HEALTHSCOPE GROUP

AGGREGATED ANNUAL REPORT

For the year ended 30 June 2012

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HEALTHSCOPE GROUP

RESPONSIBLE BODY'S REPORT

*The Responsible Body submits the financial report of the Healthscope Group for the year ended 30 June 2012 (**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:

- Healthscope Hospitals Holdings No. 2 Pty. Ltd., (ACN 145 126 094) and its controlled entities;
- Healthscope Pathology Holdings No. 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:

- Healthscope Hospitals Holdings No. 2 Pty. Ltd. (formerly APHG Holdings 2 Pty. Ltd.), (ACN 145 126 094) incorporated in Australia on 9 July 2010.

- Healthscope Pathology Holdings No. 2 Pty. Ltd. (formerly 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.

COMPARATIVE INFORMATION

Comparative information in the aggregated statement of comprehensive income, the aggregated statement of changes in equity, the aggregated statement of cash flows and related notes cover the period from 9 July 2010 to 30 June 2011 for Healthscope Hospitals Holdings No. 2 Pty. Ltd., from 15 September 2010 to 30 June 2011 for Healthscope Pathology Holdings No. 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 FOR VI SPV, L.P.) and Carlyle (Carlyle HSP Partners, L.P.) on 12 October 2010, hence its trading results are included in the comparative for the period 12 October 2010 to 30 June 2011.

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 financial year are:

Healthscope Hospitals Holdings Pty. Ltd.
Mr. S.C. Moore
Mr. R.J. Cooke
Ms. K.K. Bechtel
Mr. M.D. Hunter
Mr. S.J. Schneider
Mr. A.J. Shastry
Mr. T.B. Sisitsky
Mr. S. Wise
Mr. R. Seow

Healthscope Pathology Holdings Pty. Ltd.
Mr. S.C. Moore
Mr. R.J. Cooke
Ms. K.K. Bechtel
Mr. M.D. Hunter
Mr. S.J. Schneider
Mr. A.J. Shastry
Mr. T.B. Sisitsky
Mr. S. Wise
Mr. R. Seow

CT HSP Holdings (Dutch) B.V.
Mr. D.J. Jaarsma
Mr. T.B Mayrhofer
Mr. J.E. Viola retired 16 February 2012
Mr. G.A.R. Warris
Mr. M. L. Davidson appointed 16 February 2012

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.

PRINCIPAL ACTIVITIES

The principal activities of the Healthscope Group in the course of the financial year were the provision of healthcare services through the ownership and management of hospitals, medical centres and the provision of diagnostic services (pathology).

DIVIDENDS

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

OPERATING RESULTS

The aggregated profit of the Healthscope Group for the year, after income tax expense, amounted to $15.5 million (2011: loss of $63.8 million, restated).

HEALTHSCOPE GROUP

RESPONSIBLE BODY'S REPORT

REVIEW OF OPERATIONS

The following table reconciles the net profit/loss for the period to operating EBITDA which is the key performance metric used by management to assess the financial performance of each operating segment:

Operating EBITDA	Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000 (1)(2)
Net profit/(loss) for the period	15,492	(63,806)
Add back		
Income tax expense/(benefit)	6,643	(35,257)
Net finance cost	185,614	130,541
Depreciation and amortisation	84,705	54,138
Earnings before finance costs, income tax depreciation and amortisation (EBITDA)	**292,454**	**85,616**
Add back		
Other expenses		
Acquisition costs	1,794	81,632
Restructure and other costs	8,798	34,623
Total other expenses	10,592	116,255
Operating earnings before finance costs, income tax depreciation and amortisation (Operating EBITDA)	**303,046**	**201,871**

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

The following table provides an analysis of the operating EBITDA achieved for each segment for the financial year ended 30 June 2012.

Operating EBITDA	Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000 (1)
Hospitals Australia	252,504	164,850
Pathology Australia	23,371	22,220
Pathology International	38,666	25,414
Corporate	(11,495)	(10,613)
	303,046	**201,871**

(1) Healthscope Limited (ACN. 006 405 152), and its controlled entities were acquired by funds advised and managed by TPG & Carlyle on 12 October 2010, hence the trading results of the former Healthscope Limited are included in the comparative from the period 12 October 2010 to 30 June 2011.

(2) The comparative figures presented have been restated following the finalisation of the accounting for the acquisition of Healthscope Ltd.

HEALTHSCOPE GROUP

RESPONSIBLE BODY'S REPORT

SUBSEQUENT EVENTS

On 16th May 2012, Healthscope announced it had entered into agreements for the sale of its human and commercial pathology business in Queensland, New South Wales (including ACT) and Western Australia to Sonic Healthcare Ltd (Sonic), and that the proposed transactions were subject to ACCC and regulatory approvals.

On 2nd August 2012, the ACCC extended its investigation timeframes; Healthscope advised at that time the proposed divestments to Sonic are now expected to be completed in September 2012.

Other than the matter noted above, 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 year that has significantly affected or may affect the Healthscope Group's operations or state of affairs in future financial years.

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 financial year, 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 year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Healthscope Group or of any related body corporate against liability incurred as such an officer or auditor.

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

R Cooke
Executive Chairman and Managing Director

Melbourne, 29 August 2012

Deloitte.

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

29 August 2012

Dear Responsible Body members,

Healthscope Group

In compliance with the independence requirements of section 307C of the *Corporations Act 2001*, 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 year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

T Imbesi
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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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 (as defined below), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year 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 55.

The Healthscope Group comprises the aggregation of:

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

and the entities they controlled as at 30 June 2012 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 and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 2, the Responsible Body also state, 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 management, 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.

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Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the professional accounting bodies in Australia. We confirm that the independence declaration, which has been given to the Responsible Body of the Healthscope Group, would be in the same terms if given to the Responsible Body as at the time of this auditor's report.

Opinion

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 2012 and its financial performance for the year 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, 29 August 2012

HEALTHSCOPE GROUP

AGGREGATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $'000	(Restated) 2011 $'000 (1)
Revenue	6	2,115,831	1,429,282
Share of profits of associates and joint ventures accounted for using the equity method	15	2,623	2,299
Employee benefits expense	8(b)	(979,107)	(666,037)
Medical and consumable supplies		(300,505)	(201,920)
Prosthetics expenses		(223,819)	(152,812)
Occupancy costs		(105,745)	(68,386)
Service costs		(206,232)	(140,555)
Other expenses:			
Acquisition costs	9	(1,794)	(81,632)
Restructure and other costs	9	(8,798)	(34,623)
Profit before depreciation, amortisation, finance costs and income tax		**292,454**	**85,616**
Depreciation and amortisation	8(c)	(84,705)	(54,138)
Profit before finance costs and income tax		**207,749**	**31,478**
Net finance costs	7	(185,614)	(130,541)
Profit/(loss) before income tax		**22,135**	**(99,063)**
Income tax (expense) / benefit	10	(6,643)	35,257
Net profit/(loss) for the period		**15,492**	**(63,806)**
Other Comprehensive Income			
Exchanges differences arising on translation of foreign operations		3,601	(3,167)
Loss on cash flow hedges taken directly to equity		(50,127)	(11,209)
Income tax benefit relating to other comprehensive income		15,038	3,364
Other comprehensive income / (loss) for the period, net of tax		(31,488)	(11,012)
Total comprehensive income / (loss) for the period		**(15,996)**	**(74,818)**

(1) The comparative figures presented have been restated following the finalisation of the accounting for the acquisition of Healthscope Limited. Note 4 illustrates the impact of the restatement on the comparative period.

The accompanying notes numbered 1 to 37 form part of this financial report.

