HEALTHSCOPE GROUP

AGGREGATED ANNUAL REPORT

For the period ended 30 June 2011

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HEALTHSCOPE GROUP

RESPONSIBLE BODY'S REPORT

*The Responsible Body submits the financial report of the Healthscope Group for the period ended 30 June 2011 (**Report**).*

PURPOSE

Healthscope Notes Limited (ACN 147 250 780) ('Issuer') was incorporated on 8 November 2010 as a special purpose vehicle to issue publicly listed debt instruments and on-lend the net proceeds raised from the issue of the debt instruments to Healthscope Finance Pty Ltd (ACN 145 126 067), a member of the Healthscope Group (as defined below). The Issuer raised $200 million by issuing 2 million $100 redeemable, exchangeable, secured but subordinated Notes ('**Healthscope Notes**') on 17 December 2010. The Issuer was admitted to the Official List of the Australian Securities Exchange ('**ASX**') (ASX code: HLN) on 17 December 2010. The Healthscope Notes have been quoted on the ASX from 20 December 2010. The ordinary shares of the Issuer are not quoted.

As a result of its listing on the ASX, the Issuer is required to lodge annual and half yearly financial reports in accordance with the ASX Listing Rules and the Corporations Act. In addition, the Issuer will lodge with the ASX annual and half yearly aggregated financial reports for the Healthscope Group, which aggregates the financial performance, the financial position and the cash flows of:

- APHG Holdings 2 Pty. Ltd., (ACN 146 342 832) and its controlled entities;
- APHG No 2 Holdings 2 Pty. Ltd., (ACN 146 342 832) and its controlled entities; and
- CT HSP Holdings (Dutch) B.V. (registration no. 34308383) and its controlled entities;

(together the '**Healthscope Group**') to provide the holders of Healthscope Notes with an understanding of the financial position of the Healthscope Group which was referred to in the Issuer's prospectus dated 24 November 2010 as the 'Security Group'.

INCORPORATION

The dates and places of incorporation of each of the parent entities within the Healthscope Group are as follows:

- APHG Holdings 2 Pty. Ltd., (ACN 145 126 094)
  incorporated in Australia on 9 July 2010.

- APHG No 2 Holdings 2 Pty. Ltd., (ACN 146 342 832)
  incorporated in Australia on 15 September 2010.

- CT HSP Holdings (Dutch) B.V. (registration no. 34308383)
  incorporated in The Netherlands on 29 July 2008

REPORTING PERIOD

The financial report covers the period from 9 July 2010 to 30 June 2011 for APHG Holdings 2 Pty. Ltd, from 15 September 2010 to 30 June 2011 for APHG No 2 Holdings 2 Pty. Ltd and from 1 July 2010 to 30 June 2011 for CT HSP Holdings (Dutch) B.V.

Healthscope Limited (ACN 006 405 152) and its controlled entities were acquired by funds advised and managed by TPG (TPG FOF VI SPV, LP.) and Carlyle (Carlyle HSP Partners, LP.), the entities ultimately holding the Healthscope Group, on 12 October 2010 hence their financial results are included in this Report from the period 12 October 2010 to 30 June 2011.

COMPARATIVE INFORMATION

No comparative information has been provided in this Report as this is the first reporting period for the Healthscope Group.

HEALTHSCOPE GROUP

RESPONSIBLE BODY'S REPORT

DIRECTORS

For the purposes of this Report, the Responsible Body consists of the directors' of the following entities:

- Healthscope Hospitals Holdings Pty. Ltd., (ACN 144 840 639);
- Healthscope Pathology Holdings Pty. Ltd., (ACN 145 250 157);
- CT HSP Holdings (Dutch) B.V. (registration no. 34308383).

The names of the directors of each of the above entities in office at any time during or since the end of the period are:

Healthscope Hospitals Holdings Pty Ltd
Mr A. Adam appointed 25 June 2010 and resigned 14 July 2010
Mr S.S. Tan appointed 14 July 2010 and resigned 15 July 2010
Mr D.C. Reintjes appointed 14 July 2010 and resigned 14 December 2010
Mr S.C. Moore appointed 14 July 2010
Mr R.J. Cooke appointed 15 November 2010
Ms K.K. Bechtel appointed 14 December 2010
Mr D.A. Carroll appointed 14 December 2010 and resigned 18 February 2011
Mr M.D. Hunter appointed 14 December 2010
Mr S.J. Schneider appointed 14 December 2010
Mr A.J. Shastry appointed 14 December 2010
Mr T.B. Sisitsky appointed 14 December 2010
Mr S. Wise appointed 14 December 2010
Mr R. Seow appointed 18 February 2011

Healthscope Pathology Holdings Pty Ltd
Mr B.C. Furphy appointed 16 July 2010 and resigned 21 September 2010
Mr D.C. Reintjes appointed 20 September 2010 and resigned 14 December 2010
Mr S.C. Moore appointed 20 September 2010
Mr R.J. Cooke appointed 15 November 2010
Ms K.K. Bechtel appointed 14 December 2010
Mr D.A. Carroll appointed 14 December 2010 and resigned 18 February 2011
Mr M.D. Hunter appointed 14 December 2010
Mr S.J. Schneider appointed 14 December 2010
Mr A.J. Shastry appointed 14 December 2010
Mr T.B. Sisitsky appointed 14 December 2010
Mr S. Wise appointed 14 December 2010
Mr R. Seow appointed 18 February 2011

CT HSP Holdings (Dutch) B.V.
Hujori Vastgoed Holding B.V. appointed 29 July 2009 and resigned on 20 September 2010
Mr. D.J. Jaarsma appointed 20 September 2010
Mr. T.B Mayrhofer appointed 20 September 2010
Mr. J.E. Viola appointed 20 September 2010
Mr. G.A.R. Warris appointed 20 September 2010

REMUNERATION OF THE MEMBERS OF THE RESPONSIBLE BODY

None of the members of the Responsible Body received any payment for the services provided as a member of the Responsible Body of the Healthscope Group during the period, from the Companies within the Healthscope Group or related parties.

HEALTHSCOPE GROUP

RESPONSIBLE BODY'S REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Healthscope Group during the period ended 30 June 2011, were the provision of healthcare services through the ownership and management of hospitals, medical centres and the provision of diagnostic services (pathology).

OPERATING RESULTS

The aggregated loss of the Healthscope Group for the period, after income tax expense, amounted to $64.353 million.

DIVIDENDS

No dividend has been declared during or since the end of the period by any of APHG Holdings 2 Pty. Ltd., APHG No 2 Holdings 2 Pty. Ltd. or CT HSP Holdings (Dutch) B.V.

REVIEW OF OPERATIONS

Group results before Non-recurring Items (NRI's)

The table below provides an analysis of the EBITDA achieved for each segment (refer Note 4) for the period ended 30 June 2011.

EBITDA – Continuing Operations	12 October 2010 to 30 June 2011
Hospitals	164,849
Pathology	22,219
International	25,414
Total-before Non-Recurring Items	**212,482**

Non-recurring items

The Net Loss after tax of $64.353 million was impacted by a number of NRIs, which cumulatively reduced the Group result by $116.254 million.

A break up of the NRI's for the period ended FY2011 is detailed below:

NRI Item	NPAT $Millions
Costs associated with the acquisition of Healthscope	81,632
Restructure and other costs	34,622
Total	**116,254**

HEALTHSCOPE GROUP

RESPONSIBLE BODY'S REPORT

SUBSEQUENT EVENTS

To the best of the knowledge of the Responsible Body, there has been no matter or circumstance that has arisen since the end of the financial period that has significantly affected or may affect the Healthscope Group's operations or state of affairs in future periods.

FUTURE DEVELOPMENTS

In the opinion of the Responsible Body, it would prejudice the interests of the Healthscope Group if the Responsible Body's Report were to refer to any likely developments in the operations of the Healthscope Group in subsequent financial years or to the expected results of those operations, beyond the coverage given to these matters herein.

ENVIRONMENTAL ISSUES

The Healthscope Group is not subject to any significant environmental regulations under a law of the Commonwealth or of a state or territory.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the period, the Healthscope Group paid a premium in respect of a contract insuring the directors of Healthscope Hospitals Holdings Pty Ltd, Healthscope Pathology Holdings Pty Ltd, the Company Secretary and Executives of the Healthscope Group against liability to the extent incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. It is a condition of the insurance contract that its limits of indemnity, the nature of the liability indemnified and the amount of the premium are not to be disclosed.

