of Holders (established and maintained in accordance with the Trust Deed) and, where appropriate, includes: (a) a sub-register conducted by or for the Issuer pursuant to the Corporations Act, the Listing Rules or ASTC Settlement Rules; and (b) any branch register.

Obligor	Any Security Group Member which grants Security and includes each 'Obligor' as defined in the Intercreditor Deed.
Ordinary Resolution	<p>A resolution passed at a meeting of the Holders duly called and held (or by postal ballot or written resolution) in accordance with the Trust Deed:</p> <ul style="list-style-type: none"> (a) by greater than 50% of the persons voting on a show of hands (unless paragraph (b) below applies); (b) if a poll is duly demanded, then by a majority consisting of greater than 50% of the votes cast; or (c) if the meeting is by postal ballot or written resolution, then by Holders representing (in aggregate) greater than 50% of the principal amount outstanding of all of the Notes.
Outstanding Interest	<p>In relation to a Note at any time, the aggregate of:</p> <ul style="list-style-type: none"> (a) any Suspended Interest in respect of that Note at that time; and (b) any other unpaid interest which is due and payable in respect of that Note at that time (including any interest accrued or compounded under clause 2.4).
Permitted Disposals	Has the meaning given to it in the Intercreditor Deed.
Permitted Finance Debt	<p>The following types of Finance Debt:</p> <ul style="list-style-type: none"> (a) any Finance Debt owed under a Senior Finance Document or a Subordinated Finance Document; (b) any Finance Debt owed by a Security Group Member to an Obligor or, up to in aggregate at any time of A\$10,000,000 (or its equivalent), to a Security Group Member who is not an Obligor; (c) any Finance Debt under interest rate hedging arrangements and foreign exchange dealings entered into in the ordinary course of business or as approved by the Senior Agent; (d) any Finance Debt under transactional banking facilities up to in aggregate at any time of A\$60,000,000 (or its equivalent); (e) any Finance Debt under leasing facilities (including Additional Leasing Facilities) or capital expenditure facilities (including Additional Capex Facilities); (f) any subordinated shareholder debt; (g) any Finance Debt that is subordinated to the Senior Facilities, provided that incurring such Finance Debt does not cause the Total Leverage Ratio on such day to exceed the Maximum Leverage Level; (h) any other Finance Debt in the ordinary course of business where the total amount outstanding does not exceed \$10,000,000 (or its equivalent) in aggregate for the Security Group; (i) any other additional Finance Debt not exceeding A\$10,000,000 (or its equivalent) in aggregate at any time which is incurred if there is no Senior Event of Default (as defined in the Intercreditor Deed) or Senior Potential Event of Default (as defined in the Intercreditor Deed) subsisting; (j) any Finance Debt for the purposes of refinancing any other Permitted Finance Debt on terms consistent with the Intercreditor Deed; (k) any existing Finance Debt of a Security Group Member agreed by the Senior Agent in writing; (l) a Guarantee pursuant to Part 2M.6 of the Corporations Act or its equivalent; or (m) any Finance Debt incurred with the prior written consent of the Senior Agent, provided that incurring such Finance Debt does not cause the Total Leverage Ratio on such day to exceed the Maximum Leverage Level.