HEALTHSCOPE GROUP

AGGREGATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $'000	(Restated) 2011 $'000 [1]
CURRENT ASSETS			
Cash and cash equivalents	31(a)	56,644	18,864
Trade and other receivables	11	85,466	97,675
Prepayments		14,777	17,011
Current tax assets	10	1,793	210
Inventories	12	43,205	43,985
Assets classified as held for sale	14	88,552	-
TOTAL CURRENT ASSETS		**290,437**	**177,745**
NON CURRENT ASSETS			
Trade and other receivables	11	4,000	6,000
Other financial assets	13	2,730	2,709
Investments accounted for using the equity method	15	711	661
Property, plant and plant	16	1,141,421	1,105,728
Intangible assets	17	1,904,430	1,967,266
Deferred tax assets	10	77,298	75,978
TOTAL NON-CURRENT ASSETS		**3,130,590**	**3,158,342**
TOTAL ASSETS		**3,421,027**	**3,336,087**
CURRENT LIABILITIES			
Trade and other payables	18	212,795	216,957
Current tax liabilities	10	1,093	-
Deferred purchase consideration	19	1,160	1,548
Deferred revenue		2,858	2,767
Borrowings	20	63,956	42,790
Other financial liabilities	21	23,631	2,601
Provisions	22	107,911	108,827
Liabilities directly associated with assets classified as held for sale	14	4,110	-
TOTAL CURRENT LIABILITIES		**417,514**	**375,490**
NON-CURRENT LIABILITIES			
Borrowings	20	1,515,016	1,464,142
Deferred revenue		-	2,091
Other financial liabilities	21	554,023	534,753
Deferred tax liabilities	10	37,900	37,499
Provisions	22	25,237	34,779
TOTAL NON CURRENT LIABILITIES		**2,132,176**	**2,073,264**
TOTAL LIABILITIES		**2,549,690**	**2,448,754**
NET ASSETS		**871,337**	**887,333**
EQUITY			
Issued capital	23	962,167	962,167
Reserves	25	(42,516)	(11,012)
Accumulated losses	24	(48,314)	(63,806)
Minority Interest		-	(16)
TOTAL EQUITY		**871,337**	**887,333**

(1) The comparative figures presented have been restated following the finalisation of the accounting for the acquisition of Healthscope Limited. Note 4 illustrates the impact of the restatement on the comparative period.

The accompanying notes numbered 1 to 37 form part of this financial report.

HEALTHSCOPE GROUP

AGGREGATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,126,474	1,433,770
Payment to suppliers and employees		(1,825,108)	(1,242,848)
Cash generated from operations		**301,366**	**190,922**
Interest received		1,850	2,095
Interest and costs of finance paid		(173,938)	(103,661)
Income tax paid		(4,965)	(1,560)
Other expenses		(12,602)	(89,822)
Net cash used in operating activities	31(d)	**111,711**	**(2,026)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		12,702	623
Payments for property, plant and equipment		(87,744)	(61,998)
Brownfield facility developments		(48,238)	(76,907)
Payments for operating rights		(7,546)	(4,966)
Proceeds from ACHA loan		2,000	1,000
Net cash outflow on acquisition of businesses	30	(2,784)	(2,780,079)
Net cash used in investing activities		**(131,610)**	**(2,922,327)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity securities		-	962,384
Proceeds from borrowings		89,000	2,276,207
Repayments of borrowings		(32,500)	(212,000)
Proceeds from receivables securitisation		631	4,512
Finance leasing		548	(4,407)
Facility fees paid		-	(83,574)
Net cash provided by financing activities		**57,679**	**2,943,122**
Net increase/(decrease) in cash and cash equivalents		**37,780**	**18,769**
Cash and cash equivalents at the beginning of the financial period		18,864	-
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	31(a)	**56,644**	**18,864**

The accompanying notes numbered 1 to 37 form part of this financial report.

AGGREGATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

2011	Issued capital $'000	(Restated) Accumulated losses $'000 [1]	Minority Interest $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Total equity $'000 [1]
Opening balance at respective incorporation dates	-	-	-	-	-	-
Loss for the period	-	(64,353)	-	-	-	(64,353)
Impact of acquisition fair value adjustments (Note 4)	-	547	-	-	-	547
Adjusted loss for the financial year	-	(63,806)	-	-	-	(63,806)
Exchange differences arising on translation of foreign operations	-	-	-	(3,167)	-	(3,167)
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	**-**	**(63,806)**	**-**	**(3,167)**	**(7,845)**	**(74,818)**
Non-controlling interest on acquisition	-	-	(16)	-	-	(16)
Issue of shares	962,167	-	-	-	-	962,167
Closing balance at 30 June 2011	**962,167**	**(63,806)**	**(16)**	**(3,167)**	**(7,845)**	**887,333**

2012	Issued capital $'000	Accumulated losses $'000	Minority Interest $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Total equity $'000
Opening balance at 1 July 2011	962,167	(63,806)	(16)	(3,167)	(7,845)	887,333
Net profit for the period	-	15,492	-	-	-	15,492
Exchange differences arising on translation of foreign operations	-	-	16	3,585	-	3,601
Loss on cash flow hedges	-	-	-	-	(50,127)	(50,127)
Income tax relating to components of other comprehensive income	-	-	-	-	15,038	15,038
Total comprehensive income for the period	**-**	**15,492**	**16**	**3,585**	**(35,089)**	**(15,996)**
Closing balance at 30 June 2012	**962,167**	**(48,314)**	**-**	**418**	**(42,934)**	**871,337**

(1) The comparative figures presented have been restated following the finalisation of the accounting for the acquisition of Healthscope Limited. Note 4 illustrates the impact of the restatement on the comparative period.

The accompanying notes numbered 1 to 37 form part of this financial report.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

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:

- Healthscope Hospitals Holdings No. 2 Pty. Ltd. (ACN 145 126 094) and its controlled entities;
- Healthscope Pathology Holdings No. 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 notes are secured over the assets and entities of the Healthscope Group on a subordinated basis to the Senior Debt.

The principal place of business of the Group is:

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

The principal activities of the Healthscope Group during the financial year ended 30 June 2012 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 29 August 2012. 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 2012 for the Group is a surplus of current liabilities over current assets of $127 million (2011: $198 million (restated)).

The contributing factors to this deficiency are:

(i) The Group continued to utilise the accounts receivable securitisation facility for $140 million. During the period $114.1 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) Certain liabilities are classified as "current liabilities" according to the requirements of accounting standards however the Group do not anticipate that all of these amounts will be settled in cash within the next 12 months from the date of this financial report. Such liabilities include current employee entitlements of $93.0 million (2011: $86.5 million).

The Group generates significant operating cash inflows. 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 and are satisfied that the Healthscope Group will be able to pay its debts as and when they fall due for a period of 12 months from the date of this financial report.

NOTE 2: 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.

Basis of aggregation

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

- Healthscope Hospitals Holdings No. 2 Pty. Ltd. and all of its controlled entities,
- Healthscope Pathology Holdings No. 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 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

In the current year, the tax cost base of certain assets held within the Australian tax consolidated group was changed to reflect the values as determined by an independent valuer as at the date of acquisition of Healthscope Limited by the sponsors. This resulted in a decrease of $36.4 million in deferred tax liabilities with a corresponding decrease in goodwill related to the acquisition of Healthscope Limited.

Current and deferred tax for the year
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 Hospitals 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 Hospitals 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 20%
Leasehold improvements	2% to 100%
Plant & equipment	5% to 50%
Leased assets	14% to 20%

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 eams 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair vale less costs to sell.

(w) 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***
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
ASSB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
ASSB 11 'Joint Arrangements'	1 January 2013	30 June 2014
ASSB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements;	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 ' Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

The Responsible Body has yet not performed a detailed analysis of the impact of the application of the standards and interpretations in issue not yet adopted and hence have not yet quantified the extent of the impact.

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 2012 at $6.876 million (2011: $7.139 million (restated)).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 recoverable amount for the cash-generating units to which these assets have been allocated. The recoverable amount of each cash-generating unit is the greater of its value in use or fair value less costs to sell.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form. Value in use is determined by applying assumptions specific to the Group's continued use and cannot take into account future development. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Further details with respect to key assumptions are disclosed in Note 17.