The Healthscope Group has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Healthscope Group or of any related body corporate against liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE HEALTHSCOPE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Healthscope Group or intervene in proceedings to which the Healthscope Group is a party for the purpose of taking responsibility on behalf of the Healthscope Group for all or any part of those proceedings.

The Healthscope Group was not a party to any such proceedings during the period.

ROUNDING OFF OF AMOUNTS

For the benefits of clarity and ease of understanding, the Responsible Body has chosen to round off amounts shown in the Report to the nearest thousand dollars, unless otherwise stated.

AUDITOR INDEPENDENCE

The auditor's independence declaration is included on Page 5 of the financial report.

Signed in accordance with a resolution of the Responsible Body

Robert Cooke

R Cooke
Executive Chairman and Managing Director

Melbourne, 25 August 2011

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Responsible Body
Healthscope Group
Level 1, 312 St Kilda Road
Melbourne VIC 3004

25 August 2011

Dear Responsible Body members,

Healthscope Group

In compliance with the independence requirements of the professional accounting bodies in Australia, I am pleased to provide the following declaration of independence to the Responsible Body of the Healthscope Group.

As lead audit partner for the audit of the financial statements of the Healthscope Group for the period ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the professional accounting bodies in Australia in relation to the audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

T Imbesi
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report
to the Responsible Body of the Healthscope Group

We have audited the accompanying financial report of the Healthscope Group, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Responsible Body's declaration as set out on pages 8 to 52.

The Healthscope Group comprises the aggregation of:

- APHG Holdings 2 Pty Ltd (ACN 145 126 094)
- APHG No. 2 Holdings 2 Pty Ltd (ACN 146 342 832)
- CT HSP Holdings (Dutch) B.V. (Company number 34308383)

and the entities they controlled as at 30 June 2011 or from time to time during the period.

Responsible Body's Responsibility for the Financial Report

The Responsible Body is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the Responsible Body determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the Responsible Body also states, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Responsible Body, as well as evaluating the overall presentation of the financial report.

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

Opinion

In our opinion, the financial report of the Healthscope Group presents fairly, in all material respects, the Healthscope Group's financial position as at 30 June 2011 and its financial performance for the period ended in accordance with Australian Accounting Standards.

In our opinion:

(a) the financial report of the Healthscope Group presents fairly, in all material respects, the Healthscope Group's financial position as at 30 June 2011 and its financial performance for the period then ended in accordance with Australian Accounting Standards; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

DELOITTE TOUCHE TOHMATSU

T Imbesi
Partner
Chartered Accountants
Melbourne, 25 August 2011

HEALTHSCOPE GROUP

AGGREGATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2011

	Note	2011 $'000
Revenue	5	1,429,282
Share of profits of associates and joint ventures accounted for using the equity method	13	2,299
Employee benefits expense	7(b)	(666,039)
Medical and consumable supplies		(201,920)
Prosthetics expenses		(152,812)
Occupancy costs		(68,386)
Service costs		(140,555)
Profit before depreciation, amortisation, finance costs, non-recurring items and income tax (EBITDA)		**201,869**
Depreciation and amortisation	7(c)	(54,684)
Profit before finance costs, non-recurring items and income tax (EBIT)		**147,185**
Net finance costs	6	(130,541)
Profit before non-recurring items and income tax		**16,644**
Non-recurring items	8	(116,254)
Loss before income tax expense		**(99,610)**
Income tax benefit	9	35,257
Net loss for the period		**(64,353)**
Other comprehensive income		
Exchanges differences arising on translation of foreign operations		(3,168)
Gain / (loss) on cash flow hedges taken directly to equity		(11,209)
Income tax expense relating to other comprehensive income		3,364
Other comprehensive income for the period, net of tax		(11,013)
Total comprehensive income for the period		**(75,366)**

The accompanying notes numbered 1 to 35 form part of this financial report.

HEALTHSCOPE GROUP

AGGREGATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	2011 $'000
CURRENT ASSETS		
Cash and cash equivalents	29(a)	18,864
Trade and other receivables	10	99,121
Prepayments		17,029
Current tax asset	9	210
Inventories	11	43,985
TOTAL CURRENT ASSETS		**179,209**
NON CURRENT ASSETS		
Trade and other receivables	10	6,000
Other financial assets	12	2,709
Investments accounted for using the equity method	13	661
Property, plant and equipment	14	1,123,502
Intangible assets	15	1,937,216
Deferred tax assets	9	75,978
TOTAL NON CURRENT ASSETS		**3,146,066**
TOTAL ASSETS		**3,325,275**
CURRENT LIABILITIES		
Trade and other payables	16	215,381
Deferred purchase consideration	17	1,548
Deferred revenue		2,767
Borrowings	18	42,790
Other financial liabilities	19	2,601
Provisions	20	104,549
TOTAL CURRENT LIABILITIES		**369,636**
NON CURRENT LIABILITIES		
Borrowings	18	1,463,962
Deferred purchase consideration	17	-
Deferred revenue		2,091
Other financial liabilities	19	534,753
Deferred tax liabilities	9	37,539
Provisions	20	30,508
TOTAL NON CURRENT LIABILITIES		**2,068,853**
TOTAL LIABILITIES		**2,438,489**
NET ASSETS		**886,786**
EQUITY		
Issued capital	21	962,167
Reserves	23	(11,013)
Accumulated Losses	22	(64,353)
Minority Interest		(15)
TOTAL EQUITY		**886,786**

The accompanying notes numbered 1 to 35 form part of this financial report.

AGGREGATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2011

	Note	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers		1,433,770
Payment to suppliers and employees		(1,242,848)
Cash generated from operations (before non-recurring items)		**190,922**
Interest received		2,095
Interest and costs of finance paid		(103,661)
Income tax paid		(1,560)
Net cash provided by operating activities (before non-recurring items)		**87,796**
Non-recurring items		(89,822)
Net cash used in operating activities	29(d)	**(2,026)**
Proceeds from sale of property, plant and equipment		623
Payments for property, plant and equipment		(61,998)
Brownfield facility developments		(75,907)
Payments for operating rights		(4,966)
Payments for business combinations	28	(2,780,079)
Net cash used in investing activities		**(2,922,327)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of equity securities		962,384
Proceeds from borrowings		2,276,207
Repayments of borrowings		(212,000)
Proceeds from receivables securitisation		4,512
Finance leasing		(4,407)
Facility Fees paid		(83,574)
Net cash provided by financing activities		**2,943,122**
Net increase / (decrease) in cash and cash equivalents		**18,769**
Cash and cash equivalents at the beginning of the financial period		-
Effects of exchange rate changes on the balance of cash held in foreign currencies		95
Cash and cash equivalents at the end of the financial period	29(a)	**18,864**

The accompanying notes numbered 1 to 35 form part of this financial report.

HEALTHSCOPE GROUP

AGGREGATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2011

	Issued capital	Accumulated losses	Minority Interest	Foreign currency translation reserve	Hedging reserve	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at respective incorporation dates	**-**	**-**	**-**	**-**	**-**	**-**
Net Loss for the period	-	(64,353)	-	-	-	(64,353)
Minority Interest on acquisition	-	-	(15)	-	-	(15)
Exchange differences arising on translation of foreign operations	-	-	-	(3,168)	-	(3,168)
Loss on cash flow hedges	-	-	-	-	(11,209)	(11,209)
Income tax relating to components of other comprehensive income	-	-	-	-	3,364	3,364
Total comprehensive income for the period	**-**	**(64,353)**	**(15)**	**(3,168)**	**(7,845)**	**(75,381)**
Issue of shares	962,167	-	-	-	-	962,167
Closing balance at 30 June 2011	**962,167**	**(64,353)**	**(15)**	**(3,168)**	**(7,845)**	**886,786**

The accompanying notes numbered 1 to 35 form part of this financial report.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 1: GENERAL INFORMATION

Healthscope Notes Limited (ACN 147 250 780) ('**Issuer**') was incorporated on 8 November 2010 as a special purpose vehicle to issue publicly listed debt instruments and on-lend the net proceeds raised from the issue of the debt instruments to Healthscope Finance Pty Ltd (ACN 145 126 067), a member of the Healthscope Group (as defined below). The Issuer raised $200 million by issuing 2 million $100 redeemable, exchangeable, secured but subordinated Notes ('**Healthscope Notes**') on 17 December 2010. The Issuer was admitted to the Official List of the Australian Securities Exchange ('**ASX**') (ASX code: HLN) on 17 December 2010. The Healthscope Notes have been quoted on the ASX from 20 December 2010. The ordinary shares of the Issuer are not quoted.