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Potential Event of Default	Any event or circumstance which would, with the expiry of a grace period or the giving of notice, or both, be an Event of Default.
Proper ASTC Transfer	Has the meaning given in regulation 1.0.02 of the <i>Corporations Regulations 2001</i> (Cth).
Ratio Testing Date	The last day of each calendar quarter commencing on 31 December 2010 for the Interest Suspension Financial Covenant and 30 June 2011 for the financial covenants in clauses 2.5(d) and 2.6.
Record Date	In relation to an Interest Period, the date that is 7 days (or such other period as determined by the Directors from time to time in accordance with the Listing Rules) before the Interest Payment Date in respect of that Interest Period.
Redemption Date	In respect of any Note, the date for redemption of that Note in accordance with the Terms of Issue, including any Early Redemption Date and any date of exchange determined in accordance with clause 3.
Refinancing Event	The completion of the refinancing of the outstanding indebtedness of the Obligors under the Senior Facilities.
Related Body Corporate	Has the meaning given to it in the Corporations Act.
Security	Has the meaning given to it in the Security Trust Deed.
Security Group	The corporate group comprising: <ul style="list-style-type: none"> (a) APHG Holdings 2 Pty Limited ACN 145 126 094 and each of its subsidiaries; (b) APHG No.2 Holdings 2 Pty Limited ACNN 146 342 832 and each of its subsidiaries; and (c) CT HSP Holdings (Dutch) B.V. (company number 34308383) and each of its subsidiaries.
Security Group Member	A member of the Security Group.
Security Trust Deed	The Security Trust Deed dated 22 September 2010 (as amended) made between, among others, APHG Holdings 3 Pty Ltd ACN 145 126 067 and the Security Trustee (as amended or restated from time to time).
Security Trustee	The security trustee pursuant to the Security Trust Deed, being initially Westpac Banking Corporation.
Senior Agent	The agent for the senior lenders appointed under the Senior Facility Agreement, being initially Westpac Banking Corporation.
Senior Creditor	Has the meaning given to it in the Security Trust Deed.
Senior Debt	Has the meaning given to it in the Intercreditor Deed.
Senior Debt Facilities	The Senior Facilities, transactional banking facilities permitted to be provided to an Obligor and any leasing (including Additional Leasing Facilities) or Additional Capex Facilities.
Senior Facilities	Facility A, Facility B, Facility C and Facility D referred to in the Senior Facility Agreement.
Senior Facility Agreement	The Senior Syndicated Facility Agreement dated 22 September 2010 (as amended) between, among others, APHG Holdings 3 Pty Ltd ACN 145 126 067, the Senior Agent and the Security Trustee.
Senior Finance Documents	Has the meaning given to it in the Security Trust Deed.
Subordinated Finance Document	Has the meaning given to it in the Security Trust Deed.

Suspended Interest	At any time, any interest deferred under clause 2.3(a) which has not been paid at that time.
Suspension Condition	In respect of any payment of interest on any Interest Payment Date or any Redemption Date: <ul style="list-style-type: none"> (a) the relevant payment would cause a breach of the Interest Suspension Financial Covenant; (b) an 'event of default' or 'potential event of default' under the Senior Finance Documents subsists; or (c) any other condition referred to in clause 3.2(b) of the Intercreditor Deed is not satisfied.
Tax	Any charge, deduction, duty (including stamp duty, financial institutions duty, transaction duty and bank account debt tax), fee, impost, levy, tax (including any consumption tax, goods and services tax and value added tax) and withholding (together with any interest, penalties, fines and expenses in connection with any of them).
Tax Event	Occurs where, on or after the Issue Date, the Issuer receives an opinion of a nationally recognised legal counsel or other tax adviser in a relevant tax jurisdiction, experienced in such matters that, as a result of a Tax Event: <ul style="list-style-type: none"> (a) any payment of interest, the principal amount outstanding or the Early Redemption Amount is, or may be, subject to an amount of withholding or deduction in respect of any Taxes or other governmental charges for which the Issuer must pay an Additional Amount; or (b) payment of interest is not, or may not, be allowed as a deduction for the purposes of the Issuer's Australian tax purposes or the tax purposes of any other relevant tax jurisdiction.
Terms of Issue	These terms and conditions of issue.
Total Leverage Ratio	On any date, the ratio calculated as follows: Total Leverage Ratio = A ÷ B, where: A = the aggregate amount outstanding on that date under all Finance Debt of the Security Group on a consolidated basis (other than any contingent Finance Debt, the exposure under any Hedging Agreement, shareholder debt and intra-group liabilities or indebtedness, each in the Australian dollar equivalent where applicable) less cash or cash equivalents of the Security Group on that date; and B = Adjusted EBITDA of the Security Group in respect of the 12 month period ending on that date.
Trust Deed	The Trust Deed dated 15 November 2010 between the Issuer and the Trustee as amended from time to time
Trustee	The Trust Company (Australia) Limited ACN 000 000 993.
Working Capital	(a) The sum of: <ul style="list-style-type: none"> (i) debtors less provision for doubtful debts; (ii) sundry debtors; (iii) prepayments; (iv) other current assets; and (v) inventory less inventory reserve, (b) minus the sum of: <ul style="list-style-type: none"> (i) accounts payable; (ii) accrued compensation; (iii) other accrued liabilities; and (iv) accrued provisions.

APPLICATION FORM

B



Healthscope Notes Limited

ACN 147 250 780

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus and any supplementary or replacement prospectus ("Prospectus") carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.



Are you an Eligible Healthscope Shareholder – that is, are you a former shareholder of Healthscope Limited, who is an Australian or New Zealand resident and who received consideration under the Scheme of Arrangement in October 2010? If yes, please mark X in the box and complete your Holder Identification Number (HIN) or Securityholder Reference Number (SRN) in the boxes provided.