The carrying amount of goodwill at the end of the reporting period was $1,814.0 million (2011: $1,868.6 million, restated). The carrying amount of other intangible assets at the end of the reporting period was $90.5 million (2011: $98.7 million, restated). No impairment loss was recorded in the current period.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 4: FINALISATION OF PROVISIONAL ACCOUNTING FOR THE ACQUISITION OF HEALTHSCOPE LIMITED.

On 12 October 2010, the Group acquired 100% of the share capital of Healthscope Limited.

As at 30 June 2011, the acquisition accounting for Healthscope Limited was disclosed on a provisional basis. During the financial year ended 30 June 2012, the acquisition accounting was finalised resulting in retrospective adjustment to the acquired net assets of Healthscope Limited and the measurement of goodwill arising from the acquisition.

The fair value adjustments recognised subsequent to 30 June 2011 primarily relate to the revaluation of property, plant and equipment, revaluation of identifiable intangible, adjustments to the measurement of provisions and adjustments to opening deferred tax balances.

The following tables illustrates the quantum of the fair value adjustments recognised during the financial year and their impact on the prior year comparatives presented in this financial report.

Balance Sheet (extract)	**30 Jun 2011**	**Restatement amount**	**30 Jun 2011 (Restated)**
	$'000	**$'000**	**$'000**
Trade and other receivables	99,121	(1,446)	97,675
Prepayments	17,029	(18)	17,011
TOTAL CURRENT ASSETS	179,209	(1,464)	177,745
Property, plant and equipment	1,123,502	(17,774)	1,105,728
Intangible assets	1,937,216	30,050	1,967,266
TOTAL NON-CURRENT ASSETS	3,146,066	12,276	3,158,342
TOTAL ASSETS	3,325,275	10,812	3,336,087
Trade and other payables	215,381	1,576	216,957
Provisions	104,549	4,278	108,827
TOTAL CURRENT LIABILITIES	369,636	5,854	375,490
Borrowings	1,463,962	180	1,464,142
Deferred tax liabilities	37,539	(40)	37,499
Provisions	30,508	4,271	34,779
TOTAL NON-CURRENT LIABILITIES	2,068,853	4,411	2,073,264
TOTAL LIABILITES	2,438,489	10,265	2,448,754
NET ASSETS	886,786	547	887,333
Accumulated losses	(64,353)	547	(63,806)
TOTAL EQUITY	886,786	547	887,333

Income statement (extract)	**Period ended 30 June 2011**	**Restatement amount**	**Period ended 30 June 2011 (Restated)**
	$'000	**$'000**	**$'000**
Depreciation and amortisation	(54,685)	547	(54,138)
Profit before finance cost and income tax	30,931	547	31,478
Loss before income tax	(99,610)	547	(99,063)
Income tax (expense)/benefit	35,257	-	35,257
Loss for the period	(64,353)	547	(63,806)
Total comprehensive income for the period	(75,365)	547	(74,818)

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 5: 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 and medical services
- Pathology International - the provision of pathology services overseas

	Segment revenue (i)		Segment operating EBITDA (ii)		Segment profit (iii)	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Hospitals Australia	1,584,206	1,065,077	252,504	164,850	205,278	131,062
Pathology Australia	364,579	255,885	23,371	22,220	4,328	10,785
Pathology International	167,046	108,320	38,666	25,414	24,649	16,640
Total all segments	**2,115,831**	**1,429,282**	**314,541**	**212,484**	**234,255**	**158,487**
Corporate			(11,495)	(10,613)	(15,914)	(10,754)
Total all segments after corporate			**303,046**	**201,871**	**218,341**	**147,733**
Acquisition, restructure and other costs					(10,592)	(116,255)
Finance costs					(185,614)	(130,541)
Profit / (loss) before income tax					**22,135**	**(99,063)**
Income tax (expense) / benefit					(6,643)	35,257
Net profit/ (loss)					**15,492**	**(63,806)**

(i) The revenue reported above represents revenue generated from operations as disclosed in Note 6.

(ii) Segment operating EBTIDA represents the profit earned by each segment without the allocation of central administrative costs, investment revenue, finance costs, income tax expense, other expenses, and gains or losses on the disposal of associates or discontinued operations.

(iii) Segment profit represents the profit earned by each segment without the allocation of central administrative costs, investment revenue, finance costs, income tax expense, other expenses, 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.

Other segment information	Total assets		Depreciation & amortisation	
		(Restated)		(Restated)
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Hospitals Australia	2,655,810	2,580,591	47,226	33,788
Pathology Australia	428,161	424,452	19,043	11,435
Pathology International	328,146	319,070	14,017	8,774
Total all segments	**3,412,117**	**3,324,113**	**80,286**	**53,997**
Corporate	8,910	11,974	4,419	141
Total	**3,421,027**	**3,336,087**	**84,705**	**54,138**

	Additions to non-current assets		Carrying value of equity accounted investments	
		(Restated)		(Restated)
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Hospitals Australia	95,837	2,457,820	711	661
Pathology Australia	31,690	370,270	-	-
Pathology International	14,733	296,200	-	-
Total all segments	**142,260**	**3,124,290**	**711**	**661**
Corporate	1,495	14,891	-	-
Total	**143,755**	**3,139,181**	**711**	**661**

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 6: REVENUE

	2012	2011
	$'000	$'000
An analysis of the Group's revenue for the period is as follows:		
Revenue from rendering services	2,065,974	1,394,162
Rental revenue	21,552	15,872
Management fees	14,577	8,912
Other Revenue	13,728	10,336
Total Revenue	**2,115,831**	**1,429,282**

NOTE 7: FINANCE INCOME AND EXPENSE

	2012	2011
	$'000	$'000
Finance Income		
Bank deposits	1,850	2,095
Finance Expense		
Interest on bank overdrafts and loans	(171,970)	(117,994)
Facility fees	(15,509)	(16,780)
Interest capitalised to qualifying assets	1,957	3,214
Interest on obligations under finance leases	(1,942)	(1,076)
Finance Expense	(187,464)	(132,636)
Net finance costs	**(185,614)**	**(130,541)**

The weighted average capitalisation rate on funds borrowed is approximately 10.08% p.a. (2011: 9.41% p.a.)

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 8: PROFIT FOR THE PERIOD BEFORE TAX

	2012 $'000	(Restated) 2011 $'000
(a) Gains and losses		
Gain on disposal of property, plant and equipment	-	210
	-	**210**
(b) Other Expenses		
Employee benefits expense		
Post-employment - defined contribution plans	68,651	46,819
Termination benefits	960	632
Other employee benefits	909,496	618,586
Total employee benefits expense	**979,107**	**666,037**
Research and development costs immediately expensed	3,345	2,313
(c) Depreciation / amortisation of property, plant and equipment		
Depreciation of non-current assets		
Buildings	18,654	11,801
Leasehold improvements	9,315	7,182
Plant and equipment	37,768	22,436
Leased Plant and equipment	3,782	2,452
Total depreciation	69,519	43,871
Amortisation of intangible assets		
Contract management rights	8,154	5,872
Operating rights	5,273	3,201
Contract acquisition costs	1,759	1,194
Total amortisation	15,186	10,267
Total depreciation and amortisation	**84,705**	**54,138**
(d) Operating lease rental expense		
Minimum lease payments	71,653	46,992

NOTE 9: OTHER EXPENSES

	2012 $'000	2011 $'000
Acquisition costs (i)	1,794	81,632
Restructure and other costs (ii)	8,798	34,623
Total	**10,592**	**116,255**

(i) The acquisition costs in the current year relate to the acquisition of enterprises outlined in Note 30, and largely comprise adviser and other associated costs. The acquisition costs in the prior year mostly relate to the acquisition of Healthscope Limited, and largely comprise adviser and other associated costs.

