

# Prospectus Healthscope Subordinated Notes II

Prospectus for the offer of  
**Healthscope Subordinated Notes II**  
(known as Notes II) to be listed on ASX

**Issuer:** Healthscope Notes Limited ACN 147 250 780

## **Structuring Advisers & Joint Lead Managers**

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Credit Suisse  
Macquarie Capital  
UBS

## **Joint Lead Managers**

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ANZ  
Commonwealth Bank  
National Australia Bank  
Westpac Institutional Bank

## **Co-Manager**

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Bell Potter

## Important information

### The Offer

This Prospectus relates to an offer of subordinated notes ("Notes II") to be issued by Healthscope Notes Limited (ACN 147 250 780 ("Issuer").

This Prospectus is dated 12 March 2013 and was lodged with the Australian Securities and Investment Commission ("ASIC") and the New Zealand Companies Office ("NZCO") on that date. This is a replacement prospectus that replaces the prospectus dated 4 March 2013 ("Original Prospectus"). This Prospectus expires on the date that is 13 months after the date of the Original Prospectus ("Expiry Date") and no Notes II will be issued on the basis of this Prospectus after the Expiry Date.

None of ASIC, ASX or NZCO takes any responsibility for the contents of this Prospectus or the merits of the investment to which it relates.

### Exposure Period

The Corporations Act prohibits the Issuer from processing applications for Notes II in the seven day period after the date of lodgement of the Original Prospectus with ASIC ("Exposure Period"). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). This period is to enable the Original Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of deficiencies in the Original Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications for Notes II received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

### The Prospectus

This Prospectus is available electronically at [www.HealthscopeNotesIIOffer.com](http://www.HealthscopeNotesIIOffer.com). The Offer constituted by this Prospectus in electronic form is available only to persons accessing and downloading or printing it within Australia or New Zealand and is not available to persons in any other jurisdictions (including the United States) without the prior approval of the Issuer and the Joint Lead Managers. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus. Eligible Securityholders within Australia may, during the Offer Period, obtain a paper copy of this Prospectus (and Application Form), free of charge, by contacting the Notes II Offer Information Line on 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia) (Monday to Friday – 8.30am to 5.30pm).

Applications for Notes II may only be made on an Application Form that is attached to or accompanying this Prospectus following the opening of the Offer. A printable version of this Prospectus may be downloaded in its entirety from [www.HealthscopeNotesIIOffer.com](http://www.HealthscopeNotesIIOffer.com).

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus. If you access an electronic copy of this Prospectus, you should read "Electronic access to this Prospectus" in Section 8.1.3 for further information.

### Disclosing Entity

The Issuer is a disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. Refer to Section 10.1 for further information.

### Restrictions on Distribution

This Prospectus does not constitute an offer of Notes II or invitation to apply for Notes II in any place in which, or to any person to whom, it would not be lawful to make such offer or invitation. For details of the selling restrictions that apply to Notes II in foreign jurisdictions, refer to Section 8.4.6.

### Important Information for New Zealand investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities

(Mutual Recognition of Securities Offerings – Australia) Regulations 2008. This Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

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

### Responsibility Statement by Trustee

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

### Financial information and forward looking statements

Section 5 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

Notes II are denominated in Australian dollars. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

Any forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Issuer and the Healthscope Group. Forward looking statements should be read in conjunction with risk factors as set out in Section 7 and other information contained in this Prospectus. Unless otherwise indicated forward looking statements relate to the beliefs, expectations or intentions of the Issuer (and no other person) as at the date of this Prospectus. The Directors of the Issuer cannot and do not give any assurance that the results, performance or achievements expressed or

implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements.

### Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus, the Trust Deed, the Security Trust Deed and the Intercreditor Deed. You should rely only on information in this Prospectus, the Trust Deed, the Security Trust Deed and the Intercreditor Deed. Any information or representation that is not in this Prospectus, the Trust Deed, the Security Trust Deed or the Intercreditor Deed may not be relied on as having been authorised by the Issuer in connection with the Offer.

Except as required by law, and only to the extent so required, neither the Issuer nor any other person warrants or guarantees the future performance of the Issuer or the Healthscope Group, or any return on any investment made pursuant to this Prospectus.

This Prospectus is only relevant for investors or potential investors in Notes II and should not be used for any other purpose.

### Privacy

You will be asked to provide personal information to the Issuer (directly or via its agents) if you apply for Notes II. Please read the privacy statement located at Section 10.8 of this Prospectus for further information on how the Issuer (and its agents) collects, hold and use this personal information. By submitting the Application Form accompanying this Prospectus, you consent to the matters outlined in that statement.

### Diagrams

Diagrams in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

### Defined terms and glossary

Some words and expressions used in this Prospectus have defined meanings, which are explained in the glossary in Appendix B. The definitions of other words and expressions are contained in Clause 17.2 of the Terms of Issue in Appendix A. If there is any inconsistency in definitions between the Prospectus and the Terms of Issue, the definitions in the Terms of Issue prevail.

Unless otherwise stated or implied, a reference to time in this Prospectus is to Melbourne time.

### Website

The Healthscope Group maintains a website at [www.healthscope.com.au](http://www.healthscope.com.au). Information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

### Further queries

If you are considering applying for Notes II, this Prospectus is important and should be read in its entirety.

If you have questions in relation to the Offer, please contact your financial or other professional adviser. If you have questions in relation to how to complete the Application Form, please call the Notes II Offer Information Line on 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia) (Monday to Friday – 8.30am to 5.30pm).

The information provided in this Prospectus is not investment or financial product advice and has been prepared without taking into account your particular objectives, financial situation or needs as an investor. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues). Refer to the risk factors set out in Section 7 for further information.

If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in Notes II or not, it is recommended that you seek professional guidance from your financial or other professional adviser for advice before deciding whether to invest.

## **ASIC guidance for retail investors**

ASIC has published guidance which may be relevant to your consideration of Healthscope Subordinated Notes II (“Notes II”) – namely, information for retail investors who are considering investing in notes called “Hybrid securities and notes” (under the heading “Complex investments” at [www.moneysmart.gov.au/investing](http://www.moneysmart.gov.au/investing)) (the “ASIC Guidance”). Free copies of the ASIC Guidance can be obtained from ASIC’s website at [www.moneysmart.gov.au/investing](http://www.moneysmart.gov.au/investing) or by calling ASIC on 1300 300 630 or +61 3 5177 3988.

## **Where can I obtain further information about the Issuer and Healthscope Subordinated Notes II?**

The Issuer is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, the Issuer must notify ASX immediately (subject to certain exceptions) if it becomes aware of information that a reasonable person would expect to have a material effect on the price or value of its listed securities, Notes I and Notes II (once issued and listed).

Copies of documents lodged with ASIC and ASX can be obtained from, or inspected at, an ASIC office and can also be obtained from [www.asx.com.au](http://www.asx.com.au).

Further information about the Healthscope Group is available at [www.healthscope.com.au](http://www.healthscope.com.au).

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## Key dates for the Offer

Lodgement of the Original Prospectus with ASIC	4 March 2013
Bookbuild commenced	4 March 2013
Announcement of Interest Rate	7 March 2013
Lodgement of the replacement Prospectus with ASIC	12 March 2013
Offer opens	12 March 2013
Closing Date for Securityholder Offer (Paper Applications)	5.00pm on 19 March 2013
Closing Date for Securityholder Offer (Online Applications)	5.00pm on 25 March 2013
Closing Date for Broker Firm Offer	10.00am on 26 March 2013
Issue Date of Notes II	27 March 2013
Notes II expected to commence trading on ASX on a deferred settlement basis	28 March 2013
Holding Statements dispatched	3 April 2013
Notes II expected to commence trading on ASX on a normal settlement basis	4 April 2013

## Key dates for Healthscope Subordinated Notes II

First Interest Payment Date	25 June 2013
Scheduled Interest Payment Dates	25 March, 25 June, 25 September, 25 December
Maturity Date	25 March 2018

### Dates may change

The key dates for the Offer are indicative only and may change without notice.

The Issuer, in consultation with the Joint Lead Managers, may vary the dates and times of the Offer, including extending or setting a later Closing Date, closing the Offer early or later without notice, or accepting late Applications, whether generally or in particular cases, or withdrawing the Offer at any time before Notes II are issued. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

You are encouraged to lodge your Application as soon as possible after the opening of the Offer.

If any Interest Payment Date is not a Business Day, then the Interest Payment Date will occur on the next Business Day. Refer to Section 2.2.4 for further information.

### Changes in this Prospectus from the Original Prospectus

In summary, this Prospectus, dated 12 March 2013 (when compared to the Original Prospectus, dated 4 March 2013), incorporates amendments to reflect that: (i) the Bookbuild to determine the Interest Rate and firm allocations was completed on 6 March 2013 and the Interest Rate has been set at 10.25% per annum; (ii) the Issuer has increased the size of the Offer to \$300 million with the ability to raise more or less. As a result of the increased size of the Offer, consequential changes have been made in this Prospectus, including changes to the pro forma financial information and covenant analysis (in particular refer to Sections 1, 2 and 5); (iii) as a result of the increased size of the Offer, the Healthscope Group proposes to raise up to \$150 million under the Additional Capex Facility (as opposed to up to \$100 million as envisaged in the Original Prospectus) (refer to Section 1.1.6) and to prepay \$300 million of Senior Debt (as opposed to \$150 million as envisaged in the Original Prospectus) (refer to Section 6.6); and (iv) following strong support for the Offer from Syndicate Brokers and Institutional Investors, the Issuer has determined that a general offer will no longer be conducted.

In light of the changes made to the Original Prospectus, you are encouraged to carefully review this Prospectus in its entirety even if you have read the Original Prospectus.

# Section 1

## Investment overview



## 1.1 Key features of the Offer

This Section provides a summary of information that is key to a decision to invest in Notes II.