Broker Code

Adviser Code

A I/we apply for

B I/we lodge full Application Money

A\$

Number of Notes to be issued by Healthscope Notes Limited at \$100.00 per Healthscope Note or such lesser number of Healthscope Notes which may be allocated to me/us

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter your postal address - Include State and Postcode

Unit	Street Number	Street Name or PO Box /Other Information
<input type="text"/>	<input type="text"/>	<input type="text"/>

City / Suburb / Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>

E Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours
()

F CHESS Participant

Holder Identification Number (HIN)
X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Cheque details - Make your cheque or bank draft payable to "Healthscope Notes Offer"

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>
Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

H S P F

I P O

How to complete this form

A Healthscope Notes Applied for

Enter the number of Healthscope Notes you wish to apply for. The application must be for a minimum of 50 Healthscope Notes (\$5,000). Applications for greater than 50 Healthscope Notes must be in multiples of 10 Healthscope Notes (\$1000).

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Healthscope Notes by the issue price per Healthscope Note.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of note holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

If you are an Eligible Healthscope Shareholder, you must insert your HIN or SRN where indicated to participate in the Healthscope Shareholder Priority Offer. If you do not insert your HIN or SRN your application will be treated as an application under the General Offer and you will not receive any priority in allocation of Healthscope Notes.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

Healthscope Notes Limited will apply to the ASX to participate in CHES, operated by ASX Settlement Pty Ltd, a wholly owned subsidiary of ASX Limited. In CHES, the Issuer will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Issuer's principal register of securities. The Issuer will not be issuing certificates to applicants in respect of Healthscope Notes allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Healthscope Notes allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Issuer and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to "Healthscope Notes Offer" in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read the Prospectus. By lodging the Application Form, the applicant agrees that this application for Healthscope Notes to be issued by Healthscope Notes Limited is upon and subject to the terms of the Prospectus, agrees to take any number of Healthscope Notes that may be allotted to the Applicant(s) pursuant to the Prospectus, agrees that Healthscope Notes will be issued pursuant to the terms and conditions set out in the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Broker Firm Applicant

If you are a Broker Firm Applicant or you have received a firm allocation from your Syndicate Broker, your Application must be received by your Syndicate Broker in time for them to arrange settlement on your behalf by the Closing Date of the Broker Firm Offer, 16 December 2010 (see Section 3 of the Prospectus). You must contact your Syndicate Broker for their instructions on how to submit your Broker Firm Offer Application. Do not return your Application to the Share Registry.

General Applicant

Application Forms must be received by Computershare Investor Services Pty Limited (CIS) Melbourne by no later than 5:00pm AEDT on 9 December 2010. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box 52
MELBOURNE VIC 3001

Neither CIS nor Healthscope Notes Limited (or any other member of the Healthscope Group) accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

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Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
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Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
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CORPORATE DIRECTORY

ISSUER'S REGISTERED OFFICE

Healthscope Notes Limited

Level 1
312 St Kilda Road
Melbourne VIC 3004

JOINT LEAD MANAGERS

ANZ Securities Limited

ANZ Centre Melbourne
Level 9
833 Collins Street
Docklands VIC 3008

Credit Suisse (Australia) Limited

Level 31
Gateway
1 Macquarie Place
Sydney NSW 2000

Macquarie Capital Advisers Limited

No. 1 Martin Place
Sydney NSW 2000

UBS AG, Australia Branch

Level 16
Chifley Tower
2 Chifley Square
Sydney NSW 2000

Westpac Institutional Bank

Level 3
Westpac Place
275 Kent Street
Sydney NSW 2000

CO-MANAGER

FIIG Securities Limited

Level 8
Emirates House
167 Eagle Street
Brisbane QLD 4000

LEGAL ADVISERS

Freehills

Level 42
101 Collins Street
Melbourne VIC 3000

INVESTIGATING ACCOUNTANT

Deloitte Touche Tohmatsu

550 Bourke Street
Melbourne VIC 3000

REGISTRY

Computershare Investor Services Pty Limited

Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

TRUSTEE

The Trust Company (Australia) Limited

Level 3
530 Collins Street
Melbourne VIC 3000

HEALTHSCOPE NOTES OFFER INFORMATION LINE

Australia: 1300 038 928
International: +61 3 9938 4386

OFFER WEBSITE

www.healthscopenotesoffer.com.au

CORPORATE WEBSITE

www.healthscope.com.au