(ii) Restructure and other costs in the current and comparitive period relate primarily to the post-acquisition restructure of Healthscope Limited and its subsidiaries.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 10: INCOME TAXES

Income tax recognised in the income statement

	2012	2011
	$'000	$'000
Tax expenses comprises		
Current tax expense in respect of the current period	(7,866)	(10,094)
Deferred tax expense relating to the origination and reversal of temporary differences	14,509	(23,585)
Other adjustments recognised in the current period	-	(1,578)
Total tax expense / (benefit)	**6,643**	**(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:		
Profit / (loss) before income tax	22,135	(99,063)
Income tax calculated at 30%	6,641	(29,719)
Increase in income tax expense due to:		
Non-deductible expenses	1,068	13,633
Prior year under/over provision	665	-
Decrease in income tax expense due to:		
Effect on tax rate in foreign jurisdictions	(1,126)	(1,114)
Non-assessable income	(274)	(8,596)
Capitalised expenses deductible for tax	-	(7,719)
Other adjustments recognised in the current period	(331)	(1,742)
Income tax expense / (benefit)	**6,643**	**(35,257)**

Income tax recognised directly in other comprehensive income

	2012	2011
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of financial instruments treated as cash flow hedges	(15,038)	(3,364)
	(15,038)	**(3,364)**

	2012	(Restated) 2011
	$'000	$'000
Current tax assets		
Income tax attributable to:		
Tax refund receivable relating to former tax consolidated group	1,793	449
Other	-	(239)
	1,793	**210**
Current tax liabilities		
Income tax payable	**(1,093)**	**-**

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 10: INCOME TAXES (cont'd)

Deferred tax balances	Opening Balance	Charged to Income	Charged to Other Comprehensive Income	Acquisition / Disposals	Other	Closing Balance
	$'000	$'000	$'000	$'000	$'000	$'000
AGGREGATED						
2012 Gross Deferred Tax Liabilities						
Property, plant and equipment	(16,449)	(3,229)	-	-	(1)	(19,679)
Intangibles	(4,844)	3,916	-	-	39	(889)
Inventories	(12,081)	(322)	-	-	-	(12,403)
Cash flow hedges	-	-	-	-	-	-
Other	(4,125)	(772)	-	-	(32)	(4,929)
	(37,499)	(407)	-	-	6	(37,900)
2012 Gross Deferred Tax Assets						
Provisions	47,870	(4,688)	-	-	(12)	43,170
Property, plant and equipment	(2,968)	(2,628)	-	-	3	(5,593)
Cash flow hedges	3,364	-	15,038	-	-	18,402
Acquisition costs	21,075	(6,783)	-	-	-	14,292
Other	6,637	390	-	-	-	7,027
	75,978	(13,709)	15,038	-	(9)	77,298
2011 Gross Deferred Tax Liabilities (Restated)						
Property, plant and equipment	-	(2,691)	-	(13,814)	56	(16,449)
Intangibles	-	-	-	(4,844)	-	(4,844)
Inventories	-	286	-	(12,367)	-	(12,081)
Cash flow hedges	-	-	-	-	-	-
Other	-	1,919	-	(6,273)	229	(4,125)
	-	(486)	-	(37,298)	285	(37,499)
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

	2012	(Restated) 2011
	$'000	$'000
The following deferred tax assets have not been brought to account as assets:		
- Tax losses - revenue	-	-
- Tax losses - capital	-	-
- Unused tax credits	-	-
	-	-

NOTE 10: INCOME TAXES (cont'd)

Tax Consolidation

Healthscope Hospitals 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.

NOTE 11: TRADE AND OTHER RECEIVABLES

	2012 $'000	(Restated) 2011 $'000
CURRENT		
Trade receivables	85,933	97,305
Provision for doubtful debts	(6,095)	(7,057)
	79,838	90,248
Loan to Adelaide Community Healthcare Alliance Inc. (i)	2,000	2,000
Goods and services tax recoverable	2,209	3,703
Other	1,419	1,724
	85,466	97,675
NON CURRENT		
Loan to Adelaide Community Healthcare Alliance Inc. (i)	4,000	6,000

(i) The loans due from the ACHA bear interest at the sum of the bid rate and a commercial credit margin.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 11: TRADE AND OTHER RECEIVABLES (cont'd)

	2012 $'000	(Restated) 2011 $'000
Movement in the provision for doubtful debts		
Balance at beginning of the period	7,057	-
Amounts written off during the period	1,478	1,378
Amounts recovered during the period	(2,929)	(26)
Increase / (decrease) in allowance recognised in profit and loss	489	5,705
Balance at the end of the period	6,095	7,057
Age of trade receivables that are past due but not impaired		
30 - 60 days	5,446	10,952
60 - 90 days	9,045	6,528
90 - 120 days	1,972	5,660
120 - 150 days	509	384
150 - 180 days +	2,993	5,051
Total	19,965	28,575

The average credit period for the provision of services is 30 days (2011: 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 decreased by $962 thousand (2011: $7,057 thousand) in the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of $19,965 thousand (2011: $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 70 days (2011: 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 year $114.1 million (2011: $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.

NOTE 12: INVENTORIES

	2012 $'000	2011 $'000
Consumable supplies at cost	43,205	43,985

NOTE 13: OTHER FINANCIAL ASSETS

	2012 $'000	2011 $'000
NON CURRENT		
Loans and receivables carried at amortised cost:		
Bonds and sub-ordinated debts	2,573	2,500
Available-for-sale investments carried at fair value		
Shares	157	209
	2,730	2,709

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 14: ASSETS CLASSIFIED AS HELD FOR SALE

The group is in the process of disposing part of its Australian pathology operations and also the remainder of its diagnostic imaging assets. It anticipates the disposals will be completed by 31 December 2012.

The major classes of assets and liabilities of the intended to be disposed are as follows:

	2012 $'000	2011 $'000
Inventories	1,627	-
Prepayments	991	-
Rental security bonds	67	-
Buildings	2,018	-
Leasehold improvements	7,345	-
Plant and equipment	15,573	-
Leased plant and equipment	425	-
Goodwill	60,506	-
Assets held for sale	88,552	-
Employee benefits	3,705	-
Lease liabilities	405	-
Liabilities associated with assets classified as held for sale	4,110	-
Net assets classified as held for sale	84,442	-

NOTE 15: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2012 $'000	(Restated) 2011 $'000
Investment in associates	496	549
Investment in jointly controlled ventures	215	112
	711	661

Name	Principle Activities	Ownership Interest 2012 %	Carrying Amount of Investment 2012 $'000	Ownership Interest 2011 %	Carrying Amount of Investment 2011 $'000
Associates:					
Unlisted:					
The Mount Cath Lab Pty Ltd (incorporated in Australia)	Cardiac catheterisation	50	496	50	549
Jointly controlled ventures:					
Darwin Cardiac Angiography Laboratory Joint Venture (Unincorporated and operating in Australia)	Cardiac catheterisation	50	215	50	112

Reconciliation of movement in Investments accounted for using the equity method	$'000	$'000
Balance at the beginning of the period	661	-
Share of profit for the period	2,623	2,299
Dividends/distribution	(2,573)	(1,638)
	711	661

NOTE 15: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

Summarised financial information of associates	2012 $'000	(Restated) 2011 $'000
Financial Position:		
Current assets	2,102	2,526
Non-current assets	-	11
Total assets	2,102	2,537
Current liabilities	(530)	(854)
Non-current liabilities	-	-
Total liabilities	(530)	(854)
Net assets	1,572	1,683
Group's share of net assets	496	549
Financial Performance:		
Share of associated entity's profit before income tax expense	2,971	2,824
Share of associated entity's income tax expense	(896)	(848)
Share of associated entity's profit after income tax	2,075	1,976
Summarised financial information of jointly controlled ventures		
Financial Position:		
Current assets	16	32
Non-current assets	565	303
Total assets	581	335
Current liabilities	(143)	(74)
Non-current liabilities	(9)	(36)
Total liabilities	(152)	(110)
Net assets	429	225
Group's share of net assets	215	112
Financial Performance:		
Share of associated entity's profit before income tax expense	548	323
Share of associated entity's income tax expense	-	-
Share of associated entity's profit after income tax	548	323
	2,623	2,299