As a result of its listing on the ASX, the Issuer is required to lodge annual and half yearly financial reports in accordance with the ASX Listing Rules and the Corporations Act. In addition, the Issuer will lodge with the ASX annual and half yearly aggregated financial statements for the Healthscope Group, which aggregates the financial performance, the financial position and the cash flows of:

- APHG Holdings 2 Pty. Ltd. (ACN 146 342 832) and its controlled entities;
- APHG No 2 Holdings 2 Pty. Ltd. (ACN 146 342 832) and its controlled entities; and
- CT HSP Holdings (Dutch) B.V. (registration no. 34308383) and its controlled entities;

(together the '**Healthscope Group**') to provide the holders of Healthscope Notes with an understanding of the financial position of the Healthscope Group which was referred to in the Issuer's prospectus dated 24 November 2010 as the 'Security Group'.

The principal place of business of the Group is:

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

The principal activities of the Healthscope Group during the financial period ended 30 June 2011 were the provision of healthcare services through the ownership and management of hospitals, medical centres and the provision of diagnostic services (pathology).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The aggregated financial statements of the Healthscope Group are general purpose combined financial statements which have been prepared in accordance with the Accounting Standards and Interpretations.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Responsible Body on 25 August 2011. The Responsible Body comprises the directors of Healthscope Hospitals Holdings Pty Ltd, Healthscope Pathology Holdings Pty Ltd and CT HSP Holdings (Dutch) B.V.

Working Capital Position

The working capital position as at 30 June 2011 for the Group is a surplus of current liabilities over current assets of $190 million.

The contributing factors to this deficiency are:

(i) The Group continued to utilise the accounts receivable securitisation facility for $140 million. During the period $113 million of receivables were sold to the Bank under this facility and the proceeds from the sale were used to retire non-current debt and reduce the overall cost of debt servicing.

(ii) The Group also generates significant operating cash inflows and uses these cash inflows to repay non current debt.

The Responsible Body continually monitor the Group's working capital position including forecast working capital requirements in light of the Group's existing debt facility (refer Note 18).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of preparation

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

For clarity and relevance, the entity has chosen to report amounts in the financial report rounded off to the nearest thousand dollars, unless otherwise indicated.

No comparative figures have been provided, as the financial report is the first annual financial report of the Group covering the period from the date of incorporation for each sub-group parent entity to 30 June 2011.

Basis of aggregation

The aggregated financial statements incorporate the consolidated financial information of each of the following sub-groups:

- APHG Holdings 2 Pty. Ltd. and all of its controlled entities,
- APHG No 2 Holdings 2 Pty. Ltd. and all of its controlled entities and,
- CT HSP Holdings (Dutch) B.V. and all of its controlled entities,

Consistent accounting policies are employed by each sub-group in the presentation and preparation of their consolidated financial information.

All inter-company balances and transactions between entities in the Healthscope Group, including any unrealised profits or losses, have been eliminated on aggregation.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(a) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Healthscope Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Healthscope Group attains control) and the resulting gain or loss, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Reporting Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Healthscope Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Healthscope Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(b) Income Tax
Income tax expense or benefit represents the sum of the tax currently payable and deferred tax.

Current Tax
The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation
Healthscope Hospital Holdings Pty. Ltd. elected to form a multiple entry consolidated group with effect from 22 September 2010. Healthscope Ltd and its controlled entities joined the consolidated group with effect from 12 October 2010.

Tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from the unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by Healthscope Hospital Holdings Pty Ltd (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivables by the company and each member of the group in relation to the tax contribution amounts paid or payable between the head entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity partners.

(c) Inventories
Inventories are measured at the lower of cost, on a first in first out basis, and net realisable value. Net realisable value represents the estimated selling prices of inventories less all estimated costs of completion and costs necessary to make the sale.

(d) Financial assets
Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as ‘at fair value through profit or loss’, ‘held-to-maturity investments’, ‘available-for-sale’ financial assets, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.
Income is recognised on an effective interest rate basis for debt instruments other than those financial assets classified as ‘at fair value through profit or loss’.

Financial assets at fair value through profit or loss
Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- Has been acquired principally for the purpose of selling in the near future;
- Is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- Is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item in the statement of comprehensive income.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.
When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the asset have expired; or
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- The Group has transferred its rights to receive cash flows from the asset and either:
  - Has transferred substantially all the risks and rewards of the asset; or
  - Has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and accumulated impairment losses.

- Freehold land and buildings are measured on the cost basis.
- Plant and equipment is measured on the cost basis.
- Leasehold improvements are measured on the cost basis.
- Finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments. Each is determined at the inception of the lease.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land is depreciated over their useful lives to the Group, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual accounting period, with the effect of any changes recognised on a prospective basis.

Depreciation

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

Class of property, plant and equipment	**Depreciation rate**
Buildings	2% to 50%
Leasehold improvements	2% to 50%
Plant & equipment	5% to 60%
Leased assets	10% to 56%

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in operating profit before income tax of the Group in the year of disposal.

(f) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is subsequently measured at its cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGU's), or groups of CGU's, expected to benefit from the synergies of the business combination. CGU's or groups of CGU's to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU or group of CGU's is less than the carrying amount of the CGU or groups of CGU's, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or groups of CGU's and then to the other assets of the CGU or groups of CGU's pro-rata on the basis of the carrying amount of each asset in the CGU or groups of CGU's.

An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(g) Intangible assets

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their value can be measured reliably.
Subsequent to initial recognition, intangible assets acquired in a business combination are reported at fair value (which is cost) less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

Intangible assets acquired separately
Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Research & development costs
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

Research & development costs
- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives of no longer than 5 years.

(h) Impairment of tangible and intangible assets excluding goodwill
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at a re-valued amount in which case the impairment is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a re-valued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Leased assets
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed.
Lease incentives under operating leases are recognised as deferred income. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(j) Employee benefits
A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal value, using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans
Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(k) Joint venture arrangements
A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Jointly controlled operations
Where the Group is a venturer and so it has joint control in a jointly controlled operation, the Group recognises the assets that it controls and the liabilities that it incurs, along with the expenses that it incurs and the Group's share of the income that it earns from the sale of goods or services by the joint venture.

Jointly controlled entities
Interests in jointly controlled entities are accounted for under the equity method in the aggregated financial statements.

(l) Investments in associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the aggregated financial statements.

The financial statements of the associates are used by the Group to apply the equity method. The reporting dates of the associates and the Group are identical and both use consistent accounting policies.

The investment in the associates is carried in the aggregated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The aggregated statement of comprehensive income reflects the Group's share of the results of operations of the associates.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the aggregated statement of changes in equity.

(m) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) Financial liability and equity instruments issued by the Group

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when and only when, the Group's obligations are discharged, cancelled or they expire.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(o) Foreign currency

Foreign currency transactions

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

The individual financial information of each Group entity is presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the aggregated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Group and the presentation currency for the aggregated financial statements.

In preparing the financial information of the individual entities, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On aggregation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive and accumulated in equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is exposed.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Insurance claims
The provision is based on the schedule of outstanding claims and the costs have been estimated based on currently available data where the Group has no related insurance policy. Provisions are determined by discounting expected future cash outflows at a pre-tax rate that reflects current market assessment of the time value of money and when appropriate, the risks specific to the liability. The provision is reviewed at the end of each reporting period and updated for additional information.

Restructuring
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(q) Revenue
Revenue is measured at the fair value of the consideration received or receivable. Revenue from the rendering of a service is recognised once the service has been provided.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Revenue from the sale of goods is recognised when the Group has transferred to the buyer, the significant risks and rewards of ownership of the goods.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

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

(r) Derivative financial instruments
The Group enters into interest rate swaps to manage its exposure to interest rate risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging
Instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge Accounting
The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Movements in the hedging reserve in equity are detailed in the Statement of Changes in Equity.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, as part of other expenses or other income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At the time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(s) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they were incurred.

(u) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs, which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which it becomes receivable.

(v) Standards and Interpretations in issue not yet adopted
At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective:

Standards / Interpretations	***Effective date***	***First applicable reporting date***
(i) AASB 124 'Related Party Disclosures (revised December 2009)', AASB 2009-12 'Amendments to Australian Accounting Standards';	1 January 2011	30 June 2012
(ii) AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2011	30 June 2012
(iii) AASB 2010-5 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
(iv) AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
(v) AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)';	1 January 2013	30 June 2014
(vi) AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 July 2013	30 June 2014 unless early adopted

The Responsible Body anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the entity's accounting policies
The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

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

- Future increases in wages in salaries;
- Future on-cost rates; and
- Experience of employee departures and period of service.