Topic	Summary	For more information
<b>Introduction</b>		
<b>1.1.1 What is the Offer?</b>	<ul style="list-style-type: none"> <li>The Offer is for the issue of Healthscope Subordinated Notes II (“Notes II”) to raise \$300 million, with the ability to raise more or less.</li> </ul>	Section 8
<b>1.1.2 Who is the Issuer and who is the Healthscope Group?</b>	<ul style="list-style-type: none"> <li>Healthscope Notes Limited (“Issuer”) is a special purpose entity that is making the offer of Notes II under this Prospectus. It is a member of the Healthscope Group.</li> <li>The Healthscope Group is one of Australia’s leading private healthcare services providers with revenues of \$2,115.8 million and EBITDA before significant items of \$303.0 million for the twelve months ended 30 June 2012.</li> <li>The Healthscope Group is ultimately owned by funds advised and managed by The Carlyle Group and TPG.</li> </ul>	Sections 1.2 and 4
<b>1.1.3 What are Notes II?</b>	<ul style="list-style-type: none"> <li>Notes II are subordinated notes that will, subject to suspension, pay fixed rate interest payments, payable quarterly in arrears, at an Interest Rate of 10.25% per annum, as determined under the Bookbuild. Interest may be suspended in some circumstances (see Section 1.1.10).</li> <li>Notes II have a term of 5 years, with a maturity date of 25 March 2018.</li> <li>The issue price is \$100 per Note II. This is also the principal or face value per Note II.</li> </ul>	Section 2
<b>1.1.4 Notes II are “unsecured notes” under the Corporations Act</b>	<ul style="list-style-type: none"> <li>Notes II are “unsecured notes” for the purposes of section 283BH of the Corporations Act. This is because, while Notes II are secured against at least 90% of the assets of the Security Group, the claims of Senior Creditors take priority over the claims of Holders.</li> </ul>	Sections 2.4.1, 2.4.4 and 6.14
<b>1.1.5 Notes II are subordinated</b>	<ul style="list-style-type: none"> <li>Notes II are subordinated to the Senior Debt. It is estimated that the Senior Debt will be \$1,109.4 million following the voluntary repayment of some Senior Debt from the proceeds of the Offer. The amount of Senior Debt may increase in the future (see Section 1.1.14).</li> <li>The Healthscope Group must pay interest on the Senior Debt before it can pay interest on Notes II.</li> <li>The Senior Debt must be repaid in full before the Issuer can repay the principal outstanding on Notes II.</li> <li>In an insolvency situation, it is likely that Holders will not be repaid part or all of their investment in Notes II. On a pro-forma basis for the Offer at 31 December 2012, the Healthscope Group had \$1,109.4 million of Senior Debt plus \$500 million of Subordinated Debt (comprising Notes I and Notes II) compared with \$1,483.2 million of tangible assets.</li> </ul>	

## Section 1

### Investment overview

Topic	Summary	For more information
<b>1.1.6 Why is the Healthscope Group issuing Notes II?</b>	<ul style="list-style-type: none"> <li>The Offer forms part of the Healthscope Group's capital management strategy and will further diversify the Healthscope Group's funding sources and lengthen its debt maturity profile.</li> <li>The proceeds of the Offer will be used to voluntarily repay some of the Healthscope Group's Senior Debt (including amounts owed to the Joint Lead Managers or related entities as Senior Creditors). The amounts prepaid cannot be re-drawn or re-borrowed under the terms of the Senior Facility Agreement.</li> <li>Following the repayment of some of the Healthscope Group's Senior Debt, the Healthscope Group proposes to raise up to \$150 million under a new additional undrawn capital expenditure facility ("Additional Capex Facility") which will provide additional financial flexibility for the Healthscope Group to pursue its hospitals growth strategy by funding continued development projects. The Additional Capex Facility will form part of the Senior Debt and Notes II will also be subordinated to this facility.</li> </ul>	Section 5.9
<b>1.1.7 Will Notes II be quoted on ASX?</b>	<ul style="list-style-type: none"> <li>Notes II are expected to trade under ASX code HLNGA.</li> <li>After quotation, Holders may buy or sell Notes II at the prevailing market price. There may or may not be a liquid market for Notes II and they may trade above or below their face value.</li> </ul>	
<b>1.1.8 Are Notes I and Notes II the same?</b>	<ul style="list-style-type: none"> <li>No. Notes I and Notes II are different securities, both issued by the Issuer.</li> <li>Notes I and Notes II have substantially the same terms, however, there are differences including, among other things, different interest rates and different maturity dates.</li> <li>Due to the different interest rates and different maturity dates, it is likely that Notes I and Notes II will trade at different prices on ASX.</li> <li>Notes II will rank equally with Notes I, however, Notes I will mature before Notes II. This means that the Healthscope Group will need to repay Notes I before Notes II are due to be repaid.</li> </ul>	Section 2
<b>Interest payments</b>		
<b>1.1.9 What interest is payable on Notes II?</b>	<ul style="list-style-type: none"> <li>Interest payments on Notes II are fixed rate payments payable quarterly in arrears and must be paid to Holders unless interest payments have been suspended.</li> <li>The Interest Rate for each interest period will be fixed until the Maturity Date at 10.25% per annum, as determined under the Bookbuild.</li> <li>The Interest Rate cannot change as it is fixed. However, additional interest will accrue if interest payments are suspended or otherwise not paid when due.</li> </ul>	Section 2.2



Topic	Summary	For more information
<b>1.1.10 What does “suspension” of interest mean?</b>	<ul style="list-style-type: none"> <li>• Suspension means that the payment of interest on Notes II will be deferred until a later date, but not cancelled. Interest payments could potentially be suspended until after the Maturity Date on 25 March 2018.</li> <li>• The suspension of interest will not be an Event of Default for Notes II. This means that a suspension of interest will not result in Notes II becoming due and payable.</li> <li>• At any time interest payments are suspended, additional interest will accrue daily and compound quarterly on the suspended interest at a rate equal to the Interest Rate plus 2.00% per annum.</li> <li>• If the payment of interest is suspended, the Issuer and the Obligors must not pay any distribution (including interest, dividends or return of capital) on any shareholder securities that rank behind Notes II, subject to limited exceptions, see Section 6. For example, if this restriction applies, Obligors could not pay dividends or make a return of capital to the Current Owners.</li> </ul>	Sections 2.2.6–9, 2.2.13, 5 and 6
<b>Term</b>		
<b>1.1.11 When will interest be suspended?</b>	<p><b>Debt Service Cover Ratio</b></p> <ul style="list-style-type: none"> <li>• Interest will be suspended if the Debt Service Cover Ratio is equal to or less than 1.10x (or would be after the payment of interest on Notes I and Notes II). This ratio tests whether the Healthscope Group produces enough cash to service its debt obligations (including the payment of Net Interest Expense, scheduled repayments under the Senior Facility Agreement and certain payments on finance leases and hire purchase agreements over the relevant period).</li> <li>• As at 31 December 2012, the Debt Service Cover Ratio was 1.45x as compared to the threshold of 1.10x for the suspension of interest<sup>1</sup>. The Adjusted EBITDA of the Healthscope Group would have needed to be approximately 22% lower before payments of interest would be suspended.</li> </ul> <p><b>Event of Default on Senior Debt</b></p> <ul style="list-style-type: none"> <li>• Interest will also be suspended if there is an ‘event of default’ or ‘potential event of default’ in relation to the Senior Debt. This includes meeting two further financial ratio requirements (which tighten over time):               <ul style="list-style-type: none"> <li>– The Senior Leverage Ratio – this indicates the amount of Senior Debt net of cash within the Security Group relative to Adjusted EBITDA. Interest payments on Notes II will be suspended if this ratio is more than the applicable level (4.60x at 31 December 2012). As at 31 December 2012, the Senior Leverage Ratio was 3.35x.<sup>1</sup></li> <li>– The Total Interest Cover Ratio – this indicates how many times the Security Group can meet its net interest expense from its Adjusted EBITDA. Interest payments on Notes II will be suspended if this ratio is less than the applicable level (1.60x as at 31 December 2012). As at 31 December 2012, the Total Interest Cover Ratio was 1.75x.<sup>1</sup></li> </ul> </li> </ul> <p><b>Other</b></p> <ul style="list-style-type: none"> <li>• Interest will also be suspended if any other condition to the making of permitted payments under the Intercreditor Deed is not satisfied.</li> </ul>	Section 6

<sup>1</sup> For the twelve months to 31 December 2012 adjusted to reflect the Offer as if it had been in place for the full year to 31 December 2012.

Topic	Summary	For more information
<p><b>1.1.12 What is the Maturity Date for Notes II?</b></p>	<ul style="list-style-type: none"> <li>• The Maturity Date is 25 March 2018.</li> <li>• The Healthscope Group must repay all of the Senior Debt before the Issuer may repay Notes II. The maturity date of the Senior Debt is currently 11 October 2015. The Healthscope Group may also borrow more senior debt in place of or in addition to the Senior Debt, which would also rank ahead of Notes II and which may mature before or at the same time as Notes II.</li> <li>• The Issuer is due to repay the Notes I holders on 17 June 2016, which is before the Maturity Date of Notes II.</li> </ul>	<p>Section 6</p>
<p><b>1.1.13 Will Notes II be redeemed early?</b></p>	<ul style="list-style-type: none"> <li>• Unless the Senior Debt has been repaid in full, the Issuer has no right to redeem Notes II early without the Senior Creditors' consent.</li> <li>• Subject to obtaining this consent, the Issuer will have the discretion to redeem Notes II early once they have been on issue for more than 12 months.</li> <li>• The Issuer will also have a discretion to redeem Notes II in the following circumstances (subject to obtaining Senior Creditors' consent if required): <ul style="list-style-type: none"> <li>– on an IPO in relation to the Healthscope Group;</li> <li>– if the Senior Debt is refinanced within 12 months after Notes II are issued;</li> <li>– if there is a 'Tax Event' – for e.g. if the interest paid on Notes II is not deductible;</li> <li>– if there is a 'Clean up' event – if there are less than \$50 million of Notes II outstanding at the time.</li> </ul> </li> <li>• Subject to obtaining the Senior Creditors' consent (if applicable), the Issuer will be required to redeem a Holder's Notes II at their request if the Notes II cease to be quoted or admitted to trade on ASX or if trading is suspended for more than 15 consecutive business days.</li> <li>• Refer to Section 2.3 for amounts payable in these circumstances.</li> <li>• Early redemption may or may not be advantageous for Holders. Any outstanding interest payable in connection with Notes II up to the date of such redemption ("Outstanding Interest") must be paid in any early redemption.</li> </ul>	<p>Sections 2.3 and 6</p>