Dividends and distributions received during the period
During the year the Group received dividends of $2,136 thousand (2011: $1,315 thousand) from its investments in associates and distributions of $437 thousand (2011: $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 2012

NOTE 16: 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 and previous financial years:

	Freehold Land	Buildings	Leasehold Improvements	Plant & Equipment	Leased Plant & Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2012 - AGGREGATED						
Balance at the beginning of the period	239,598	540,354	71,287	235,747	18,742	1,105,728
Acquisitions through business combinations	-	-	500	820	-	1,320
Additions	3,263	32,431	15,942	79,135	2,549	133,320
Transfers	(6,522)	32,108	-	(25,586)	-	-
Depreciation	-	(18,654)	(9,315)	(37,768)	(3,782)	(69,519)
Disposals	-	-	(164)	(4,384)	(140)	(4,688)
Reclassified as held for sale	-	(2,018)	(7,345)	(15,573)	(425)	(25,361)
Effect of foreign currency exchange differences	-	23	169	164	265	621
Balance at 30 June 2012	**236,339**	**584,244**	**71,074**	**232,555**	**17,209**	**1,141,421**
Net book value						
At the beginning of the period	239,598	540,354	71,287	235,747	18,742	1,105,728
At 30 June 2012	236,339	584,244	71,074	232,555	17,209	1,141,421
2011 - AGGREGATED (Restated)						
Balance at the beginning of the period	-	-	-	-	-	-
Acquisitions through business combinations	239,598	455,119	56,013	243,080	18,297	1,012,107
Additions	-	97,036	22,456	15,516	2,897	137,905
Depreciation	-	(11,801)	(7,182)	(22,436)	(2,452)	(43,871)
Disposals	-	-	-	(413)	-	(413)
Balance at 30 June 2011	**239,598**	**540,354**	**71,287**	**235,747**	**18,742**	**1,105,728**
Net book value						
At the beginning of the period	-	-	-	-	-	-
At 30 June 2011	239,598	540,354	71,287	235,747	18,742	1,105,728

During the year ended 30 June 2012, the Group purchased property, plant and equipment to the value of $135 million (2011: $1,150 million) and disposed of property, plant and equipment with a written down value of $5 million (2011: $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 2012.

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)).

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 17: INTANGIBLES

2012 - AGGREGATED	Goodwill	Contract Management Rights	Operating Rights	Contract Development Costs	Total
	$'000	$'000	$'000	$'000	$'000
Balance at the beginning of the year	1,868,551	66,328	13,713	18,674	1,967,266
Acquisitions through business combinations	2,610	1,368	126	-	4,104
Additions	-	-	3,694	1,316	5,010
Amortisation	-	(8,154)	(5,273)	(1,759)	(15,186)
Reclassified as held for sale	(60,506)	-	-	-	(60,506)
Effect of foreign currency exchange differences	3,297	198	-	247	3,742
Balance as 30 June 2012	**1,813,952**	**59,740**	**12,260**	**18,478**	**1,904,430**
Net book value					
At beginning of the period	1,868,551	66,328	13,713	18,674	1,967,266
As at 30 June 2012	1,813,952	59,740	12,260	18,478	1,904,430

2011 - AGGREGATED (Restated)	Goodwill	Contract Management Rights	Operating Rights	Contract Development Costs	Total
	$'000	$'000	$'000	$'000	$'000
Balance at the beginning of the year	-	-	-	-	-
Acquisitions through business combinations	1,868,551	72,200	12,580	19,234	1,972,565
Additions	-	-	4,334	634	4,968
Amortisation	-	(5,872)	(3,201)	(1,194)	(10,267)
Balance as 30 June 2011	**1,868,551**	**66,328**	**13,713**	**18,674**	**1,967,266**
Net book value					
At beginning of the period	-	-	-	-	-
As at 30 June 2011	1,868,551	66,328	13,713	18,674	1,967,266

Allocation of goodwill and other intangibles to cash-generating units

Goodwill and other intangibles have been allocated to cash generating units as follows:

.

	2012	(Restated) 2011
	$'000	$'000
Goodwill		
Hospitals Australia	1,392,288	1,392,288
Pathology Australia	195,576	253,962
Pathology International	226,088	222,301
	1,813,952	1,868,551
Other Intangibles		
Hospitals Australia	50,814	53,309
Pathology Australia	16,032	16,386
Pathology International	23,632	29,020
	90,478	98,715

NOTE 17: INTANGIBLES (cont'd)

The recoverable amount of each cash generating unit is the greater of its value in use or fair value less costs to sell.

Value in use has been determined using:

- 2012/2013 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 9.7% (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%;

Fair value has been determined with reference to the amount that could be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

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 18: TRADE AND OTHER PAYABLES

		(Restated)
	2012	**2011**
	$'000	**$'000**
CURRENT		
Trade creditors	85,682	90,038
Sundry creditors and accruals	127,113	126,919
	212,795	216,957

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 19: DEFERRED PURCHASE CONSIDERATION

	2012	**2011**
	$'000	**$'000**
CURRENT		
Deferred purchase consideration	1,160	1,548

The $1.160 million (2011: $1.548 million) is made up of payment for the acquisition of businesses which are due and payable within the next 12 months.

NOTE 20: BORROWINGS

	2012	(Restated) 2011
	$'000	$'000
Secured - at amortised cost		
Finance lease liabilities (i)	18,898	20,096
Hire purchase facilities	7,029	5,688
Mortgage (ii)	20,000	30,000
Bank loans (iii)	1,384,500	1,318,000
Capitalised borrowing costs	(51,455)	(66,852)
Debt securities (iv)	200,000	200,000
	1,578,972	1,506,932
Current	63,956	42,790
Non-current	1,515,016	1,464,142
	1,578,972	1,506,932

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 12 years (2011: 1 to 12 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 Inter-creditor 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 $1.53 billion was in place at 30 June 2012 (2011: $1.55 billion). The facility is a 5-year revolving and part amortising debt facility, which matures on 11 October 2015.

NOTE 21: OTHER FINANCIAL LIABILITIES

	2012	2011
	$'000	$'000
CURRENT		
Interest rate swaps	23,631	2,601
	23,631	2,601
NON CURRENT		
Related party loans (i)	516,318	526,145
Interest rate swaps	37,705	8,608
	554,023	534,753

(i) Intercompany loans represent loans to entities outside of the Healthscope security group. All loans are unsecured recorded as non-current and will be settled in cash. No expense has been recognised in the current year (2011: nil) for bad or doubtful debts in respect of the amounts owed by related parties. A deed of cross guarantee exists within the Australian incorporated subsidiaries to guarantee the debts of each member party of the deed.