(b) Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Medical Malpractice Insurance
During the period, management performed the regular review of the medical malpractice insurance claims provision across the Group, which is included in the statement of financial position as at 30 June 2011 at $6.082 million. The provision represents the present value of the estimated future outflow of economic benefits that may be required to be made to meet malpractice claims made against the Group.

Provisional accounting of business combinations
Healthscope provisionally accounts for business combinations that are within their 12 month measurement period where the Group is in the process of ascertaining the fair values of identifiable assets, liabilities and contingent liabilities acquired. In doing so, Healthscope Group has relied on the best estimate of the identifiable assets; liabilities and contingent liabilities as disclosed in Note 28, until the quantification and treatment of items under review are complete.

Impairment of goodwill and other intangible assets
Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which these assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was $1,830.0 million. The carrying amount of other intangible assets at the end of the reporting period was $107.2 million. No impairment loss was recorded in the current period.

NOTE 4: SEGMENT INFORMATION

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Accordingly the Group has determined the following operating segments

- Hospitals Australia - the management and provision of surgical and non-surgical private hospitals
- Pathology Australia - the provision of pathology services
- Pathology International - the provision of pathology services overseas

	Revenue (i) 2011 $'000	EBITDA 2011 $'000	Depreciation and amortisation 2011 $'000	Profit before finance costs, non-recurring items and income tax (ii) 2011 $'000
Hospitals Australia	1,065,077	164,849	33,870	130,979
Pathology Australia	255,885	22,219	11,654	10,565
Pathology International	108,320	25,414	9,160	16,254
Total all segments before non-recurring items	**1,429,282**	**212,482**	**54,684**	**157,798**
Corporate				(10,613)
Post acquisition restructuring and legal costs				(34,622)
Acquisition costs written off and provided against				(81,632)
Finance costs				(130,541)
Loss before income tax				**(99,610)**
Income tax benefit				35,257
Net loss				**(64,353)**

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

(ii) Segment profit represents the profit earned by each segment without the allocation of central administrative costs, investment revenue and finance costs, income tax expense, non-recurring items and gains or losses on the disposal of associates or discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Total assets by reportable segment	**2011 $'000**
Hospitals Australia	2,598,836
Pathology Australia	425,665
Pathology International	300,774
Total all segments	**3,325,275**

Other segment information	**Additions to non-current assets 2011 $'000**	**Carrying value of equity accounted investments 2011 $'000**
Hospitals Australia	2,500,361	661
Pathology Australia	373,962	-
Pathology International	271,741	-
Total all segments	**3,146,064**	**661**

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 5: REVENUE

An analysis of the Group's revenue for the period is as follows:

	2011
	$'000
Revenue from rendering of services	1,394,162
Rental revenue	15,872
Management fees	8,912
Other revenue	10,336
Total revenue	**1,429,282**

NOTE 6: FINANCE INCOME AND EXPENSE

Finance income	
Bank deposits	2,095
Finance expense	
Interest on bank overdrafts and loans	(117,994)
Facility fees	(16,780)
Interest capitalised to qualifying assets	3,214
Interest on obligation under finance leases	(1,076)
Finance expense	(132,636)
Net finance costs	**(130,541)**

The weighted average capitalisation rate on funds borrowed is approximately 9.41% p.a.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 7: PROFIT FOR THE PERIOD BEFORE TAX

	2011 $'000
(a) Gains and losses	
Gain on disposal of property plant and equipment	210
	210
Profit for the period includes the following expenses:	
(b) Other Expenses	
Employee benefits expense	
Post employment - defined contribution plans	46,819
Termination benefits	632
Other employee benefits	618,588
Total employee benefits expense	666,039
Research and development costs immediately expensed	2,313
(c) Depreciation / amortisation of property plant and equipment	
Depreciation of non-current assets	
Buildings	11,801
Leasehold improvements	7,297
Plant and equipment	22,540
Leased plant and equipment	2,452
Total depreciation	44,090
Amortisation of intangible assets	
Contract management rights	6,200
Operating rights	3,200
Contract acquisition costs	1,194
Total amortisation	10,594
Total depreciation and amortisation	**54,684**
(d) Operating lease rental expenses	
Minimum lease payments	47,099

NOTE 8: NON RECURRING ITEMS

	2011 Pre-tax $'000
Acquisition costs	81,632
Restructure and other costs	34,622
Pre tax	**116,254**

The acquisition costs relate to the acquisition of Healthscope Limited, and largely comprise adviser and other associated costs. Restructure costs relate primarily to the post-acquisition restructure of Healthscope Limited and its subsidiaries.

NOTE 9: INCOME TAXES

Income tax recognised in the income statement

	2011 $'000
Tax expense comprises:	
Current tax expense in respect of the current period	(10,094)
Deferred tax expense relating to the origination and reversal of temporary differences	(23,585)
Other adjustments recognised in the current period	(1,578)
Total tax expense	**(35,257)**

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2011 $'000
Profit before income tax	(99,610)
Income tax calculated at 30%	(29,883)
Increase in income tax expense due to:	
Non-deductible expenses	13,633
Decrease in income tax expense due to:	
Effect on tax rate in foreign jurisdictions	(1,114)
Non-assessable income	(8,596)
Capitalised expenses deductible for tax	(7,719)
Other adjustments recognised in the current period	(1,578)
Income tax expense	**(35,257)**

Income tax recognised directly in other comprehensive income

Deferred tax	
Arising on income and expenses recognised in other comprehensive income:	
- Revaluation of financial instruments treated as cash flow hedges	(3,364)
	(3,364)

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 9: INCOME TAXES (cont'd)

Current tax asset	**2011 $'000**
Income tax attributable to:	
Tax refund receivable relating to former tax consolidated group	449
Other	(239)
	210

Deferred tax balances	**Opening Balance $'000**	**Charged to Income $'000**	**Charged to Other Comprehensive Income $'000**	**Acquisitions / Disposals $'000**	**Other $'000**	**Closing Balance $'000**
AGGREGATED						
2011 Gross Deferred Tax Liabilities						
Property Plant and Equipment	-	(2,691)	-	(18,698)	56	(21,333)
Inventories	-	286	-	(12,367)	-	(12,081)
Cash flow Hedges	-	-	-	-	-	-
Other	-	1,919	-	(6,273)	229	(4,125)
	-	(486)	-	(37,338)	285	(37,539)
2011 Gross Deferred Tax Assets						
Provisions	-	6,013	-	41,930	(73)	47,870
Property Plant and Equipment	-	(3,848)	-	865	15	(2,968)
Cash flow Hedges	-	-	3,364	-	-	3,364
Acquisition costs		21,075	-	-	-	21,075
Other	-	986	-	5,883	(232)	6,637
	-	24,226	3,364	48,678	(290)	75,978

	2011 $'000
The following deferred tax assets have not been brought to account as assets:	
- Tax losses - revenue	-
- Tax losses - capital	-
- Unused tax credits	-
	-

Tax Consolidation

Healthscope Hospital Holdings Pty. Ltd. elected to form a multiple entry consolidated group with effect from 22 September 2010. Healthscope Ltd and its controlled entities joined the consolidated group with effect from 12 October 2010.
The accounting policy in relation to this legislation is set out in Note 2(b).

Entities within the tax-consolidated group have entered into a tax funding arrangement, which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to / from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable / (payable) equal in amounts to the tax liability / (asset) assumed. The inter-entity receivable / (payable) is at call.

Contributions to fund the current tax liabilities are payable in accordance with the tax funding arrangement and reflects the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 10: TRADE AND OTHER RECEIVABLES

	2011 $'000
CURRENT	
Trade receivables	98,577
Provision for doubtful debts	(6,883)
	91,694
Loan to Adelaide Community Healthcare Alliance Inc. (i)	2,000
Goods and services tax recoverable	3,703
Other	1,724
	99,121
NON CURRENT	
Loan to Adelaide Community Healthcare Alliance Inc. (i)	6,000

(i) The loans due from the Adelaide Community Healthcare Alliance Inc bear interest at the sum of the bid rate and a commercial credit margin

Movement in the provision for doubtful debts	
Balance at beginning of the period	-
Amounts written off during the period	1,204
Amounts recovered during the period	(26)
Increase / (decrease) in allowance recognised in profit and loss	5,705
Balance at end of the period	6,883

Age of trade receivables that are past due but not impaired	
30 – 60 days	10,952
60 – 90 days	6,528
90 – 120 days	5,660
120 – 365 days	2,192
Greater than 365 days	2,858
Total	28,190

The average credit period for the provision of services is 30 days. No interest is charged on trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past provision of services, determined by reference to past default experience. During the current financial period, the allowance for doubtful debts increased by $6,883 thousand in the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of $28,575 thousand which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 71 days.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly the Responsibly Body believes that there is no further credit provision in excess of the allowance for doubtful debts.