Topic	Summary	For more information
<b>Debt and Ranking</b>		
<p><b>1.1.14 How much debt is there?</b></p>	<ul style="list-style-type: none"> <li>• As at 31 December 2012 the Healthscope Group had \$1,409.4 million of Senior Debt outstanding and \$200 million of Subordinated Debt.</li> <li>• Following the issue of Notes II and the use of the proceeds to repay some of the Healthscope Group’s Senior Debt, the Healthscope Group will have approximately \$1,109.4 million of Senior Debt outstanding (maturity date currently of 11 October 2015) and approximately \$500.0 million of Subordinated Debt – comprising \$200 million of Notes I (maturity date of 17 June 2016) and \$300.0 million of Notes II (maturity date of 25 March 2018).</li> <li>• The Offer could raise more or less than \$300.0 million of Notes II, in which case the Senior Debt would be less or more than \$1,109.4 million.</li> <li>• Based on existing available facilities and the proposed Additional Capex Facility, the Healthscope Group could incur a further \$325.1 million in Senior Debt (without the consent of Senior Lenders) and \$9.9 million in debt ranking equally with Notes II (to the extent that has not been raised as Senior Debt). The Healthscope Group has the ability to raise up to a further \$100 million by way of an additional capital expenditure facility (in addition to the Additional Capex Facility) and a further \$50 million additional leasing facility permitted by the terms of the Senior Facility Agreement which are only available to be put in place where the Senior Leverage Ratio is at least 1.25x lower than the required Senior Leverage Ratio at that time.</li> <li>• The Healthscope Group can also incur Permitted Finance Debt without any restrictions.</li> </ul>	<p>Sections 2.4.10, 5.2.3 and 6, Appendix A clause 17.2</p>
<b>Capacity to meet obligations</b>		
<p><b>1.1.15 Notes II are described as “debt” – what does this mean and what do I need to think about when considering investing?</b></p>	<ul style="list-style-type: none"> <li>• Notes II are a form of debt. As a holder of Notes II, you are lending the Issuer money until the Maturity Date, unless Notes II are redeemed early or exchanged into an IPO in relation to the Healthscope Group.</li> <li>• The return to Holders on Notes II will be determined by the Issuer’s ability to pay interest and repay the principal amount of Notes II at redemption, which in turn depends on the Healthscope Group’s ability to pay those amounts to the Issuer to pay to Holders.</li> </ul>	

Topic	Summary	For more information
<p><b>1.1.16 What do I need to think about when assessing the Healthscope Group's ability to meet its payment obligations on Notes II?</b></p>	<p>When assessing the Healthscope Group's ability to meet its payment obligations on Notes II you should consider the following.</p> <ul style="list-style-type: none"> <li>• The Healthscope Group's principal and interest payment obligations on the Senior Debt (both existing and further potential Senior Debt) and other liabilities, including Notes I.</li> <li>• After the payment of net interest on Senior Debt for the 12 months ending 30 June 2012, on a pro forma basis, net operating cash flow of \$159.9 million is available for the payment of interest on Notes I and Notes II of \$53.3 million.</li> <li>• There is a risk that the Healthscope Group suffers a decline in net cash flow during the term of Notes II that is significant enough to prevent the payment of interest and principal payments on Notes II.</li> <li>• Healthscope is required to repay the principal of the Senior Debt in the following instalments: 30 June 2013 – \$8.72 million, 31 December 2013 – \$14.63 million, 30 June 2014 – \$14.63 million, 31 December 2014 – \$22.84 million, 30 June 2015 – \$22.84 million, 11 October 2015 – \$22.84 million.</li> <li>• The Healthscope Group proposes to pay these instalments from existing cash, available cash flow from operations generated over that period and/or any proceeds of a refinancing of the Senior Debt. The Healthscope Group's cash balance at 31 December 2012 was \$84.1 million (\$74.3 million after payment of costs related to raising Notes II).</li> <li>• The Directors expect that the Healthscope Group will generate sufficient cash flow to enable the Healthscope Group to meet repayments of the Senior Debt that are due on 30 June 2013 and 31 December 2013 but are unable to make predictions beyond that time.</li> <li>• At 31 December 2012, the Healthscope Group was in compliance with all its Senior Facilities and Notes I covenants with headroom available.</li> <li>• The Healthscope Group has complied with all applicable financial covenants from the date of acquisition by The Carlyle Group and TPG.</li> <li>• The Healthscope Group's financial covenants under the Senior Facilities tighten over time. As such, the Healthscope Group will need to continue to increase its earnings and operating cash flow or reduce the principal outstanding of the Senior Debt in order to maintain compliance with its financial covenants.</li> </ul>	<p>Sections 2.2.7, 5, 6.6 and 7.2.1 to 7.2.4</p>

Topic	Summary	For more information
<b>Other matters</b>		
<b>1.1.17 Will Notes II exchange into ordinary shares in the Issuer or a member of the Healthscope Group?</b>	<ul style="list-style-type: none"> <li>Eligible Holders of Notes II will have a priority right to the general public to subscribe in an IPO (which is not guaranteed to occur) in relation to the Healthscope Group by “exchanging” all or part of their holding of Notes II for the securities being issued pursuant to the IPO. The terms on which Eligible Holders could participate in an IPO are set out in Section 2.6.</li> <li>Notes II do not have a general right to convert into ordinary shares in the Issuer or a member of the Healthscope Group and may only be exchanged if there is an IPO in accordance with the Terms of Issue.</li> </ul>	Section 2.6
<b>1.1.18 Do Notes II have any shareholder voting rights?</b>	<ul style="list-style-type: none"> <li>Holders have no voting rights at meetings of holders of shares in the Issuer and no formal mechanisms to influence management generally.</li> </ul>	
<b>1.1.19 Comparative table</b>	<ul style="list-style-type: none"> <li>There are differences between typical ordinary shares, Notes I, Notes II and the Senior Debt of the Healthscope Group that are referred to in this Prospectus. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding whether to invest in Notes II.</li> <li>The following comparison is a summary only and does not encompass all of the Healthscope Group’s existing or potential funding sources. For further information about the indebtedness of the Healthscope Group, refer to Section 6.</li> </ul>	Section 6

## Section 1 Investment overview

	TYPICAL ORDINARY LISTED SHARES (no shares in any members of the Healthscope Group are quoted on ASX)	NOTES II	NOTES I	SENIOR DEBT
<b>Legal form</b>	Shares	Notes	Notes	Loan
<b>Security</b>	Not applicable	Second ranking and subordinated	Second ranking and subordinated	First ranking and unsubordinated
<b>Term</b>	Perpetual (unless bought back)	5 years (maturity date is 25 March 2018)	5.5 years (maturity date is 17 June 2016)	5 years (maturity date is 11 October 2015)
<b>Early redemption dates in Issuer's discretion</b>	Not applicable	Yes, but subject to restrictions (refer Section 6)	Yes, but subject to restrictions	Yes, general right of voluntary prepayment
<b>Payments</b>	Dividends, payable at the absolute discretion of the board	Interest payments, subject to suspension	Interest payments, subject to suspension	Interest payments, with no ability to suspend or cancel
<b>Payment accumulation</b>	None	Any suspended interest payments are cumulative and compounding	Any suspended interest payments are cumulative and compounding	Any unpaid interest payments are cumulative and compounding
<b>Benefit of financial covenants</b>	No	Indirectly (via the restriction of further indebtedness through the Maximum Leverage Level)	Indirectly (via the restriction of further indebtedness through the Maximum Leverage Level)	Yes
<b>Mandatory prepayment events</b>	No	No	No	Yes
<b>Events of default?</b>	No	Limited	Limited	Extensive
<b>Non-payment triggers an event of default?</b>	No	Yes, but with limited enforcement rights behind Senior Debt. Suspension of interest payments is not an Event of Default.	Yes, but with limited enforcement rights behind Senior Debt. Suspension of interest payments is not an Event of Default.	Yes

	TYPICAL ORDINARY LISTED SHARES (no shares in any members of the Healthscope Group are quoted on ASX)	NOTES II	NOTES I	SENIOR DEBT
<b>Ranking in the event of a winding-up of the Issuer</b>	Ranks behind all other securities and obligations	Ranks ahead of shares and unsecured debt, equally with Notes I, but behind Senior Debt and claims mandatorily preferred by law	Ranks ahead of shares and unsecured debt, equally with Notes II (but are due to be repaid in June 2016 ahead of the Maturity Date for Notes II), but behind Senior Debt and claims mandatorily preferred by law	Ranks ahead of shares and other debt (including Notes I and Notes II), but behind claims mandatorily preferred by law
<b>Participation in profits on a winding-up of the Issuer</b>	Yes	No	No	No
<b>Rights to be repaid at end of Term</b>	Not applicable	Yes	Yes	Yes
<b>Voting rights at general meetings of the Issuer's shareholders</b>	Yes	No	No	No
<b>Transferability</b>	Yes	Yes, quoted on ASX (or the Offer will not proceed)	Yes, quoted on ASX (ASX:HLNG)	Yes, although not quoted
<b>Liquidity</b>	Likely to be more liquid than notes and bonds	Likely to be less liquid than ordinary shares	Likely to be less liquid than ordinary shares	Likely to be less liquid than ordinary shares

If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Notes II, it is recommended that you seek professional guidance from your financial or other professional adviser before deciding whether to invest.

## 1.2 Overview of the Healthscope Group and its Business Model

Topic	Summary	For more information
<p><b>1.2.1 What is the Healthscope Group's business?</b></p>	<ul style="list-style-type: none"> <li>• The Healthscope Group is one of Australia's leading private healthcare services providers with revenues of \$2,115.8 million and EBITDA before significant items of \$303.0 million for the twelve months ended 30 June 2012.</li> <li>• The Healthscope Group operates through three divisions:               <ul style="list-style-type: none"> <li>– the operation of private hospitals in Australia ("Hospitals");</li> <li>– the provision of pathology testing services and the operation of medical centres in Australia ("Australian Pathology"); and</li> <li>– the provision of pathology testing services internationally ("International Pathology").</li> </ul> </li> </ul>	<p>Sections 4.1 and 4.2</p>
<p><b>1.2.2 What does the Hospitals division do?</b></p>	<ul style="list-style-type: none"> <li>• The Healthscope Group's private hospital portfolio comprises 30 owned hospitals, 11 leased hospitals and 3 hospitals operated on behalf of the Adelaide Community Healthcare Alliance ("ACHA").</li> <li>• The Healthscope Group is Australia's second largest private hospital operator, with a portfolio of 44 private hospitals nationwide. Hospitals represent the Healthscope Group's largest operating division representing approximately 75% of the Healthscope Group's total revenue and approximately 80% of the Healthscope Group's EBITDA for the year ended 30 June 2012.<sup>1</sup></li> </ul>	<p>Section 4.3</p>
<p><b>1.2.3 What does the Australian Pathology division do?</b></p>	<ul style="list-style-type: none"> <li>• As at February 2013, the Healthscope Group's Australian pathology business comprises a network of collection centres, NATA accredited laboratories, medical centres and specialist skin cancer clinics.</li> <li>• The Australian Pathology division represents approximately 17% of the Healthscope Group's total revenue and approximately 8% of the Healthscope Group's EBITDA for the year ended 30 June 2012.<sup>1</sup></li> </ul>	<p>Section 4.4</p>
<p><b>1.2.4 What does the International Pathology division do?</b></p>	<ul style="list-style-type: none"> <li>• The Healthscope Group's International Pathology division operates in New Zealand, Singapore, Malaysia and Vietnam.</li> <li>• The International Pathology division generated revenue representing approximately 8% of the Healthscope Group's total revenue and 12% of the Healthscope Group's EBITDA for the year ended 30 June 2012.<sup>1</sup></li> </ul>	<p>Section 4.5</p>

<sup>1</sup> EBITDA before corporate costs and significant items.