NOTE 22: PROVISIONS

	2012 $'000	(Restated) 2011 $'000
CURRENT		
Employee benefits (i)	92,998	86,456
Medical malpractice insurance (ii)	6,876	7,139
Onerous lease contracts (iii)	4,546	11,075
Other	3,491	4,157
	107,911	108,827
NON-CURRENT		
Employee benefits	16,620	20,221
Onerous lease contracts	8,617	14,558
	25,237	34,779
Medical malpractice insurance		
Balance at the beginning of the period	7,140	-
Acquisitions through business combinations	-	8,818
Additional provisions recognised	2,843	2,716
Reductions arising from payments / other sacrifices of future economic benefits	(2,132)	(2,679)
Reductions resulting from re-measurement or settlement without cost	(975)	(1,715)
Balance at the end of the year	**6,876**	**7,140**
Current	6,876	7,140
Non-current	-	-
	6,876	**7,140**
Onerous lease contracts		
Balance at the beginning of the period	25,633	-
Acquisitions through business combinations	-	25,633
Reductions arising from payments / other sacrifices of future economic benefits	(12,470)	-
Reductions resulting from re-measurement or settlement without cost	-	-
Balance at the end of the year	**13,163**	**25,633**
Current	4,546	11,075
Non-current	8,617	14,558
	13,163	**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 appropriate 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 2012

NOTE 23: ISSUED CAPITAL

	2012 $'000	2011 $'000
605,366,794 fully paid ordinary shares – Healthscope Hospitals Holdings No. 2 Pty. Ltd.	605,367	605,367
120,000,000 fully paid ordinary shares – Healthscope Pathology Holdings No. 2 Pty. Ltd.	120,000	120,000
236,800,000 fully paid ordinary shares – CT HSP Holdings (Dutch) B.V.	236,800	236,800
	962,167	962,167
Fully paid ordinary shares		
At the start of the financial year	962,167	-
Issue of shares – Healthscope Hospitals Holdings No. 2 Pty. Ltd.	-	605,367
Issue of shares – Healthscope Pathology Holdings No. 2 Pty. Ltd.	-	120,000
Issue of shares – CT HSP Holdings (Dutch) B.V.	-	236,800
At the end of the financial year	962,167	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 Healthscope Hospitals Holdings No. 2 Pty. Ltd. and Healthscope Pathology Holdings No. 2 Pty. Ltd. do not have a limited amount of authorised capital and issued shares do not have a par value.

NOTE 24: ACCUMULATED LOSSES

	2012 $'000	(Restated) 2011 $'000
Healthscope Hospitals Holdings No. 2 Pty. Ltd.	(70,720)	(68,370)
Healthscope Pathology Holdings No. 2 Pty. Ltd.	1,318	(3,350)
CT HSP Holdings (Dutch) B.V.	21,088	7,914
	(48,314)	(63,806)
Balance as at 30 June 2011	(63,806)	-
Profit for the period - Healthscope Hospitals Holdings No. 2 Pty. Ltd.	(2,350)	(68,370)
Profit for the period - Healthscope Pathology Holdings No. 2 Pty. Ltd.	4,668	(3,350)
Profit for the period - CT HSP Holdings (Dutch) B.V.	13,174	7,914
Balance at 30 June 2012	(48,314)	(63,806)

NOTE 25: 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 26: DIVIDENDS

During the year the Healthscope Group did not make any dividend or distribution payments (2011: Nil). Since the end of the current year, the Group has not declared any dividends or distributions (2011: Nil).

NOTE 27: COMMITMENTS FOR EXPENDITURE

	2012 $'000	2011 $'000
Capital expenditure commitments:		
Capital expenditure projects		
Plant and equipment		
- Not longer than 1 year	24,979	59,383
- Longer than 1 year but no longer than 5 years	-	-
- Longer than 5 years	-	-
	24,979	59,383

NOTE 28: CONTINGENT LIABILITIES

	2012 $'000	2011 $'000
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.	2,940	730
Bank guarantees in respect of property leases.	13,877	11,885

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 29: LEASES

	2012 $'000	(Restated) 2011 $'000
(a) Finance lease commitments:		
Minimum future lease payments		
Payable		
- Not later than 1 year	4,500	5,473
- Later than 1 year but no later than 5 years	16,374	14,696
- Later than 5 years	1,976	3,695
Minimum lease payments	22,850	23,864
Less future finance charges	(3,952)	(3,768)
Present value of minimum lease payments	18,898	20,096

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 (2011: 12 years) and all leases expire within the next 6 years (2011: 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.

	2012 $'000	(Restated) 2011 $'000
Present value of minimum lease payments		
Payable		
- Not later than 1 year	3,197	4,602
- Later than 1 year but no later than 5 years	13,869	12,387
- Later than 5 years	1,832	3,107
Present value of minimum lease payments	18,898	20,096
Included in the financial statements:		
- Current borrowings (Note 20)	4,927	4,602
- Non-current borrowings (Note 20)	13,971	15,494
Total	18,898	20,096

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

	2012 $'000	(Restated) 2011 $'000
Non-cancellable operating leases contracted for but not capitalised in the financial report		
Payable:		
- Not later than 1 year	43,339	68,197
- Later than 1 year but no later than 5 years	91,880	117,638
- Later than 5 years	187,491	112,030
	322,710	297,865

Operating leases relate to properties leased by the Group with lease terms between 1 and 30 years. (2011: 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.

NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 30: CHANGES IN THE COMPOSITION OF THE AGGREGATED GROUP

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

Businesses Acquired:	**Date of Acquisition**	**Proportion of Ownership Acquired %**	**Cost of Acquisition $'000**
2012			
Dr Ross Wines Medical Practice	05-Mar-12	100%	
Chermside Medical Centre	06-Mar-12	100%	
Medlab South Limited (New Zealand pathology provider)	31-Mar-12	100%	
Cash consideration			2,888
Deferred purchase consideration			1,160
Total consideration in respect of current year acquisitions			**4,048**
Deferred purchase consideration in respect of prior year acquisitions			2,033
Total			**6,081**
2011			
Healthscope Limited	12-Oct-10	100%	
Dr Mason Stevenson Medical Practice	16-Nov-10	100%	
Healthbridge Diagnostics Holdings Pty Ltd	31-Jan-11	100%	
Dr Judith Hay Medical Practice	29-Jun-11	100%	
Cash consideration			2,792,527
Total			**2,792,527**

NOTE 30: CHANGES IN THE COMPOSITION OF THE AGGREGATED GROUP (Cont'd)

Assets acquired and liabilities assumed at the date of acquisition	**$'000**
2012	
Current assets	
Cash and cash equivalents	104
Trade and other receivables	928
Prepayments	84
Inventories	260
Current liabilities	
Trade and other payables	(1,539)
Provisions	(1,088)
Non-current assets	
Property, plant and equipment	1,320
Intangibles excluding goodwill	1,494
Deferred tax assets	306
Non-current liabilities	
Deferred tax liabilities	(431)
	1,438
Goodwill arising on acquisition	
Consideration transferred	4,048
Less: fair value of identifiable net assets acquired	(1,438)
	2,610
Net cash outflow on acquisition of businesses	
Consideration paid in cash	2,888
Less: cash and cash equivalent balances acquired	(104)
	2,784

The initial accounting for the current year 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.

Finalisation of provisional accounting for the acquisition of Healthscope Limited.

As at 30 June 2011, the acquisition accounting for Healthscope Limited was disclosed on a provisional basis. During the financial year ended 30 June 2012, the acquisition accounting was finalised resulting in retrospective adjustment to the acquired net assets of Healthscope Limited and the measurement of goodwill arising from the acquisition.

The fair value adjustments recognised subsequent to 30 June 2011 primarily relate to the revaluation of property, plant and equipment, revaluation of identifiable intangible, adjustments to the measurement of provisions and adjustments to opening deferred tax balances. Details of the fair value adjustments are disclosed in Note 4.

NOTE 31: 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:

	2012 $'000	2011 $'000
Cash and cash equivalents	56,644	18,864
Bank overdrafts	-	-
Cash and bank balances included in disposal group held for sale	-	-
	56,644	18,864

(b) Finance facilities

	2012 $'000	2011 $'000
Secured bank overdraft credit facility		
Amount utilised	-	-
Unused credit facility	5,000	5,000
	5,000	5,000
Secured credit facility (i)		
Amount utilised	1,384,500	1,318,000
Unused credit facility	143,000	232,000
	1,527,500	1,550,000
Receivables securitisation facility (ii)		
Amount utilised	114,054	113,423
Unused credit facility	25,946	26,577
	140,000	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 $114,054 thousand (2011: $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 2 years.