During the period $113.4 million of trade receivables were sold to our financier under the Receivables Securitisation Program. The proceeds from the sale were used to retire non-current debt and reduce the overall cost of debt servicing.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 11: INVENTORIES

	2011 $'000
Consumable supplies at cost	43,985

NOTE 12: OTHER FINANCIAL ASSETS

NON CURRENT	
Loans and receivables carried at amortised cost:	
Bonds and sub-ordinated debts	2,500
Available-for-sale investments carried at fair value:	
Shares	209
	2,709

NOTE 13: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2011 $'000
Investment in associates	549
Investment in jointly controlled ventures	112
	661

Name	Principal Activities	Ownership Interest 2011 %	Carrying Amount of Investment 2011 $'000
Associates:			
Unlisted:			
The Mount Cath Lab Pty Ltd (Incorporated in Australia)	Cardiac catheterisation	50	549
Jointly controlled ventures:			
Darwin Cardiac Angiography Laboratory Joint Venture (Unincorporated and operating in Australia)	Cardiac catheterisation	50	112

Reconciliation of movement in investments accounted for using the equity method

	2011 $'000
Balance at the beginning of the period	-
Share of profit for the period	2,299
Dividends/distributions	(1,638)
	661

NOTE 13: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

Summarised financial information of associates	**2011 $'000**
Financial Position:	
Current assets	2,526
Non-current assets	11
Total assets	2,537
Current liabilities	(854)
Non-current liabilities	-
Total liabilities	(854)
Net assets	**1,683**
Group's share of net assets	549
Financial Performance:	
Share of associated entity's profit before income tax expense	2,824
Share of associated entity's income tax expense	(848)
Share of associated entity's profit after income tax	1,976

Summarised financial information of jointly controlled ventures

Financial Position:	
Current assets	32
Non-current assets	303
Total assets	**335**
Current liabilities	(74)
Non-current liabilities	(36)
Total liabilities	**(110)**
Net assets	225
Groups Share of net assets	112
Financial Performance:	
Share of profit before income tax expense	323
Income tax expense	-
Share of jointly controlled venturer's net profit	323

Dividends and distributions received during the period
During the period the Group received dividends of $1,315 thousand from its investments in associates and distributions of $323 thousand from its investment in jointly controlled entities.

Capital commitments and contingent liabilities
There are no capital commitments or contingent liabilities relating to associates and jointly controlled entities in the current period.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 14: PROPERTY, PLANT & EQUIPMENT

(a) Movements in Carrying Amounts

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

AGGREGATED	Freehold Land $'000	Buildings $'000	Leasehold Improvements $'000	Plant & Equipment $'000	Leased Plant & Equipment $'000	Total $'000
Balance at the beginning of the period	-	-	-	-	-	-
Additions through acquisition	239,598	465,969	59,536	246,700	18,297	1,030,100
Additions	-	97,036	22,456	15,516	2,897	137,905
Transfers		-	-	-	-	-
Accumulated depreciation	-	(11,801)	(7,297)	(22,540)	(2,452)	(44,090)
Disposals	-	-	-	(413)	-	(413)
Foreign currency exchange	-	-	-	-	-	-
Balance at 30 June 2011	**239,598**	**551,204**	**74,695**	**239,263**	**18,742**	**1,123,502**
Net book value						
At beginning of the period	-	-	-	-	-	-
At 30 June 2011	239,598	551,204	74,695	239,263	18,742	1,123,502

During the period ended 30 June 2011 the Group purchased property, plant and equipment to the value of $1,168 million and disposed of property, plant and equipment with a written down value of $413 thousand. The purchase price of property, plant and equipment is considered by the Responsible Body to at least equate to the market value of the assets at 30 June 2011.

The Responsible Body believe that the carrying value of property, plant and equipment will be fully recoverable from the assets use and subsequent disposal (refer Note 2(h)).

NOTE 15: INTANGIBLES

AGGREGATED	Goodwill $'000	Contract Management Rights $'000	Operating Rights $'000	Contract Development Costs $'000	Total $'000
Additions through acquisitions	1,830,029	81,000	12,580	19,234	1,942,843
Additions	-	-	4,333	634	4,967
Amortisation	-	(6,200)	(3,200)	(1,194)	(10,594)
Balance at 30 June 2011	**1,830,029**	**74,800**	**13,713**	**18,674**	**1,937,216**
Net book value					
As at beginning of the period	-	-	-	-	-
As at 30 June 2011	1,830,029	74,800	13,713	18,674	1,937,216

NOTE 15: INTANGIBLES (cont'd)

Allocation of goodwill and other intangibles to cash-generating units
The allocation of goodwill and other intangibles for impairment testing purposes is to three individual cash-generating units. The recoverable amounts of these cash-generating units are based on similar key assumptions and the aggregate carrying amount of goodwill and other intangible assets allocated to those units is provided below.

	2011 $'000
Goodwill	
Hospitals Australia	1,364,344
Pathology Australia	245,995
Pathology International	219,690
	1,830,029
Other intangibles	
Hospitals Australia	61,486
Pathology Australia	16,386
Pathology International	29,315
	107,187

The recoverable amount of each cash-generating unit is the net present value of the future cash flows of the cash-generating unit, which is determined on a value in use calculation. Recoverable amounts have been determined using:

- 2011/2012 management approved profit and loss and cash flow budgets for each cash-generating unit;
- Inherent growth factors consistent with current performance;
- Prevailing market based pre-tax discount rates for both the Group's debt and equity instruments (2011: 11%)
- Cash flow projections covering a five-year period and terminal value; and
- Terminal growth factors depending on the CGU have been set at between 3% and 4%;

Management believes that any reasonable possible change in the key assumptions, on which recoverable amount has been assessed would not cause any shortfall of recoverable amount in any of the cash generating units described above.

NOTE 16: TRADE AND OTHER PAYABLES

	2011 $'000
CURRENT	
Trade creditors	89,220
Sundry creditors and accruals	126,161
	215,381

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

NOTE 17: DEFERRED PURCHASE CONSIDERATION

	2011 $'000
CURRENT	
Deferred purchase consideration	1,548

The $1,548 million is made up of payment for the acquisition of businesses which are due and payable within the next 12 months.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 18: BORROWINGS

	2011
Secured – at amortised cost	**$'000**
Finance lease liabilities (i)	19,916
Hire purchase facilities	5,688
Mortgage (ii)	30,000
Bank loans (iii)	1,318,000
Capitalised borrowing costs	(66,852)
Debt securities (iv)	200,000
	1,506,752
Current	42,790
Non-current	1,463,962
	1,506,752

Summary of borrowing arrangements

(i) The finance lease liabilities are secured by way of fixed charges over the leased assets to which they relate and have lease terms ranging from 1 to 7 years.

(ii) The obligation to pay the purchase price for the Newcastle Hospital site is secured by real property mortgages.

(iii) Bank loans are secured by all asset security (in the nature of fixed and floating charges, share and loan mortgages and real property mortgages over certain parcels of material real property interests held by certain Group members) from certain entities of the Group including the entities who own the key operating assets of the Group.

(iv) The debt securities are subordinated debt obligations of Healthscope Notes Limited which rank behind the Senior Debt as set out in the Intercreditor Deed, and rank equally without any preference among themselves. The maturity date of these notes is 17 June 2016. The notes are secured over a majority of the assets and entities of the Healthscope Group on a subordinated basis to the Senior Debt.

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", the notes are considered to be "unsecured notes".

A syndicated facility of $1.55 billion was put in place on 22nd September 2010. The facility is a 5-year revolving debt facility, which matures on 11 October 2015.