Topic	Summary	For more information
<p><b>1.2.5 What is the Healthscope Group's strategy for future growth?</b></p>	<p>The key growth strategies for each of the Healthscope Group's divisions are set out below:</p> <p><b>Hospitals</b></p> <ul style="list-style-type: none"> <li>• The key elements of Healthscope's hospitals growth strategy are increasing occupancy and utilisation across the hospital portfolio, capacity expansion through brownfield projects at existing hospitals.</li> <li>• Since October 2010, when the Healthscope Group was acquired by the Current Owners, it has successfully completed 16 projects which have added 16 new operating theatres and 237 new beds.</li> <li>• The Healthscope Group has a strong pipeline of future brownfield projects with plans in place to increase the number of beds and theatres at a number of key facilities.</li> <li>• In addition to these projects, the Healthscope Group has reached conditional agreement to build and operate the Gold Coast Private Hospital, which will be co-located with a public hospital on the Gold Coast. This brownfield development is expected to open in 2015, and have over 230 beds, with the capacity to increase to more than 350 beds based on future demand.</li> </ul> <p><b>Australian Pathology and medical centres</b></p> <ul style="list-style-type: none"> <li>• The Healthscope Group's strategy within the Australian pathology business is to improve the performance of the business through rationalising collection centres, restructuring the New South Wales business and focussing on profitable growth across its business.</li> <li>• The Healthscope Group's medical centres business is focused on increasing patient volume at its existing centres and transforming more of its centres into large, multi-disciplinary centres either through expansion or merger of existing centres.</li> </ul> <p><b>International Pathology</b></p> <ul style="list-style-type: none"> <li>• In New Zealand, the focus is on realising the benefits from the recent Medlab South acquisition, as well as tendering for new District Health Boards ("DHB") contracts as they come up for tender.</li> <li>• The Healthscope Group's pathology businesses in Singapore, Malaysia and Vietnam will continue to focus on organic growth and operating efficiencies.</li> </ul>	<p>Section 4.7</p>
<p><b>1.2.6 How will the Issuer keep me informed regarding developments in the Healthscope Group's business?</b></p>	<ul style="list-style-type: none"> <li>• Information will be communicated to Holders through the lodgement of all relevant financial and other information with ASX and publishing information on the Healthscope Group's website <a href="http://www.healthscope.com.au">www.healthscope.com.au</a>.</li> </ul>	<p>Section 9.3.5</p>

## 1.3 Key risks associated with an investment in Notes II

Topic	Summary	For more information
<b>1.3.1 Insufficient cash flow to meet payments</b>	<ul style="list-style-type: none"> <li>The Healthscope Group may not generate sufficient cash flows or may be unable to obtain financing to enable the Issuer to meet its commitments to Holders to pay interest and repay principal of Notes II.</li> <li>If the Issuer does not pay some or all of the interest or principal as and when payable under the Terms of Issue, then you may not receive some or all of the money you invested in Notes II or interest that is due to be paid to you.</li> </ul>	Section 7.2.1
<b>1.3.2 Suspension of interest payments</b>	<ul style="list-style-type: none"> <li>Interest payments on Notes II may be suspended potentially past the Maturity Date on 25 March 2018.</li> </ul>	Section 2.2.7 and 7.2.2
<b>1.3.3 Senior Debt and subordination</b>	<ul style="list-style-type: none"> <li>Notes II rank behind and are subordinated to the Senior Debt. In an insolvency situation affecting the Healthscope Group, it is likely that insufficient monies will be available after the Senior Debt has been repaid in full to repay in full, or at all, amounts owed to Holders for their Notes II.</li> </ul>	Sections 6 and 7.2.3
<b>1.3.4 Substantial debt obligations</b>	<ul style="list-style-type: none"> <li>The Healthscope Group has a substantial amount of indebtedness through the Senior Debt (including any Additional Capex Facility) and Notes I, and will have indebtedness to Holders through Notes II. The Healthscope Group must meet its debt obligations through existing cash and available cash flow from operations. This indebtedness will require the Healthscope Group to dedicate a substantial portion of its cash flow from operations towards required interest and principal payments. The indebtedness may limit the Healthscope Group's flexibility in reacting to changes in the healthcare sector. It may also detract from its ability to successfully withstand a potential downturn in its businesses.</li> <li>If the operating performance of the Healthscope Group deteriorates: <ul style="list-style-type: none"> <li>the Healthscope Group may have insufficient cash flow to meet its debt obligations; and/or</li> <li>there may be an adverse change in the underlying credit quality of Notes II, which may adversely impact the market price of Notes II.</li> </ul> </li> </ul>	Sections 6 and 7.2.4
<b>1.3.5 Interest rate changes</b>	<ul style="list-style-type: none"> <li>The Interest Rate payable on Notes II is fixed for the term of Notes II. Interest rate rises may result in Notes II being less attractive when compared to the rates of return available on comparable securities. This may also reduce the market price of Notes II.</li> <li>Interest payments on the Senior Debt will increase if interest rates rise and this may put pressure on the Healthscope Group's ability to meet its debt obligations.</li> </ul>	Section 7.2.5
<b>1.3.6 Healthscope Group may incur additional debt</b>	<ul style="list-style-type: none"> <li>The Healthscope Group has the right to incur additional debt, including debt that ranks in priority to Notes II (refer to Section 2.4.10 for more information). This additional debt could have an adverse effect on the Healthscope Group's ability to pay interest and principal on Notes II. It could also reduce the amount that Holders would receive on a winding up of the Healthscope Group.</li> </ul>	Sections 1.1.19, 2.4.10 and 7.2.7

Topic	Summary	For more information
<b>1.3.7 Debt refinancing</b>	<ul style="list-style-type: none"> <li>The existing Senior Facilities mature on 11 October 2015 and will need to be refinanced or extended by that date. A risk exists that this debt will not be able to be refinanced or will be refinanced on terms less attractive than those that currently apply. This may have a materially adverse effect on the Issuer's ability to pay interest and repay principal on Notes II. If the Senior Facilities cannot be refinanced on acceptable terms on or prior to their maturity date, interest payments on Notes II may be suspended.</li> </ul>	Section 7.2.13
<b>1.3.8 Limited Holder rights</b>	<ul style="list-style-type: none"> <li>In the event that the Issuer defaults on the payment of principal or interest, only the Trustee is able to take action directly against the Issuer. Holders' rights are limited to voting in meetings of Holders to request the Trustee to take action (refer to Section 10.3 for more information).</li> <li>In addition, the rights of the Trustee and Holders to take action against the Issuer upon the occurrence of an Event of Default are subject to further restrictions set out in the Intercreditor Deed, Security Trust Deed and the Trust Deed.</li> </ul>	Sections 6.15, 6.16, 7.2.14 and 10.3
<b>1.3.9 New Zealand investors and currency risk</b>	<ul style="list-style-type: none"> <li>The denomination and currency for payment for Notes II is Australian dollars and not New Zealand dollars. If you are a New Zealand resident, the Offer may involve a currency exchange risk. The value of the securities in New Zealand dollars will go up or down according to changes in the exchange rate between Australian dollars and New Zealand dollars. These changes may be significant. Payments to Holders will be made in Australian dollars and Holders may incur fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.</li> </ul>	Section 7.2.16
<b>1.3.10 Private health insurance</b>	<ul style="list-style-type: none"> <li>Means testing of the Federal Government rebate on private health insurance may result in a decline in membership and may have a negative effect on the Healthscope Group's revenue.</li> </ul>	Section 7.3.2

## 1.4 Further information about the Offer

Topic	Summary	For more information
<b>1.4.1 When is the Offer Period?</b>	<ul style="list-style-type: none"> <li>The Offer opens on 12 March 2013 and:               <ul style="list-style-type: none"> <li>the Securityholder Offer (Paper Applications) closes at 5.00pm on 19 March 2013;</li> <li>the Securityholder Offer (Online Applications) closes at 5.00pm on 25 March 2013; and</li> <li>the Broker Firm Offer closes at 10.00am on 26 March 2013.</li> </ul> </li> <li>These dates may change.</li> </ul>	Section 8
<b>1.4.2 Is there a minimum amount to be raised?</b>	<ul style="list-style-type: none"> <li>No. The Offer is for the issue of Notes II to raise \$300 million, with the ability to raise more or less.</li> </ul>	
<b>1.4.3 Is there a minimum Application size?</b>	<ul style="list-style-type: none"> <li>Your Application must be for a minimum of 50 Notes II (\$5,000). If your Application is for more than 50 Notes II, then you must apply in incremental multiples of 10 Notes II – that is, for incremental multiples of \$1,000.</li> </ul>	Section 8.2.2
<b>1.4.4 Where can I find more information about this Prospectus or the Offer?</b>	<ul style="list-style-type: none"> <li>If you have any questions in relation to the Offer, please call the Notes II Offer Information Line on 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia) (Monday to Friday – 8.30am to 5.30pm) from 4 March 2013, or seek professional advice from your financial or other professional adviser.</li> <li>If you are a Broker Firm Applicant, you should contact your Syndicate Broker.</li> </ul>	

## 1.5 What You Need To Do

Topic	Summary
<b>1.5.1 Read this Prospectus in full</b>	<ul style="list-style-type: none"> <li>If you are considering applying for Notes II under the Offer, this document is important and should be read in its entirety.</li> </ul>
<b>1.5.2 Consider and consult</b>	<ul style="list-style-type: none"> <li>Consider all the risks and other information regarding an investment in Notes II in light of your particular investment objectives and circumstances.</li> <li>If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in Notes II, it is recommended that you seek professional guidance from your financial or other professional adviser before deciding whether to invest.</li> </ul>
<b>1.5.3 Complete and submit your Application Form</b>	<ul style="list-style-type: none"> <li>The application process varies depending on whether you participate in the Institutional Offer, Broker Firm Offer or Securityholder Offer. See Section 8 for more details.</li> <li>The Offer may close early so you are encouraged to consider submitting your Application as soon as possible after the Opening Date.</li> </ul>

## Section 2

# About Notes II



## 2.1 Introduction

### Key features of Notes II

The key features of Notes II are set out in Section 1.1. This Section 2 provides further information on the terms of Notes II.

### Key documents and parties referred to in this Prospectus

The below briefly describes key documents and key parties (in addition to the Issuer and the members of the Healthscope Group), that are referred to in this Prospectus.