(c) Businesses acquired

During the financial period, the Group acquired the businesses as disclosed in Note 30.
The net cash outflow on acquisitions was $2,784 thousand (2011: $2,780,079 thousand).

NOTE 31: NOTES TO THE STATEMENT OF CASH FLOWS (Cont'd)

	2012	2011
	$'000	$'000
(d) Reconciliation of net profit for the period to net cash flows from operating activities		
Profit/(Loss) for the period	15,492	(63,806)
Non-cash flows in operating profit		
- Depreciation and amortisation	84,705	54,138
- Profit on sale of assets	(2,010)	(210)
- Amorisation of facility fees	15,509	16,780
- Interest capitalised to qualifying assets	(1,951)	(4,661)
Movement in deferred tax asset	(1,320)	(24,226)
Movement in current tax liability	878	-
Movement in deferred taxes liability	784	486
Changes in assets and liabilities:		
- Increase / (decrease) to provisions	(8,753)	9,899
- (Increase) / decrease in receivables	10,410	7,030
- (Increase) / decrease in prepayments	1,243	(1,487)
- (Increase) / decrease in inventories	(847)	(494)
- Increase / (decrease) in payables	(2,429)	4,525
Net cash from operating activities	**111,711**	**(2,026)**

NOTE 32: 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 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, accumulated losses, reserves, and non-controlling interests as disclosed in Notes 23, 24 and 25 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.

NOTE 32: FINANCIAL INSTRUMENTS (Cont'd)

The gearing ratio at period-end was as follows:

	2012	(Restated) 2011
	$'000	$'000
Debt (i)	1,578,972	1,506,932
Cash and cash equivalents	(56,644)	(18,864)
Net debt	1,522,328	1,488,068
Equity (ii)	871,337	887,333
Net debt to equity ratio	175%	168%

(i) Debt is defined as long and short-term borrowings (excluding derivatives and financial guarantee contracts), as detailed in Note 20
(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 interest rate swaps to hedge interest rate exposures. The use of financial derivatives is governed by the Responsible Body, which provide written principles on 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.

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 the end of the financial year.

	2012	(Restated) 2011
	$'000	$'000
Financial assets		
Cash and cash equivalents	56,644	18,864
Trade and other receivables - at amortised cost	85,466	97,675
Loans and lease facilities - at amortised cost	4,000	6,000
Available-for-sale financial assets	157	209

	2012	2011
	$'000	$'000
Financial liabilities		
Trade and other payables - at amortised cost	212,795	216,957
Loans and lease facilities - at amortised cost	1,578,972	1,506,932
Derivative instruments in designated hedge accounting relationships	61,335	11,209
Financial guarantee contracts	16,817	12,615

NOTE 32: FINANCIAL INSTRUMENTS (Cont'd)

(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'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. 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.

(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), Malaysian ringgits (MYR) and Vietnam Dong (VND).

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 arising from the translation of profits from its overseas operations in these countries. 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.

	2012	(Restated) 2011
	$'000	$'000
A 10% decrease in the Australian Dollar would have increased net profit after tax by	1,672	967
A 10% increase in the Australian Dollar would have decreased net profit after tax by	1,368	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 31 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

NOTE 32: FINANCIAL INSTRUMENTS (Cont'd)

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.

Group	Weighted average effective interest rate %	Less than 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
2012					
Non-interest bearing		212,795	-	-	212,795
Finance lease liability	7.79%	3,197	13,869	1,832	18,898
Financial guarantees		484	8,656	7,677	16,817
Variable interest rate instruments	9.23%	282,947	1,574,169	-	1,857,116
Fixed interest rate instruments	11.25%	22,500	267,069	-	289,569
		521,923	**1,863,763**	**9,509**	**2,395,195**
2011					
Non-interest bearing	-	215,381	-	-	215,381
Finance lease liability	6.61%	3,767	14,864	3,221	21,852
Financial guarantees		1,490	3,489	7,636	12,615
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
		510,939	**1,972,825**	**10,857**	**2,494,621**

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangements.

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
2012						
Net settled:						
Interest rate swaps	-	812	24,017	39,617	-	64,446
	-	**812**	**24,017**	**39,617**	**-**	**64,446**
2011						
Net settled:						
Interest rate swaps	-	1,105	4,604	6,933	-	12,642
	-	**1,105**	**4,604**	**6,933**	**-**	**12,642**

NOTE 32: FINANCIAL INSTRUMENTS (Cont'd)

(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/(loss) after tax would increase by $3.259 million (2011: $1.878 million) and decrease by $3.259 million(2011: $2.215 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

GROUP	Average contracted fixed rate %	Notional principal amount $'000	Fair Values $'000
2012			
Less than 1 year	-	-	-
1 to 2 years	5.3375%	75,000	(2,070)
2 to 3 years	5.7580%	983,888	(59,265)
3 to 4 years	-	-	-
5 years +	-	-	-
		1,058,888	**(61,335)**
2011			
Less than 1 year	-	-	-
1 to 2 years	-	-	-
2 to 3 years	5.3375%	75,000	(455)
3 to 4 years	5.6075%	90,000	(10,754)
5 years +	-	-	-
		165,000	**(11,209)**

NOTE 32: FINANCIAL INSTRUMENTS (Cont'd)

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.

Fair value of financial instruments carried at amortised cost

	2012		2011	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	$'000	$'000	$'000	$'000
Financial assets				
Trade receivables	85,933	79,838	97,305	90,248
Financial liabilties				
Trade and other payables	212,795	212,795	216,957	216,957
Loans and lease facilities	1,578,972	1,578,972	1,506,932	1,506,932

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 32: 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).

2012 GROUP	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Available for sale financial assets	157	-	-	157
Derivative financial assets	-	-	-	-
	157	-	-	157
Financial liabilities				
Derivative financial liabilities	-	(61,335)	-	(61,335)
	-	(61,335)	-	(61,335)

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

2011 GROUP	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 year.

NOTE 33: 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.

Loans payable to related parties are disclosed in Note 21.

NOTE 34: KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2012	2011
	$'000	$'000
Short term employment benefits	3,559	855
Post-employment benefits	86	48
Termination benefits	22	-
Balance at 30 June 2012	3,667	903

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 37 to the financial statements.

Equity interests in associates and joint ventures
Details of interests in associates and joint ventures are disclosed in Note 15 to the financial statements.

NOTE 35: AUDITORS' REMUNERATION

	2012	2011
	$'000	$'000
Auditor of the Healthscope Group - Audit Services		
Audit or review of the financial report	705	631
Auditor of the Healthscope Group - Other Services		
Other assurance services	52	14
Other non-audit services	127	175
	884	820

All amounts were paid to Deloitte or Deloitte affiliated firms.

The auditor of the Healthscope Group is Deloitte Touche Tohmatsu

NOTE 36: SUBSEQUENT EVENTS

On 16th May 2012, Healthscope announce it had entered into agreements for the sale fo its human and commercial pathology business in Queensland, New South Wales (including ACT) and Western Australia to Sonic Healthcare Ltd (Sonic), and that the proposed transactions were subject to ACCC and regulatory approvals.

On 2nd August 2012, the ACCC extended its investigation timeframes; Healthscope advised at that time the proposed divestments to Sonic are now expected to be completed in September 2012.