NOTE 19: OTHER FINANCIAL LIABILITIES

	2011
	$'000
CURRENT	
Interest rate swaps	2,601
	2,601
NON CURRENT	
Intercompany loans	526,145
Interest rate swaps	8,608
	534,753

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 20: PROVISIONS

	2011 $'000
CURRENT	
Employee benefits (i)	86,456
Medical malpractice insurance (ii)	6,082
Onerous lease contracts (iii)	11,075
Other	936
	104,549
NON-CURRENT	
Employee benefits	15,950
Onerous lease contracts (iii)	14,558
	30,508

	Medical Malpractice Insurance (ii) $'000	Onerous lease contracts (iii) $'000
Consolidated		
Additions through acquisitions	7,760	-
Additional provisions recognised	(2,716)	25,633
Reductions arising from payments / other sacrifices of future economic benefits (Note 7)	2,679	-
Reductions resulting from re-measurement or settlement without cost	(1,641)	-
Balance at 30 June 2011	**6,082**	**25,633**
Current	6,082	11,075
Non current	-	14,558
	6,082	**25,633**

(i) The current provision for employee entitlements is calculated using probability models of employees reaching vesting dates. The calculations are based on pattern of leave taken and are grossed up for future rates, discounted to present value at mandated discount rates. They are inclusive of on-costs.

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

(iii) The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangement where applicable. The unexpired term of the leases range from 1 to 2 years.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 21: ISSUED CAPITAL

	2011 $'000
605,366,794 fully paid ordinary shares – APHG Holdings 2 Pty. Ltd	605,367
120,000,000 fully paid ordinary shares – APHG No 2 Holdings 2 Pty. Ltd	120,000
236,800,000 fully paid ordinary shares – CT HSP Holdings (Dutch) B.V.	236,800
	962,167
Fully paid ordinary shares	
Balance at respective incorporation dates	
Issue of shares – APHG Holdings 2 Pty. Ltd	605,367
Issue of shares – APHG No 2 Holdings 2 Pty. Ltd	120,000
Issue of shares – CT HSP Holdings (Dutch) B.V.	236,800
Balance at 30 June 2011	962,167

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par values concept in relation to share capital from 1 July 1998. Therefore, the APHG Holdings 2 Pty. Ltd and APHG No 2 Holdings 2 Pty. Ltd do not have a limited amount of authorised capital and issued shares do not have a par value.

NOTE 22: ACCUMULATED LOSSES

	2011 $'000
APHG Holdings 2 Pty. Ltd	(68,917)
APHG No 2 Holdings 2 Pty. Ltd	(3,350)
CT HSP Holdings (Dutch) B.V.	7,914
	(64,353)
Balance at respective incorporation dates	-
Profit for the period - APHG Holdings 2 Pty. Ltd	-
Profit for the period - APHG No 2 Holdings 2 Pty. Ltd	-
Profit for the period - CT HSP Holdings (Dutch) B.V.	
Balance at 30 June 2011	(64,353)

NOTE 23: RESERVES

(a) Foreign currency translation reserve

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

(b) Hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

NOTE 24: DIVIDENDS

During the period the Healthscope Group did not make any dividend or distribution payments. Since the end of the current period, the Group has not declared any dividends or distributions.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 25: COMMITMENTS FOR EXPENDITURE

	2011 $'000
Capital expenditure commitments:	
Capital expenditure projects	
Plant and equipment:	
- Not longer than 1 year	59,383
- Longer than 1 year but no longer than 5 years	-
- Longer than 5 years	-
	59,383

NOTE 26: CONTINGENT LIABILITIES

Estimates of material amounts of contingent liabilities, not provided for in the financial report:	
Bank guarantee to the Workcover Corporation of South Australia, in order to satisfy certain statutory agreements.	730
Bank guarantees in respect of property leases.	11,220

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 27: LEASES

(a) Finance lease commitments:	**2011** **$'000**
Minimum future lease payments	
Payable	
- Not later than 1 year	5,473
- Later than 1 year but no later than 5 years	14,516
- Later than 5 years	3,695
Minimum lease payments	23,684
Less future finance charges	(3,768)
Present value of minimum lease payments	19,916

These commitments represent future payments for various plant and equipment and have been recognised as a liability in the current financial period. No lease has a term greater than 12 years and all leases expire within the next 6 years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

Present value of minimum lease payments	
Payable	
- Not later than 1 year	4,602
- Later than 1 year but no later than 5 years	12,207
- Later than 5 years	3,107
Present value of minimum lease payments	19,916
Included in the financial statements:	
- Current borrowings (Note 18)	4,602
- Non current borrowings (Note 18)	15,314
Total	19,916

In relation to finance leases there are no restrictions imposed by lease arrangements.

(b) Operating lease commitments:

Operating leases relate to properties leased by the Group with lease terms between 1 and 30 years. All operating leases contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Non-cancellable operating leases contracted for but not capitalised in the financial report	
Payable:	
- Not later than 1 year	68,197
- Later than 1 year but no later than 5 years	117,638
- Later than 5 years	112,030
	297,865

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 28: CHANGES IN THE COMPOSITION OF THE AGGREGATED GROUP

During the period, the following changes to the aggregated group were completed.

Businesses Acquired:	**Date of Acquisition**	**Proportion of Ownership Acquired %**	**Cost of Acquisition $'000**
Total cash consideration			2,792,527
Total consideration in respect of current period acquisitions			**2,792,527**
Healthscope Limited	12-Oct-10	100	
Cash consideration			2,753,832
Other Acquisitions			
Dr Mason Stevenson Medical Practice	16-Nov-10	100	
Healthbridge Diagnostic Holdings Pty Ltd	31-Jan-11	100	
Dr Judith Hay Medical Practice	29-Jun-11	100	
Cash consideration			38,695
Total consideration			**2,792,527**

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 28: CHANGES IN THE COMPOSITION OF THE AGGREGATED GROUP (Cont'd)

Healthscope Limited:
On 12 October 2010, the Group acquired 100% of the share capital of Healthscope Limited. The acquisition comprised the hospital and diagnostic pathology businesses of Healthscope Limited in both Australia and overseas.

Details of the composition of the acquisition are:

Net assets acquired	**Fair value $'000**
Cash and cash equivalents	11,491
Trade and other receivables – current	98,675
Prepayments	14,666
Inventories	42,853
Tax refund receivable	8,175
Other financial assets – current	708
Trade and other payables	(185,382)
Deferred purchase consideration	(12,761)
Deferred revenue - current	(2,512)
Borrowings – current	(6,808)
Other financial liabilities – current	(16,891)
Provisions – current	(97,758)
Trade and other receivables – non current	8,000
Other financial assets – non current	5,348
Property, plant and equipment	1,023,316
Intangibles excluding goodwill	112,647
Deferred tax assets	48,678
Deferred revenue – non current	(3,668)
Borrowings – non current	(31,940)
Deferred tax liabilities	(37,338)
Provisions – non current	(23,651)
Book value of net assets acquired	955,848
Goodwill arising on acquisition	1,797,984
	2,753,832
Net cash outflow on acquisition of business	
Consideration paid in cash	2,753,832
Less: cash and cash equivalent balances acquired	(11,491)
	2,742,341

NOTE 28: CHANGES IN THE COMPOSITION OF THE AGGREGATED GROUP (Cont'd)

Dr Mason Stevenson Medical Practice:
On 16 November 2010, Healthscope Medical Centres acquired the business of Dr Mason Stevenson Medical Practice.
Healthbridge Diagnostics Holdings Pty Ltd:
On 31 January 2011, Clinical Laboratories Pty Ltd acquired 100% of the share capital of Healthbridge Diagnostics Holdings Pty Limited.
Judith Hay Medical Practice:
On 29 June 2011, Healthscope Medical Centres acquired the business of Judith Hay Medical Practice.

Details of the composition of the acquisition are:

Net assets acquired	**Fair value $'000**
Cash and cash equivalents	957
Trade and other receivables – current	2,256
Prepayments	878
Inventories	639
Trade and other payables	(3,111)
Borrowings – current	(754)
Provisions – current	(1,166)
Property, plant and equipment	6,784
Intangibles excluding goodwill	167
Book value of net assets acquired	6,650
Goodwill arising on acquisition	32,045
	38,695
Net cash outflow on acquisition of business	
Consideration paid in cash	38,695
Less: cash and cash equivalent balances acquired	(957)
	37,738

The initial accounting for these acquisitions has only been provisionally determined at reporting date. For tax purposes, the tax values of the acquired operations assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations have not been finalised and the adjustment to deferred tax liabilities and goodwill noted above has therefore only been provisionally determined based on the Responsible Body's best estimate of the likely tax values. The market value for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combinations.