- Each Note II is issued subject to the provisions of the Trust Deed and Terms of Issue, the Security Trust Deed and the Intercreditor Deed. These documents contain key terms applicable to Notes II. Refer to Appendix A and Sections 6.15, 6.16 and 10.3.
- A Trustee (The Trust Company (Australia) Limited) has been appointed as trustee pursuant to the Trust Deed. The Trustee acts as trustee for Holders under the Trust Deed and holds the benefit of the Trust Deed on trust for Holders. Refer to Section 10.3.
- Debt facilities and other financial accommodation (referred to as the “Senior Facilities”) have been made available to the Healthscope Group from certain financial institutions under the Senior Facility Agreement. Amounts lent, or otherwise owing under the Senior Facilities and other senior documents such as any Additional Capex Facility and hedging agreements are referred to as Senior Debt and the providers of the Senior Facilities, the Additional Capex Facility and the hedging are referred to as Senior Creditors.
- Certain Healthscope Group members, Obligors, have given guarantees and granted security (“Security”) in support of the Senior Debt. Refer to Section 6.14.
- The Security Trustee holds the Security as trustee for the Senior Creditors and, on a second-ranking and subordinated basis, the holders of Notes I on the terms of the Security Trust Deed and the Intercreditor Deed. From the issue of Notes II, the Security, on a second ranking and subordinated basis, will also secure Notes II, and the Security Trustee will also hold the Security as trustee for the holders of Notes II. Refer to Section 6.14.
- The Intercreditor Deed establishes the Senior Debt as senior to Notes I and Notes II which, while secured by the Security, are subordinated to, and are second ranking behind, the Senior Debt (as more fully described in this Prospectus). Refer to Section 6.14.

## 2.2 Interest Payments

Topic	Summary	For more information
<b>2.2.1 When is interest payable?</b>	<ul style="list-style-type: none"> <li>• Interest payments are payable quarterly in arrears, subject to suspension.</li> </ul>	Appendix A (clause 2)
<b>2.2.2 Will interest payments be franked or unfranked?</b>	<ul style="list-style-type: none"> <li>• Interest payments will be unfranked.</li> </ul>	
<b>2.2.3 How will the Interest Rate be determined?</b>	<ul style="list-style-type: none"> <li>• The Interest Rate for each interest period will be fixed at 10.25% per annum, as determined under the Bookbuild.</li> <li>• The Interest Rate cannot change as it is fixed. However, additional interest will accrue if interest payments are suspended or otherwise not paid when due.</li> </ul>	Appendix A (clauses 2 and 17.2)
<b>2.2.4 When will interest payments be made?</b>	<ul style="list-style-type: none"> <li>• The first interest payment is expected to be paid on 25 June 2013.</li> <li>• Following the first interest payment, an interest payment is expected to be paid on each 25 March, 25 June, 25 September and 25 December in relation to each Note II while it remains on issue as well as on the date Notes II are redeemed or exchanged, subject to suspension.</li> <li>• If any of these dates are not Business Days, then the interest payment will occur on the next Business Day.</li> </ul>	Appendix A (clauses 2, 6.5 and 17.2)

Topic	Summary	For more information
<b>2.2.5 How will interest payments be paid to Holders?</b>	<ul style="list-style-type: none"> <li>• Interest payments will be paid to Holders whose details are recorded with the Registry at 7.00pm on the relevant record date for each Interest Payment Date, which is 7 calendar days (or such other period as determined by the Directors from time to time in compliance with the Listing Rules) before the Interest Payment Date in respect of the relevant Interest Period.</li> <li>• Any amount which is payable to Holders in respect of Notes II will, unless the Issuer and the Holder otherwise agree, be paid by direct credit to a nominated Australian dollar account at an Australian branch of a financial institution.</li> <li>• General information about the Australian tax consequences of receiving payments of Interest (including potential withholdings from such payments on account of tax) is in Section 10.6.</li> </ul>	Appendix A (clause 6) and Section 10.6
<b>2.2.6 What is “Suspension”?</b>	<ul style="list-style-type: none"> <li>• Suspension means that the payment of interest on Notes II will be deferred until a later date but not cancelled.</li> <li>• The payment of interest to Holders will be suspended if a Suspension Condition applies on the Interest Payment Date or Redemption Date for that interest payment.</li> <li>• Interest payments could potentially be suspended until after the Maturity Date on 25 March 2018. The suspension of interest will not be an Event of Default for Notes II. This means that a suspension of interest will not result in Notes II becoming due and payable.</li> <li>• The Issuer may not elect to suspend interest payments at its discretion if a Suspension Condition does not apply on the relevant Interest Payment Date or Redemption Date.</li> </ul>	Appendix A (clause 2)

## Section 2

### About Notes II

Topic	Summary	For more information
<p><b>2.2.7 When will interest payments to Holders be suspended?</b></p>	<p>On any Interest Payment Date or Redemption Date, interest payments will be suspended in accordance with the Terms of Issue and the Intercreditor Deed in circumstances where:</p> <ul style="list-style-type: none"> <li>• the Debt Service Cover Ratio is equal to or less than 1.10x (or would be after the payment of interest on Notes I and Notes II). The Debt Service Cover Ratio seeks to test whether the Healthscope Group produces enough cash to service its debt obligations (including the payment of Net Interest Expense, scheduled repayments under the Senior Facility Agreement and certain payments on finance leases and hire purchase agreements over the relevant period). Refer to Section 2.2.11 for more information;</li> <li>• an ‘event of default’ or ‘potential event of default’ under the Senior Finance Documents subsists, including non-compliance with the Senior Leverage Ratio or Total Interest Cover Ratio covenants (and has been notified to the Trustee); or</li> <li>• any other condition to the making of permitted payments under the Intercreditor Deed is not satisfied,</li> </ul> <p>each a “Suspension Condition”.</p> <p>A suspension of interest following an ‘event of default’ or ‘potential event of default’ under the Senior Finance Documents will continue until the earliest to occur of:</p> <ul style="list-style-type: none"> <li>• 179 days from the occurrence of the relevant event of default or potential event of default;</li> <li>• when the event of default or potential event of default ceases to subsist; or</li> <li>• when the agent under the Senior Facility Agreement notifies the Trustee that the suspension has ceased to apply.</li> </ul> <p>The events of default applicable to the Senior Facility Agreement are set out in Section 6.7. A potential event of default is an event or circumstance which would, with the expiry of an applicable grace period or the giving of notice under the Senior Facility Agreement (or both), constitute an event of default.</p> <p>Such an event of default or potential event of default will subsist for as long as it remains unremedied or unwaived by the lenders under the Senior Facility Agreement.</p>	<p>Appendix A (clauses 2.2 and 17.2) and Sections 2.2.10 and 6.7</p>
<p><b>2.2.8 When will suspended interest payments be paid?</b></p>	<p>Any interest amount suspended will be payable on:</p> <ul style="list-style-type: none"> <li>• in the case of interest suspended on an Interest Payment Date, the earlier of: <ul style="list-style-type: none"> <li>– the next Interest Payment Date arising after the circumstances giving rise to the suspension are no longer applicable; and</li> <li>– the date that any principal in respect of Notes II is due and payable in accordance with the Terms of Issue; and</li> </ul> </li> <li>• in the case of interest suspended on a Redemption Date, the first date following the date on which the suspension condition ceases to apply or the date on which such interest is deemed to be repaid on exercise of the Exchange Right.</li> </ul>	<p>Appendix A (clause 2.3(a))</p>
<p><b>2.2.9 Does interest accrue on unpaid interest payments? Is any additional interest payable?</b></p>	<p>Yes. Interest accumulates daily and compounds quarterly, accruing at the Interest Rate plus an additional 2.00% per annum on:</p> <ul style="list-style-type: none"> <li>• any suspended interest payment; and</li> <li>• any interest payment that is due and payable, but remains unpaid.</li> </ul>	<p>Appendix A (clause 2.4)</p>



Topic	Summary	For more information
<p><b>2.2.10 What is the Debt Service Cover Ratio?</b></p>	<p>The Debt Service Cover Ratio compares (A) cash flow which is available to service debt of the Healthscope Group to (B) the Healthscope Group's debt service obligations and is calculated in accordance with the Terms of Issue.</p> <p>In summary, on any date, the Debt Service Cover Ratio is the ratio of A:B where:</p> <p><b>A</b> = Adjusted EBITDA of the Security Group in respect of the 12 month period ending on that date:</p> <ul style="list-style-type: none"> <li>(a) minus the amount of Net Capital Expenditure paid in cash;</li> <li>(b) minus all corporate Taxes or other Taxes on income or gains of the Security Group paid by a Security Group Member in cash (net of cash Tax refunds or other Tax receipts received); and</li> <li>(c) plus the amount of any decrease, or minus the amount of any increase, as the case may be, of the Working Capital of the Security Group (excluding changes in Working Capital relating to acquisitions),</li> </ul> <p>in each case, for the same period; and</p> <p><b>B</b> = the aggregate of:</p> <ul style="list-style-type: none"> <li>(a) Net Interest Expense (excluding capitalised and suspended interest);</li> <li>(b) scheduled repayments of Senior Debt Facilities; and</li> <li>(c) the principal or capital payments on finance leases and hire purchase agreements,</li> </ul> <p>in each case, for the same period.</p> <p>On a pro forma basis, as at 31 December 2012, the Debt Service Cover Ratio was 1.45x as compared to the threshold of 1.10x for the suspension of interest, which means that, on this basis, Adjusted EBITDA for this ratio would have needed to be 22% lower before interest would have been suspended.</p> <p>The Debt Service Cover Ratio will be tested on the last day of each calendar quarter commencing on 31 March 2013 and will be determined when the relevant quarterly aggregated unaudited accounts have been prepared and for 30 June when the annual aggregated, audited accounts have been prepared. So, for the interest payment due on 25 June 2013 the relevant Debt Service Cover Ratio will be the ratio for 31 March 2013.</p> <p>Refer to Section 5.4 for further information about the Debt Service Cover Ratio.</p>	<p>Appendix A (clause 17.2) and Section 5.4</p>
<p><b>2.2.11 What is the Capital Expenditure Limit of the Security Group?</b></p>	<p>Healthscope Borrower must ensure that the Security Group does not incur Capital Expenditure in a financial year above the Capital Expenditure Limit set out in Section 6.5.</p> <p>Investors should note that the Security Group has the ability to carry-forward up to 100% of its unspent capital expenditure for any financial year into the following financial year (subject to certain limitations). There are also a number of exceptions to (and exclusions from) the Capital Expenditure Limit that would permit members of the Security Group to incur capital expenditure without reference to this Capital Expenditure Limit.</p>	<p>Sections 5 and 6.5</p>

## Section 2

### About Notes II

Topic	Summary	For more information
<b>2.2.12 Where can I find information on Senior Debt?</b>	<p>After the issuance of Notes II, the Healthscope Group will have approximately \$1,109.4 million of Senior Debt.<sup>1</sup> The Healthscope Group proposes to raise up to \$150 million under a new Additional Capex Facility, it should be noted that this facility will be undrawn immediately post the Offer.</p> <p>Information on how much additional debt the Healthscope Group may incur is set out in Section 2.4.5. A description of the Senior Facilities, including when interest is payable and how it is calculated, is contained in Section 6.</p>	Sections 2.4.5 and 6
<b>2.2.13 Is there a distribution restriction if interest payments are suspended or in other circumstances?</b>	<p>Yes. The Issuer must not, and must procure that each other Obligor does not, announce or make distributions in respect of, or buy back, any ordinary shares or preference shares, or any other securities or similar indebtedness that is subordinated to Notes II if any amount in respect of interest on any Notes II is due and payable but unpaid or is suspended. For example, if this restriction applies, the Healthscope Group could not pay dividends or make a return of capital to the Current Owners.</p> <p>These restrictions will also apply in the following circumstances:</p> <ul style="list-style-type: none"><li>• any amount in respect of principal on any Notes II is due and payable but unpaid;</li><li>• the Total Leverage Ratio on such day is greater than 4.5x or would be if such distribution was made; or</li><li>• an Event of Default or Potential Event of Default exists at that time.</li></ul>	Appendix A (clause 2.5)
<b>2.2.14 How will interest payments on Notes II be funded?</b>	Interest payments in respect of Notes II will be paid from cash flows generated by the Healthscope Group.	Section 5.11

<sup>1</sup> This comprises \$61.8 million of current and \$1,047.6 million of non-current Senior Debt.