Other than the matter noted above, 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 2012

NOTE 37: ENTITES WITHIN THE AGGREGATED GROUP

Name of Entity	County of Incorporation	% Owned 2012 %	% Owned 2011 %
Parent Entity: Healthscope Hospitals Holdings No. 2 Pty. Ltd. (formerly APHG Holdings 2 Pty. Ltd)	**Australia**		
Healthscope Limited	Australia	100	100
Healthscope Finance Pty. Ltd.	Australia	100	100
Asia Pacific Healthcare Group Pty. Ltd.	Australia	100	100
Healthscope South Australia Pty. Ltd.	Australia	100	100
Healthscope (Tasmania) Pty. Ltd.	Australia	100	100
Healthscope (Tasmania Finance) Pty. Ltd.	Australia	100	100
Maybury Craft Pty. Ltd.	Australia	100	100
Darwin Private Hospital Pty. Ltd.	Australia	100	100
Australian Hospital Care (Como) Pty. Ltd.	Australia	100	100
Australian Hospital Care (Dorset) Pty. Ltd.	Australia	100	100
Australian Hospital Care (Knox) Pty. Ltd.	Australia	100	100
Australian Hospital Care (Lady Davidson) Pty. Ltd.	Australia	100	100
Australian Hospital Care (Ringwood) Pty. Ltd.	Australia	100	100
The Victorian Rehabilitation Centre Pty. Ltd.	Australia	100	100
Healthscope Diagnostic Imaging Pty. Ltd.	Australia	100	100
Melbourne Hospital Pty. Limited	Australia	100	100
P.O.W Hospital Pty. Ltd.	Australia	100	100
Brisbane Private Hospital Pty. Ltd.	Australia	100	100
QPH Wickham Pty. Ltd.	Australia	100	100
Newcastle Private Hospital Pty. Ltd.	Australia	100	100
Nova Health Pty. Limited	Australia	100	100
Brisbane Waters Administration Pty. Ltd.	Australia	100	100
Brisbane Waters Equities Pty. Ltd.	Australia	100	100
HCA Holdings (Southport) Pty. Ltd.	Australia	100	100
HCA Management Company Pty. Ltd.	Australia	100	100
Pacific Private Hospital Pty. Ltd.	Australia	100	100
A.C.N. 141 265 714 Pty. Ltd. previously (Healthscope Aged Care Pty. Ltd.)	Australia	100	100
Allamanda Private Hospital Pty. Ltd.	Australia	100	100
Allamanda Surgicentre Pty. Ltd.	Australia	100	100

Name of Entity	County of Incorporation	% Owned 2012 %	% Owned 2011 %
Healthscope Hospitals Holdings No. 2 Pty. Ltd. (formerly APHG Holdings 2 Pty. Ltd) (cont'd)			
Rivercity Private Hospital Pty. Ltd.	Australia	100	100
Tweed Surgicentre Pty. Ltd.	Australia	100	100
Histoderm Pty. Ltd.	Australia	100	100
Healthscope Property Pty. Ltd.	Australia	100	100
Gold Coast Private Property Pty. Ltd.	Australia	100	0
Gold Coast Private Hospital Pty. Ltd.	Australia	100	0
Parent entity: Healthscope Pathology Holdings No. 2 Pty. Ltd. (formerly APHG No 2 Holdings 2 Pty. Ltd.)	**Australia**		
A.C.N 009 076 555 Pty. Ltd.	Australia	100	100
Clinical Laboratories Pty. Ltd.	Australia	100	100
FHIC Pty. Ltd.	Australia	100	100
General Pathology Laboratories Pty. Ltd.	Australia	100	100
Gribbles Molecular Science Pty. Ltd.	Australia	100	100
Gribbles Administrative Services Pty. Ltd.	Australia	100	100
Gribbles Pathology Pty. Ltd.	Australia	100	100
Mazlin Investments Pty. Ltd.	Australia	100	100
The Gribbles Group Pty. Ltd.	Australia	100	100
28-050-049-780 Pty. Ltd.	Australia	100	100
43 065 317 106 Pty. Ltd.	Australia	100	100
96 002 869 632 Pty. Ltd.	Australia	100	100
Davies, Campbell & de Lambert Pty. Ltd.	Australia	100	100
Medibill Pty. Ltd.	Australia	100	100
Grahame Hookway & James Carroll Medical Practice Company Pty. Ltd.	Australia	100	100
Nextpath Pty. Ltd.	Australia	100	100
Analytical References Laboratories Pty. Ltd.	Australia	100	100
Yarra Ranges Pathology Pty. Ltd.	Australia	100	100
Australian Dermatopathology Laboratory Pty. Ltd.	Australia	100	100
Bayside Pathology Pty. Ltd.	Australia	100	100
Advanced Medical Technology Pty. Ltd.	Australia	100	100

NOTE 37: ENTITIES WITHIN THE AGGREGATED GROUP (Cont'd)

Name of Entity	County of Incorporation	% Owned 2012 %	% Owned 2011 %
Healthscope Hospitals Holdings No. 2 Pty. Ltd. (formerly *APHG No 2 Holdings 2 Pty. Ltd.) (Cont'd)*			
Solaris Pathology Pty. Ltd.	Australia	100	100
E-clinic Pty. Ltd.	Australia	100	100
D F G Clinics Pty. Ltd.	Australia	100	100
Skin Alert Pty. Ltd.	Australia	100	100
Healthscope Medical Centres Pty. Ltd.	Australia	100	100
Hopkins Services Pty. Ltd.	Australia	100	100
Molescan Australia Pty. Ltd.	Australia	100	100
HCOA Pty. Ltd.	Australia	100	100
Healthcare of Australia Pty. Ltd.	Australia	100	100
Healthcare of Australia Holdings Pty. Ltd.	Australia	100	100
Healthbridge Diagnostics Holdings Pty. Limited	Australia	100	100
Diagnostic Finance Pty. Limited	Australia	100	100
Australian Diagnostics Group Pty. Limited	Australia	100	100
Pathology Victoria Pty. Limited	Australia	100	100
Pathology Specialists Pty. Limited	Australia	100	100
Pathology Diagnostics Pty. Limited	Australia	100	100
Pathology NSW Pty. Limited	Australia	100	100
Pathology First Pty. Limited	Australia	100	100
Pathology Vision Pty. Limited	Australia	100	100
Pathology South Coast Pty. Limited	Australia	100	100
APHG No. 2 Holdings 3 Pty. Ltd.	Australia	100	100
APHG No. 2 Pty. Ltd.	Australia	100	100
The Gribbles Group (Mauritius) Limited	Mauritius	100	100
Parent entity: CT HSP Holdings (Dutch) B.V.	**Netherlands**		
Healthscope New Zealand Ltd	New Zealand	100	100
New Zealand Diagnostic Group Ltd	New Zealand	100	100
Southern Community Laboratories Ltd	New Zealand	100	100

Name of Entity	County of Incorporation	% Owned 2012 %	% Owned 2011 %
CT HSP Holdings (Dutch) B.V.(cont'd)			
SCL Hawkes Bay Ltd	New Zealand	100	100
Canterbury SCL Ltd (formerly SCL Canterbury Ltd)	New Zealand	100	100
SCL Otago Southland Ltd	New Zealand	100	100
SCL Otago Southland Services Ltd	New Zealand	100	100
SCL Otago Southland Code Services Ltd	New Zealand	100	100
Gribbles Pathology (Malaysia) SDN BHD	Malaysia	100	100
Gribbles Cytology Services SDN BHD	Malaysia	100	100
Gribbles Information Technology SDN BHD	Malaysia	100	100
Quest Laboratories Pte. Ltd.	Singapore	100	100
Doctorslab Diagnostics Pte. Ltd.	Singapore	100	100
Northland Pathology Laboratory Ltd	New Zealand	100	100
Labtests Limited	New Zealand	100	100
Lab Tests Auckland Ltd	New Zealand	100	100
Gribbles Veterinary Pathology Ltd	New Zealand	100	100
APHG NZ Investments Limited	New Zealand	100	100
Quest Laboratories Vietnam Co. Ltd	Vietnam	100	100
Medlab South Limited	New Zealand	100	0

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

HEALTHSCOPE 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),

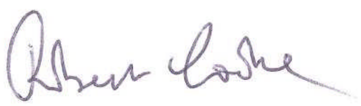
(together the '**Responsible Body'**) have agreed to appoint Mr Robert Cooke to act on their behalf for the purposes of making this Responsible Body's Declaration for the Healthscope Group.

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: 29 August 2012