Goodwill arose in the business combinations because the cost of the combinations included a control premium paid to acquire these operations. In addition the consideration paid for the combinations effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of the above operations. These benefits are not recognised separately from goodwill, as the future economic benefits arising from them cannot be reliably measured. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

NOTE 29: NOTES TO THE STATEMENT OF CASH FLOWS

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

	2011 $'000
Cash and cash equivalents	18,864
Bank overdrafts	-
	18,864

(b) Finance facilities	
Secured bank overdraft credit facility	-
Amount utilised	5,000
Unused credit facility	5,000
Secured credit facility (i)	1,318,000
Amount utilised	232,000
Unused credit facility	1,550,000
Receivables securitisation facility (ii)	113,423
Amount utilised	26,577
Unused credit facility	140,000

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

(ii) The Group has in place a receivables securitisation facility with its financier. Under the terms of the facility the Group was able to take off balance sheet $113,423 thousand of eligible receivables and use the proceeds for working capital purposes. The facility was extended on the 27th June 2011 for a further 12 months.

(c) Businesses acquired
During the financial period, the Group acquired the businesses as disclosed in Note 28. The net cash outflow on acquisitions was $2,780,079 thousand.

	2011 $'000
(d) Reconciliation of net loss for the period to net cash flows from operating activities	
Loss for the period	**(101,071)**
Non-cash flows in operating profit	
- Depreciation and amortisation	54,684
- Profit on sale of assets	(210)
Movement in deferred tax asset	3,966
Movement in current tax liability	588
Movement in deferred taxes liability	(1,819)
Changes in assets and liabilities:	
- Increase / (decrease) to provisions	9,899
- (Increase) / decrease in receivables	7,030
- (Increase) / decrease in prepayments	(1,487)
- (Increase) / decrease in inventories	(494)
- Increase / (decrease) in payables	26,888
Net cash from operating activities	**(2,026)**

NOTE 30: FINANCIAL INSTRUMENTS

(a) Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings, reserves, and non-controlling interests as disclosed in Notes 21, 22 and 23 respectively.

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the group's assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt.

The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

The Responsible Body of the Group reviews the capital structure on an annual basis. As a part of this review the Responsible Body considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at period-end was as follows:

	2011 $'000
Debt (i)	1,506,752
Cash and cash equivalents	(18,864)
Net debt	1,487,888
Equity (ii)	886,786
Net debt to equity ratio	168%

(i) Debt is defined as long and short-term borrowings (excluding derivatives and financial guarantee contracts), as detailed in Note 18.
(ii) Equity includes all capital and reserves of the Group that are managed as capital.

(b) Significant accounting policies
Details of the significant accounting policies and methods adopted, (including the criteria for recognition, the bases of measurement and the bases on which income and expenses are recognised) in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(c) Financial risk management objectives
The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Responsible Body, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

NOTE 30: FINANCIAL INSTRUMENTS (Cont'd)

The Corporate Treasury function reports regularly to executive management and the Responsible Body.

The Group's activities expose it primarily to the financial risks of changes in interest rates. To manage its exposure to interest rate risk, the Group enters into interest rate swaps to mitigate the risk of rising interest rates.

(d) Categories of financial instruments

The Group managed the following financial instruments as at 30 June 2011

	2011 $'000
Financial assets	
Cash and cash equivalents	18,864
Trade and other receivables	97,121
Loans	8,000
Available-for-sale financial assets	209

Financial liabilities	**2011 $'000**
Trade and other payables – at amortised cost	215,381
Loans and lease facilities – at amortised cost	1,506,752
Derivative instruments in designated hedge accounting relationships – at fair value	11,209

(e) Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counter parties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counter parties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter parties. Credit exposure is controlled by counter party limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other credit enhancements held.

NOTE 30: FINANCIAL INSTRUMENTS (Cont'd)

(f) Foreign currency risk management
Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Group is not significantly exposed to transactional foreign currency risk associated with receipts and payments that are required to be settled in foreign currencies. These transactions are minor in value and quantum with the exposure managed on an individual basis usually through the spot rate purchase of foreign currencies.

Foreign currency risk arising on the translation of the net assets of the Group's foreign controlled entities, which have a different functional currency, is managed at the Group level. Foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve. The Group is exposed to foreign exchange risk on its loans receivable and payable with overseas subsidiaries. All loans are denominated in AUD, with the overseas subsidiaries exposed to currency fluctuations between their functional currency and the reporting currency. Such exposure is limited to New Zealand dollars (NZD), Singapore dollars (SGD) and Malaysian ringgits (MYR).

The sensitivity analysis table below details the impact on the Group's net profit after tax from a 10% movement in the value of the Australian Dollar (reporting currency) against the functional currencies of New Zealand, Malaysia and Singapore. 10% is the sensitivity rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible changes in foreign currency risk.

	2011 $'000
A 10% decrease in the Australian Dollar would have decreased net profit after tax by	967
A 10% increase in the Australian Dollar would have increased net profit after tax by	791

(g) Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Responsible Body, which has established an appropriate liquidity risk management framework for the management of the Group's short-term, medium-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. Included in Note 30 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The Healthscope Group's finance facilities are subject to certain covenants as outlined in the Senior Facility Agreement and Healthscope Notes Terms of Issue as at 30 September 2010.

The financial covenants comprise:

- Interest cover ratio;
- Senior gearing ratio;
- Debt service cover ratio;
- Capital expenditure.

At the date of this financial report the Responsible Body of the Healthscope Group is satisfied that the minimum requirements of the covenants have been met and that there is no event, or potential event of default under the Senior Finance Documents

Liquidity and interest risk table: Non-derivative financial instruments
The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

NOTE 30: FINANCIAL INSTRUMENTS (Cont'd)

Group	Weighted average effective interest rate %	Less than 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
2011					-
Non-interest bearing	-	215,381	-	-	215,381
Finance lease liability	6.61%	3,767	14,684	3,221	21,672
Variable interest rate instruments	9.20%	267,678	1,664,903	-	1,932,581
Fixed interest rate instruments	11.25%	22,623	289,569	-	312,192
		509,449	1,969,156	3,221	2,481,826

Liquidity and interest risk table: Derivative financial instruments
The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual cash flows on derivative instruments that settle on a net basis.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
2011						
Net settled:						
Interest rate swaps	-	1,105	4,604	6,933	-	12,642
	-	1,105	4,604	6,933	-	12,642

(h) Interest rate risk management
The Group are exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings, through the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.
The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this Note.

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points lower or higher and all other variables were held constant, the Group's:

- Net profit after tax would increase by $1.878 million and decrease by $2.215 million. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has increased slightly during the current period mainly due to the increase in variable interest rates during the period.

NOTE 30: FINANCIAL INSTRUMENTS (Cont'd)

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable debt held. The fair value of interest swaps at the reporting date is determined by discounting the future cash flows using the interest rate curves at reporting date and the credit risk inherent in the contract, and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial period.

The following table details the notional principal amounts and the remaining terms of interest rate swap contracts outstanding as at the reporting date. All interest rate swaps are held in the name of the Healthscope Limited.

Cash Flow hedges

	Average contracted fixed rate 2011 %	Notional principal amount 2011 $'000	Fair Value 2011 $'000
Less than 1 year	-	-	-
1 to 2 years	-	-	-
2 to 3 years	5.3375%	75,000	(455)
3 to 4 years	5.6075%	900,000	(10,753)
5 years +	-	-	-
		975,000	(11,209)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian BBSW. The Group will settle the difference between the fixed and floating interest rate on a net basis.
All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in the profit or loss over the period that the floating interest rate payments on the debt impact profit of loss.

(i) Fair value of financial instruments carried at amortised cost

Except as detailed below, the Responsible Body considers the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

	2011 Carrying amount $'000	2011 Fair value $'000
Financial assets		
Trade receivables	98,577	91,694

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions
- The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives
- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

NOTE 30: FINANCIAL INSTRUMENTS (Cont'd)

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Available for sale financial assets	209	-	-	**209**
Derivative financial assets	-	-	-	**-**
	209	-	-	**209**
Financial liabilities				
Derivative financial liabilities	-	(11,209)	-	**(11,209)**
	-	(11,209)	-	**(11,209)**

There were no transfers between level 1 and level 2 in the period.

NOTE 31: RELATED PARTY TRANSACTIONS

Transactions with key management personnel and their related entities
From time to time the company and the Group enter into transactions with Responsible Body related parties. These transactions are on normal commercial terms and conditions and are no more favourable than those available to other parties. Accordingly such transactions are not disclosed.

The Group do not have any loans payable to or receivable from key management personnel. No loans were issued or repaid with such personnel during the period.

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 35 to the financial statements.