## 2.3 Redemption

Topic	Summary	For more information
<p><b>2.3.1 In what circumstances can the Issuer redeem Notes II early?</b></p>	<p>The Issuer has no right to redeem Notes II early without the Senior Creditors' consent while the Senior Debt remains outstanding.</p> <p>Subject to this restriction, the Issuer has a discretion to redeem all or part of Notes II early once they have been on issue for more than 12 months – <b>Issuer's general discretion</b>. The redemption amount will be between 105% and 100% of the principal amount outstanding under such Notes II depending on the date of redemption ("Early Redemption Amount") plus any Outstanding Interest.</p> <p>The Issuer also has a discretion to redeem Notes II early in the following circumstances (subject to obtaining the required consent from the Senior Creditors).</p> <p><b>Refinancing</b></p> <ul style="list-style-type: none"> <li>• The Issuer may redeem all but not part of Notes II upon the occurrence of a complete refinancing of the facilities made available under the Senior Facility Agreement which occurs on or prior to the date that is 12 months after the Issue Date (or within 3 months of the occurrence of such a refinancing).</li> <li>• The redemption amount in these circumstances will be 105% of the principal amount outstanding under Notes II plus any Outstanding Interest.</li> </ul> <p><b>IPO</b></p> <ul style="list-style-type: none"> <li>• The Issuer may redeem all or part of Notes II following an IPO in which Listed Securities are issued on or prior to the date that is 24 months after the Issue Date. The redemption amount in these circumstances will be 105% of the principal amount outstanding under such Notes II plus any Outstanding Interest.</li> <li>• The Issuer may redeem all or part of Notes II concurrently with an IPO where the prospectus for the offer of Listed Securities is lodged with ASIC on or after the date that is 24 months after the Issue Date. The redemption amount in these circumstances will be 102.5% of the principal amount outstanding under such Notes II plus any Outstanding Interest.</li> <li>• There is no guarantee that an IPO will occur.</li> </ul> <p><b>Special circumstances</b></p> <ul style="list-style-type: none"> <li>• The Issuer may redeem all, but not part, of Notes II at any time after the occurrence of: <ul style="list-style-type: none"> <li>– a Tax Event (for example, if interest on Notes II is not deductible or if any amount payable under Notes II is subject to a withholding or deduction for which the Issuer must pay an additional amount). The redemption amount in these circumstances will be the principal amount outstanding under Notes II plus any Outstanding Interest; or</li> <li>– a Clean Up Event (which, in summary, will occur if there is less than \$50 million of Notes II outstanding). The redemption amount in these circumstances will be the Early Redemption Amount on the date of the redemption plus any Outstanding Interest.</li> </ul> </li> </ul>	<p>Appendix A (clause 4.3) and Section 6</p>

## Section 2

### About Notes II

Topic	Summary	For more information
<b>2.3.2 What will Holders receive on redemption of Notes II?</b>	<p>In the case of redemption on the Maturity Date, Holders will receive the principal amount outstanding under Notes II together with any Outstanding Interest subject to suspension.</p> <p>In the case of redemption before the Maturity Date, Holders will receive the redemption amount described in Section 2.3.1 in relation to the particular redemption.</p>	Section 2.3.1
<b>2.3.3 Are Holders able to request early redemption of Notes II?</b>	<p>A Holder may request redemption of all their Notes II early only following a Delisting Event. The redemption of Notes II in these circumstances will only occur if the Issuer obtains the prior consent of the Senior Creditors, unless the Senior Debt has been repaid in full prior to such redemption.</p> <p>The redemption amount in these circumstances will be the principal amount outstanding under Notes II being redeemed plus any Outstanding Interest.</p>	Appendix A (clause 4.4)

## 2.4 Ranking and Security

Topic	Summary	For more information
<b>2.4.1 Notes II are described as “subordinated and second ranking”. What does this mean and how will Notes II rank on enforcement of the Security?</b>	<p>The claims of Holders of Notes II in relation to the Security are “subordinated and second ranking” in that those claims are subordinated and postponed to, and second ranking behind, the claims of Senior Creditors in respect of the Security.</p> <p>This means that no payment of principal, or interest if it is suspended, may be made to Holders until the Healthscope Group’s Senior Debt has been repaid in full, or unless Senior Lenders give consent. This restriction applies while the Healthscope Group is a going concern and in any insolvency of the Healthscope Group.</p> <p>This means that Notes II rank behind all Senior Debt, equally with Notes I, but ahead of equity and unsecured debt, for payment of principal and interest at maturity or in any insolvency of the Healthscope Group.</p> <p>Further, the rights of the Holders and the Trustee to enforce the Security are subject to important restrictions set out in the Intercreditor Deed, the Security Trust Deed and the Trust Deed.</p> <p>On an enforcement of security or a winding-up of entities within the Healthscope Group, due to the amount owing to Senior Creditors relative to the value of the Healthscope Group’s tangible assets it is likely there would be a shortfall of funds such that Holders will not be repaid part or all of their investment.</p>	Sections 2.4.5, 2.4.8 and 2.5

Topic	Summary	For more information
<b>2.4.2 Who are the Senior Creditors and how much money is owed to them?</b>	<p>Senior Creditors are the lenders under the Senior Facilities, any Additional Capex Facility and providers of certain hedging permitted under the terms of the Senior Facility Agreement, and currently consist (and in the case of the Additional Capex Facility are anticipated to consist) of banks and financial institutions in Australia and various other countries. Each of the Joint Lead Managers or related entities of each of the Joint Lead Managers is an existing lender under the Senior Facility Agreement, part of which will be repaid on completion of the Offer.</p> <p>After the issuance of Notes II, the Healthscope Group will have approximately \$1,109.4 million of Senior Debt, not including up to \$150 million anticipated being made available to the Healthscope Group under the Additional Capex Facility.</p>	Section 2.4.5 and 5.2
<b>2.4.3 How do Notes II rank compared to Notes I?</b>	<p>Notes II rank equally with Notes I.</p> <p>However, Notes II mature later than Notes I meaning that Notes I are due to be repaid before Notes II.</p>	
<b>2.4.4 What are the implications for Holders of subordination?</b>	<p>This means that Holders currently rank behind \$1,109.4 million of Senior Debt. If a further \$150 million is drawn down under the Additional Capex Facility, Holders would rank behind approximately \$1,259.4 million of Senior Debt and equally with \$200 million of debt relating to Notes I.</p> <p>Investors should be aware that an investment in Notes II involves risks in that the Healthscope Group must:</p> <ul style="list-style-type: none"> <li>• refinance or repay \$1,109.4 million of Senior Debt (and potentially further amounts, for example, the additional up to \$150 million referred to above) plus any unpaid interest in respect of that Senior Debt in full in October 2015 before it can repay Notes I due in June 2016 which rank equally with Notes II and then Notes II upon their maturity on 25 March 2018. In the case of enforcement of Security or a winding up of the Healthscope Group where the assets of the Obligors were sold, the proceeds would be applied to repay holders of Notes I (if such notes were still on issue) and Notes II (which would rank equally with each other) only after all Senior Debt plus any due and unpaid interest thereon was repaid in full;</li> <li>• repay \$200 million of Notes I plus any unpaid interest in full in June 2016. Despite being an equal ranking obligation, Notes II have a later maturity date than Notes I; and</li> <li>• pay interest on the Senior Debt referred to above before it can pay interest on Notes I and Notes II. Interest payments on Notes I and Notes II will be suspended, if the Debt Service Cover Ratio is equal to or less than 1.10x or would be after the payment of interest, if the Trustee is notified there is an actual or potential event of default under the Senior Facility Agreement (including non-compliance with any financial covenant set out therein) or any other condition to the making of permitted payments under the Intercreditor Deed is not satisfied.</li> </ul> <p>Suspended Interest may remain suspended potentially until after the Maturity Date on 25 March 2018. Refer to Section 2.4.8 for further details and an illustration of how Notes II would rank in enforcement of Security or in a winding up of the Healthscope Group.</p>	Sections 2.4.2, 2.4.8 and 6.4

Topic	Summary	For more information
<p><b>2.4.5 How much more money can the Healthscope Group borrow?</b></p>	<p><b>Debt which is senior to Notes II</b></p> <ul style="list-style-type: none"> <li>• The Security Group could borrow an additional \$325.1 million of Senior Debt by: <ul style="list-style-type: none"> <li>– drawing down on Facility C under the Senior Facility Agreement. Following the prepayment of this facility which will follow the issue of Notes II, it is anticipated that the Healthscope Group will have \$65.0 million of availability under this facility;</li> <li>– drawing down on Facility D under the Senior Facility Agreement. As at 31 December 2012 the Healthscope Group used \$22 million of capacity under this facility for guarantees and other contingent liabilities (leaving \$28 million unused);</li> <li>– obtaining commitments of up to \$150 million under the Additional Capex Facility as described in Section 6.9;</li> <li>– obtaining commitments of up to \$100 million under an additional capital expenditure facility and \$50 million under an additional leasing facility permitted by the terms of the Senior Facility Agreement provided the Senior Leverage Ratio is at least 1.25x lower than the required Senior Leverage Ratio at the time of applying to utilise the facility. Based on the current covenant levels, these facilities are not available for use and have been excluded in the determination of the additional Senior Debt available, as stated above, of \$325.1 million;</li> <li>– obtaining commitments of up to \$50 million under any finance lease and hire purchase agreement provided to any Obligor. As at 31 December 2012, the Healthscope Group had used \$17.9 million of capacity under this facility (leaving \$32.1 million unused);</li> <li>– drawing down on additional facilities which may be provided to it in the future provided that, as a result, the Total Leverage Level does not exceed the Maximum Leverage Level (as defined below); and/or</li> <li>– obtaining additional senior commitments of up to \$50 million (in addition to any amounts specified above) as permitted by the terms of the Intercreditor Deed,</li> </ul> <p>subject, in each case, to compliance with the terms of the Senior Facility Agreement, including the restrictions on incurring finance debt and the Senior Leverage Ratio.</p> </li> <li>• Based on the Senior Leverage Ratio contained in the Senior Facility Agreement, the Security Group would (based on the Healthscope Group's current earnings as at 31 December 2012) be able to incur up to approximately \$386.3 million of additional Senior Debt (in total approximately \$1,421.4 million) that ranks in priority to Notes II without exceeding covenant restrictions under the Senior Facility Agreement. However, under the existing available facilities, the Security Group would only be able to incur up to, as stated above, \$325.1 million of Senior Debt without obtaining consent from the Senior Creditors under the Senior Facility Agreement.</li> <li>• The amount of additional Senior Debt that the Healthscope Group could incur in the future could change if it were able to obtain consent of Senior Creditors and, where relevant, the parties to the Intercreditor Deed.</li> </ul>	<p>Appendix A (clause 2.6) and Sections 1.1.13 and 6</p>

Topic	Summary	For more information
<p><b>2.4.5 How much more money can the Healthscope Group borrow? (cont.)</b></p>	<p><b>Debt which ranks equally with Notes II</b></p> <ul style="list-style-type: none"> <li>• There are certain other circumstances when the Healthscope Group may incur additional finance debt that ranks equally with Notes II.</li> <li>• For example, the Healthscope Group could raise additional debt ranking equally with Notes II if the Total Leverage Ratio (following the incurrence of such finance debt) did not exceed 5.00x (before a Material Disposal) or 4.25x (following a Material Disposal) (“Maximum Leverage Level”). At present, this requirement would permit the Healthscope Group to raise up to \$9.9 million of additional debt which ranks equally with Notes II (to the extent that amount has not already been raised as Senior Debt as permitted above).</li> <li>• Investors should note, however, that Permitted Finance Debt may be incurred by the Healthscope Group without it needing to ensure that the Total Leverage Ratio does not exceed the Maximum Leverage Level (refer to Section 6 and the Terms of Issue in Appendix A for more information).</li> </ul> <p><b>Debt which is subordinated to Notes II</b></p> <ul style="list-style-type: none"> <li>• Subject to restrictions in the Senior Facility Agreement, the Healthscope Group could raise additional debt that ranks behind Notes II.</li> </ul> <p><b>Debt which is entered into by non-Obligors</b></p> <ul style="list-style-type: none"> <li>• When looking to incur additional finance debt, Obligors have certain restrictions placed on them by the terms of the Senior Facility Agreement. However members of the Healthscope Group which are not Obligors are not restricted in this manner and so may also incur additional finance debt which is not restricted by these general limitations.</li> <li>• Whilst any amounts raised pursuant to such an arrangement entered into by a non-Obligor would not ordinarily be considered Senior Debt, they would impact the leverage of the Healthscope Group taken as a whole. Financing arrangements that could be entered into on this basis would include, amongst others, ring-fenced project financing arrangements in which the lenders would have security over the assets of that project but would not have recourse to Obligors or their assets, and other non-secured facilities.</li> </ul> <p>It should be noted though that any such arrangement would remain subject to the Maximum Leverage Level restriction specified above (other than where it constituted Permitted Finance Debt).</p>	

Topic	Summary	For more information
<p><b>2.4.6 Who are the Obligors and what is the Security?</b></p>	<p><b>Obligors</b></p> <p>The Obligors (being the entities that provide the Security) are Healthscope Hospitals Holdings No.2 Pty Limited, Healthscope Pathology Holdings No.2 Pty Limited and CT HSP Holdings (Dutch B.V.) and certain of their wholly owned subsidiaries, which are all members of the Healthscope Group.</p> <p>The Obligors collectively accounted for approximately 95% of the Healthscope Group's EBITDA for LTM to 31 December 2012 and 98% of Healthscope Group's total assets as at that date.</p> <p>If the Senior Facilities have been repaid, the Obligors at that time will continue to be Obligors in respect of Notes I, Notes II and the Security. While the Senior Facilities remain outstanding, Obligors will generally only be released from the guarantee and the Security if being disposed of, or if following the release the remaining Obligors represent at least 90% of the EBITDA and total assets of the Security Group unless the Senior Creditors under the Senior Facilities agree otherwise.</p> <p>Accordingly, but without affecting the requirements referred to above, the members of Healthscope Group that are Obligors may change prior to the maturity of Notes II.</p> <p><b>Security</b></p> <p>The Security consists of fixed and floating charges and share mortgages from the Obligors over all or substantially all of their assets in favour of the Security Trustee.</p> <p>Under the Security Trust Deed and the Intercreditor Deed, each security granted by an Obligor in securing the Senior Facilities will also secure the Issuer's obligations under Notes II on a second ranking and subordinated basis. The Security securing Notes II will be the same as that of Senior Creditors and Notes I.</p> <p>In addition to sharing in the Security granted by the Obligors to Senior Creditors on a subordinated basis, Holders will have the benefit through the Trustee of a subordinated guarantee from each Obligor of the performance by the Issuer of its obligations in respect of Notes II and an indemnity on the same terms granted under the Senior Facility Agreement but on a subordinated basis. The rights of the Trustee and Holders to take action against the Issuer upon the occurrence of an Event of Default are, however, subject to further restrictions set out in the Intercreditor Deed, the Security Trust Deed and the Trust Deed. Refer to sections 6.15 and 6.16 for a summary of the Security Trust Deed and the Intercreditor Deed and to section 10.3 for a summary of the Trust Deed.</p>	<p>Sections 2.4.8, 2.5, 6.14, 6.15, 6.16 and 10.3</p>



Topic	Summary	For more information
<p><b>2.4.7 Notes II are “unsecured notes” for the purposes of the Corporations Act</b></p>	<p>Notes II are “unsecured notes” for the purposes of section 283BH of the Corporations Act. This section provides more information on why this is the case. Essentially, Notes II are unsecured for the purposes of the Corporations Act because, while secured against at least 90% of the Security Group’s assets, the security is second ranking and subordinated to the Senior Debt.</p> <p>The Corporations Act requires debt instruments that are offered to the public to be described as either “mortgage debentures”, “debentures”, “secured notes” or “unsecured notes”. Such debt instruments may only be described as “mortgage debentures”, “debentures” or “secured notes” if certain conditions are met. For example:</p> <ul style="list-style-type: none"> <li>• debt instruments can only be described as mortgage debentures or debentures if they are secured by a first mortgage given to the trustee over land vested in the borrower or guarantors, which mortgage is registered or has been lodged for registration and the total amount secured by mortgages over that land which rank equal with the mortgage does not exceed 60% of the value of the interest of the borrower or guarantor in that land as shown in a valuation included in the disclosure document;</li> <li>• debt instruments may also be described as debentures if they are secured by a charge in favour of the trustee over the whole or any part of the tangible property of the borrower or guarantors and the tangible property is sufficient and reasonably likely to be sufficient to meet the liabilities of the debt instrument that have been or may be incurred and that rank in priority to or equally with that liability; and</li> <li>• debt instruments may be described as secured notes if they are secured by a first ranking security interest in favour of the trustee over the whole or any part of the property of the borrower or guarantors and the security under the security interest is sufficient and is reasonably likely to be sufficient to meet the liabilities of the debt instrument that have been or may be incurred and that rank in priority to or equally with that liability.</li> </ul> <p>Notes II do not meet these conditions and must therefore be described as “unsecured notes” for the purposes of section 283BH of the Corporations Act.</p>	

Topic	Summary	For more information															
2.4.8 Illustration of enforcement of Security	<p>The Security Trustee holds the Security (including any proceeds derived from the enforcement of the Security) on behalf of the Senior Creditors and holders of Notes I and, from issue, holders of Notes II, subject to the terms of the Security Trust Deed and Intercreditor Deed.</p> <p>If the Security Trustee enforces the Security (or part of it), it must apply payments received by it in the following order:</p> <table border="1" data-bbox="464 651 1230 1234"> <thead> <tr> <th></th> <th></th> <th style="text-align: right;">Pro forma<sup>1</sup> Amount drawn at 31 December 2012 (\$ million)</th> </tr> </thead> <tbody> <tr> <td><b>First</b></td> <td>All amounts which to the extent required by law have priority to payments below</td> <td></td> </tr> <tr> <td><b>Second</b></td> <td>Senior Creditors, until having received all of the Senior Debt owing to them<sup>2</sup></td> <td style="text-align: right;">1,109.4</td> </tr> <tr> <td><b>Third</b></td> <td>Holders, as well as holders of Notes I, towards the satisfaction of the principal and Outstanding Interest on Notes I and Notes II<sup>3</sup></td> <td style="text-align: right;">500.0</td> </tr> <tr> <td><b>Last</b></td> <td>Any surplus to the relevant Obligor<sup>4</sup></td> <td></td> </tr> </tbody> </table> <p>The preceding ignores costs, expenses, fees, other outgoings and secured moneys payable personally to the Security Trustee and certain other persons pursuant to the Security Trust Deed, all of which would be applied before all payments above except those taking priority by operation of law (such as employee entitlements).</p> <p>Refer to Section 5.2.3 for a pro forma balance sheet for the Healthscope Group and Section 6 for a description of Healthscope Group's indebtedness including the Senior Facilities. The preceding is a simplified diagram and does not specifically identify every type of security issued by the Healthscope Group or every potential claim against any member of the Healthscope Group on an enforcement of the Security.</p> <p>Refer to Section 2.4.10 for further information on how much the Healthscope Group may borrow.</p>			Pro forma <sup>1</sup> Amount drawn at 31 December 2012 (\$ million)	<b>First</b>	All amounts which to the extent required by law have priority to payments below		<b>Second</b>	Senior Creditors, until having received all of the Senior Debt owing to them <sup>2</sup>	1,109.4	<b>Third</b>	Holders, as well as holders of Notes I, towards the satisfaction of the principal and Outstanding Interest on Notes I and Notes II <sup>3</sup>	500.0	<b>Last</b>	Any surplus to the relevant Obligor <sup>4</sup>		Section 2.4.10, 5.2 and 6
		Pro forma <sup>1</sup> Amount drawn at 31 December 2012 (\$ million)															
<b>First</b>	All amounts which to the extent required by law have priority to payments below																
<b>Second</b>	Senior Creditors, until having received all of the Senior Debt owing to them <sup>2</sup>	1,109.4															
<b>Third</b>	Holders, as well as holders of Notes I, towards the satisfaction of the principal and Outstanding Interest on Notes I and Notes II <sup>3</sup>	500.0															
<b>Last</b>	Any surplus to the relevant Obligor <sup>4</sup>																

1 Pro-forma for issue of Notes II.

2 Amount calculated as at 31 December 2012, adjusted to include the items set out in Section 6, but does not include any amounts which may be drawn under any Additional Capex Facility.