Equity interests in associates and joint ventures
Details of interests in associates and joint ventures are disclosed in Note 13 to the financial statements.

NOTE 32: KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2011 $
Short term employment benefits	854,857
Post-employment benefits	48,437
	903,294

NOTE 33: AUDITORS' REMUNERATION

	2011 $
Auditor of the Healthscope Group	
Audit or review of the financial report	473,000
Other non-audit services	189,000
	662,000
Other auditors	
Audit or review of the financial report	158,000
	820,000

The auditor of the Healthscope Group is Deloitte Touche Tohmatsu

NOTE 34: SUBSEQUENT EVENTS

To the best knowledge of the Responsible Body, there has been no matter or circumstance that has arisen since the end of the period that has significantly affected or may affect the Group's operations or state of affairs in future financial periods.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 35: ENTITES WITHIN THE AGGREGATED GROUP

Name of Entity	County of Incorporation	% Owned 2011 %
Parent Entity:		
APHG Holdings 2 Pty. Ltd	**Australia**	
Healthscope Limited	Australia	100
Healthscope Finance Pty Ltd	Australia	100
Asia Pacific Healthcare Group Pty Ltd	Australia	100
Healthscope South Australia Pty Ltd	Australia	100
Healthscope (Tasmania) Pty Ltd	Australia	100
Healthscope (Tasmania Finance) Pty Ltd	Australia	100
Maybury Craft Pty Ltd	Australia	100
Darwin Private Hospital Pty Ltd	Australia	100
Australian Hospital Care (Como) Pty Ltd	Australia	100
Australian Hospital Care (Dorset) Pty Ltd	Australia	100
Australian Hospital Care (Knox) Pty Ltd	Australia	100
Australian Hospital Care (Lady Davidson) Pty Ltd	Australia	100
Australian Hospital Care (Ringwood) Pty Ltd	Australia	100
The Victorian Rehabilitation Centre Pty Ltd	Australia	100
Healthscope Diagnostic Imaging Pty Ltd	Australia	100
Melbourne Hospital Pty Limited	Australia	100
P.O.W Hospital Pty Ltd	Australia	100
Brisbane Private Hospital Pty Ltd	Australia	100
QPH Wickham Pty Ltd	Australia	100
Newcastle Private Hospital Pty Ltd	Australia	100
Nova Health Pty Limited	Australia	100
Brisbane Waters Administration Pty Ltd	Australia	100
Brisbane Waters Equities Pty Ltd	Australia	100
HCA Holdings (Southport) Pty Ltd	Australia	100
HCA Management Company Pty Ltd	Australia	100
Pacific Private Hospital Pty Ltd	Australia	100
A.C.N. 141 265 714 Pty Ltd previously (Healthscope Aged Care Pty Ltd)	Australia	100
Allamanda Private Hospital Pty Ltd	Australia	100
Allamanda Surgicentre Pty Ltd	Australia	100
APHG Holdings 2 Pty. Ltd (cont'd)		
Rivercity Private Hospital Pty Ltd	Australia	100
Tweed Surgicentre Pty Ltd	Australia	100
Histoderm Pty Ltd	Australia	100
Healthscope Property Pty Ltd	Australia	100
Parent entity: APHG No 2 Holdings 2 Pty Ltd	**Australia**	
A.C.N 009 076 555 Pty Ltd	Australia	100
Clinical Laboratories Pty Ltd	Australia	100
FHIC Pty Ltd	Australia	100
General Pathology Laboratories Pty Ltd	Australia	100
Gribbles Molecular Science Pty Ltd	Australia	100
Gribbles Administrative Services Pty Ltd	Australia	100
Gribbles Pathology Pty Ltd	Australia	100
Mazlin Investments Pty Ltd	Australia	100
The Gribbles Group Pty Ltd	Australia	100
28-050-049-780 Pty Ltd	Australia	100
43 065 317 106 Pty Ltd	Australia	100
96 002 869 632 Pty Ltd	Australia	100
Davies, Campbell & de Lambert Pty Ltd	Australia	100
Medibill Pty Ltd	Australia	100
Grahame Hookway & James Carroll Medical Practice Company Pty Ltd	Australia	100
Nextpath Pty Ltd	Australia	100
Analytical References Laboratories Pty Ltd	Australia	100
Yarra Ranges Pathology Pty Ltd	Australia	100
Australian Dermatopathology Laboratory Pty Ltd	Australia	100
Bayside Pathology Pty Ltd	Australia	100
Advanced Medical Technology Pty Ltd	Australia	100

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 35: ENTITIES WITHIN THE AGGREGATED GROUP (Cont'd)

Name of Entity	County of Incorporation	% Owned 2011 %
APHG No 2 Holdings 2 Pty Ltd (Cont'd)		
Solaris Pathology Pty Ltd	Australia	100
E-clinic Pty Ltd	Australia	100
Palcare Pty Ltd	Australia	50
D F G Clinics Pty Ltd	Australia	100
Skin Alert Pty Ltd	Australia	100
Healthscope Medical Centres Pty Ltd	Australia	100
Hopkins Services Pty Ltd	Australia	100
Molescan Australia Pty Ltd	Australia	100
HCOA Pty Ltd	Australia	100
Healthcare of Australia Pty Ltd	Australia	100
Healthcare of Australia Holdings Pty Ltd	Australia	100
Healthbridge Diagnostics Holdings Pty Limited	Australia	100
Diagnostic Finance Pty Limited	Australia	100
Australian Diagnostics Group Pty Limited	Australia	100
Pathology Victoria Pty Limited	Australia	100
Pathology Specialists Pty Limited	Australia	100
Pathology Diagnostics Pty Limited	Australia	100
Pathology NSW Pty Limited	Australia	100
Pathology First Pty Limited	Australia	100
Pathology Vision Pty Limited	Australia	100
Pathology South Coast Pty Limited	Australia	100
APHG No.2 Holdings 3 Pty Ltd	Australia	100
APHG No.2 Pty Ltd	Australia	100
The Gribbles Group (Mauritius) Limited	Mauritius	100
Parent entity: CT HSP Holdings (Dutch) B.V.	**Netherlands**	
Healthscope New Zealand Ltd	New Zealand	100
New Zealand Diagnostic Group Ltd	New Zealand	100
Southern Community Laboratories Ltd	New Zealand	100

Name of Entity	County of Incorporation	% Owned 2011 %
CT HSP Holdings (Dutch) B.V.(cont'd)		
Riccarton Radiology Ltd	New Zealand	100
SCL Hawkes Bay Ltd	New Zealand	100
Moorhouse Radiology Ltd	New Zealand	75
SCL Canterbury Ltd	New Zealand	100
SCL Otago Southland Ltd	New Zealand	100
SCL Otago Southland Services Ltd	New Zealand	100
SCL Otago Southland Code Services Ltd	New Zealand	100
Gribbles Pathology (Malaysia) SDN BHD	Malaysia	100
Gribbles Cytology Services SDN BHD	Malaysia	100
Gribbles Information Technology SDN BHD	Malaysia	100
The Medical Laboratory (S) Pte Ltd	Singapore	100
Quest Laboratories Pte Ltd	Singapore	100
Doctorslab Diagnostics Pte Ltd	Singapore	100
Northland Pathology Laboratory Ltd	New Zealand	100
Labtests Limited	New Zealand	100
Lab Tests Auckland Ltd	New Zealand	100
Labnet Invermay Limited	New Zealand	100
Gribbles Veterinary Pathology Ltd	New Zealand	100
APHG NZ Investments Limited	New Zealand	100
Quest Laboratories Vietnam Co. Ltd	Vietnam	100

Healthscope Hospitals Pty Limited is the head entity of the Australian tax-consolidated group. All Australian incorporated subsidiaries listed above are part of the Australian tax-consolidated group.

RESPONSIBLE BODY'S DECLARATION

The Directors of each of:

- Healthscope Hospitals Holdings Pty Ltd (ACN 144 840 639);
- Healthscope Pathology Holdings Pty Ltd (ACN 145 250 157); and
- CT HSP Holdings (Dutch) B.V. (registration no. 34308383),

(together the '**Responsible Body'**) have agreed to appoint Mr Robert Cooke to act on their behalf for the purposes of making this Responsible Body's Declaration for the Healthscope Group.

The Responsible Body declares that in its opinion:

(a) there are reasonable grounds to believe that the Healthscope Group will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements, and give a true and fair view of the financial position and performance of the Healthscope Group.

On behalf of the Responsible Body

R Cooke
Executive Chairman and Managing Director
Melbourne, 25 August 2011