3 The amount of \$500 million in respect of Notes I and Notes II assumes there is no Suspended Interest Payments or Outstanding Interest.

4 In a winding up of an Obligor, any surplus would be available for distribution first to remaining unsecured creditors, then to shareholders.

Topic	Summary	For more information
<p><b>2.4.9 What is the consequence of being subordinated and second ranking on the ability to accelerate and enforce repayment of Notes II?</b></p>	<p>Until the Senior Debt has been paid or satisfied in full, the right to accelerate Notes II (that is, declare Notes II immediately due and payable) and to enforce the Security to seek payment of principal and Outstanding Interest on Notes II, is limited as set out below pursuant to the Security Trust Deed and Intercreditor Deed.</p> <p>If an Event of Default on Notes II has occurred, while the Senior Debt is outstanding, Holders (acting through the Trustee) may only declare Notes II immediately due and payable in certain limited circumstances including:</p> <ul style="list-style-type: none"> <li>• if the Senior Creditors accelerate the Senior Debt or enforcement action has been taken by the Security Trustee;</li> <li>• if an event of default under the terms of Notes I or Notes II continues to subsist until the earlier of <b>(Enforcement Restriction Period)</b>; <ul style="list-style-type: none"> <li>– the date on which the Senior Debt has been repaid in full; and</li> <li>– the maturity date applicable to Notes II (or, if that date is earlier than 6 months after the maturity date applicable to the Senior Debt under the Senior Facility Agreement, 6 months after such maturity date);</li> </ul> </li> <li>• if the Senior Debt has not been repaid within six months of its latest maturity date and the Senior Creditors have not then instructed the Security Trustee to take enforcement action prior to the expiry of that period;</li> <li>• if an Obligor is insolvent (provided that any action may only be undertaken in respect of that Obligor);</li> <li>• during or after the Enforcement Restriction Period: <ul style="list-style-type: none"> <li>– any payment which is due and payable pursuant to the Terms of Issue is not paid within 15 business days of written notice from the Trustee to the agent under the Senior Facility Agreement; or</li> <li>– interest or other amounts payable pursuant to the Terms of Issue which are subject to a payment blockage and have been outstanding for 180 days and which are not paid within 15 business days of written notice from the Trustee to the agent under the Senior Facility Agreement;</li> </ul> </li> <li>• during or after the Enforcement Restriction Period, an Obligor amends a senior finance document in a manner contrary to the Intercreditor Deed (and such breach is not remedied within any applicable cure period);</li> <li>• during or after the Enforcement Restriction Period, an Obligor ceases to become a wholly owned subsidiary of either Healthscope Hospitals Holdings 2 Pty Limited or Healthscope Pathology Holdings No. 2 Pty Limited (and such breach is not remedied within any applicable cure period and provided the Issuer has been notified in writing); or</li> <li>• during or after the Enforcement Restriction Period, the Obligors (as a whole) cease all or any material part of their core business, carry on a business other than their core business or alter their core business, in contravention of the Terms of Issue (and such breach is not remedied within any applicable cure period and provided the Issuer has been notified in writing).</li> </ul> <p>Even if Notes II are declared immediately due and payable, Notes II continue to be subordinated and the restrictions on payment described in Section 2.4.1 will continue to apply unless and until the Senior Debt has been repaid. The Intercreditor Deed also restricts the Trustee from taking other action that would be inconsistent with the subordination of Notes II.</p>	<p>Sections 2.4, 2.5, 6.15, 6.16 and 10.3</p>

Topic	Summary	For more information
<p><b>2.4.9 What is the consequence of being subordinated and second ranking on the ability to accelerate and enforce repayment of Notes II?</b> (cont.)</p>	<p>The Trustee may only instruct the Security Trustee to take enforcement action under the Security against an Obligor if the Senior Debt has not been repaid in full within six months after:</p> <ul style="list-style-type: none"> <li>• the Senior Creditors declaring the Senior Debt immediately due and payable; or</li> <li>• the maturity date of the Senior Debt under the Senior Facility Agreement (refer to Section 2.4.9).</li> </ul> <p>Generally only the Trustee (and not a Holder) has the right to enforce any right or remedy under or in respect of Notes II (whether or not any Senior Debt is outstanding).</p> <p>Refer to Section 2.5.2 for further information on the restrictions imposed on the Trustee and Holders upon the occurrence of an Event of Default. Refer to Sections 6.15 and 6.16 for a summary of the Security Trust Deed and Intercreditor Deed and to Section 10.3 for a summary of the Trust Deed.</p>	
<p><b>2.4.10 What is the maturity date of the Senior Facility Agreement?</b></p>	<ul style="list-style-type: none"> <li>• 11 October 2015, but can be extended with the consent of the Senior Creditors under the Senior Facility Agreement provided such a change is not materially adverse to the interests of the Subordinated Creditors (including the Holders) and where Notes I are outstanding that the maturity date is no later than the maturity date applicable to Notes I, otherwise no later than the maturity date of Notes II.</li> <li>• The Healthscope Group may seek to refinance the Senior Facilities prior to this time and in doing so may elect to redeem Notes II early if considered necessary or desirable as part of that refinancing.</li> </ul>	
<p><b>2.4.11 What is the Total Leverage Ratio?</b></p>	<p>The Total Leverage Ratio compares (A) the Security Group's borrowings to (B) Adjusted EBITDA for the Security Group for the relevant 12 month period, and on any date is calculated as:</p> <p><b>A/B</b></p> <p>where:</p> <ul style="list-style-type: none"> <li>• <b>A</b> = the aggregate amount of Finance Debt outstanding on that date for all of the Security Group on a consolidated basis (other than any contingent Finance Debt, the exposure under any Hedging Agreement, shareholder debt and intra-group liabilities or indebtedness, each in the Australian dollar equivalent where applicable) less cash or cash equivalents of the Security Group on that date; and</li> <li>• <b>B</b> = Adjusted EBITDA of the Security Group in respect of the 12 month period ending on that date.</li> </ul>	<p>Appendix A (clause 17.2) and Section 5.4</p>

Topic	Summary	For more information
<b>2.4.12 Are there any restrictions on the refinancing of Senior Debt when Notes II are on issue?</b>	<p>Yes. In summary, the Intercreditor Deed provides that unless otherwise agreed by the Trustee (and whilst Notes II are outstanding), an Obligor may only refinance the Senior Debt with debt which ranks senior to Notes II if, amongst other things:</p> <ul style="list-style-type: none"> <li>• the terms of the new facility are on terms consistent with the Intercreditor Deed;</li> <li>• the proceeds are only used to refinance the existing Senior Debt (together with associated fees, costs and expenses) and the new facility does not exceed the amount owing in connection with the Senior Debt (including undrawn commitments) plus any fees, costs and expenses associated with the refinancing;</li> <li>• no additional security is provided to the providers of the new facility which are not granted to the Holders; and</li> <li>• where Notes I are outstanding the maturity date of the new facility is no later than the maturity date applicable to Notes I, otherwise the maturity date of Notes II.</li> </ul>	
<b>2.4.13 Are there any restrictions on amending the terms of the Senior Facilities?</b>	<p>Yes. Pursuant to the Intercreditor Deed, the Obligors and Senior Creditors may not extend the maturity date of the Senior Debt, where Notes I are outstanding past the maturity date of Notes I, otherwise past the maturity date of Notes II, increase interest, margin and fee amounts payable under the Senior Debt which was not contemplated by the original Senior Finance Documents, impose additional restrictions on payments of Notes II and Notes I or distributions, or release any Security other than where such release is permitted by the terms of the Senior Finance Documents (subject in each case to various exceptions).</p>	

## 2.5 Events of Default

Topic	Summary	For more information
<b>2.5.1 What is an Event of Default under the Terms of Issue?</b>	<p>An Event of Default will occur under the Terms of Issue, in summary, if:</p> <ul style="list-style-type: none"> <li>• the Issuer fails to pay within three 3 Business Days after the due date any principal on any Notes II;</li> <li>• the Issuer fails to pay within 14 Business Days after the due date any interest on any Notes II;</li> <li>• the Issuer fails to comply with any of its other obligations under the Terms of Issue or the Trust Deed and such failure remains unremedied for a period of 30 Business Days after the Issuer has received written notice from the Trustee in respect of the failure;</li> <li>• the occurrence of insolvency related event with respect to the Issuer or any other Obligor; or</li> <li>• any finance debt greater than \$15 million (or its equivalent in any other currency) of any Obligor become due and payable or can be made due and payable before its stated maturity due to the occurrence of an event of default (however described).</li> </ul>	<p>Appendix A (clauses 5 and 17.2)</p>

Topic	Summary	For more information
<b>2.5.2 What are the consequences of an Event of Default?</b>	<p>If an Event of Default occurs, the Trustee may, subject to the below, by written notice to the Issuer declare the principal amount outstanding applicable to Notes II held by the Holders to be due and payable.</p> <p>Generally, only the Trustee (and not a Holder) has the right to enforce any right or remedy under or in respect of Notes II.</p> <p>However, while the Senior Debt is outstanding, rights to accelerate Notes II (that is, declare Notes II immediately due and payable) and to enforce the Security to seek payment of principal and Outstanding Interest on Notes II is limited as described in Section 2.4.9.</p> <p>The distribution restrictions referred to in Section 2.2.13 will apply if any amount in respect of interest or principal on any Notes II is due and payable but unpaid, or an Event of Default otherwise exists, at the relevant testing time.</p> <p>Holders should therefore be aware that although the Trustee may be empowered to do certain things under the Trust Deed, or may be directed by Holders to undertake certain actions, including declaring Notes II to be due and payable on the occurrence of an Event of Default, the Trustee and Holders may be restrained from actually enforcing such rights by the terms of the Intercreditor Deed and Security Trust Deed. In particular, while the Senior Debt is outstanding, the Subordinated Creditors' (which will include Holders and the Trustee acting for Holders) right to declare Notes II immediately due and payable is limited, including, without limitation, if any permitted payment due and payable is not paid within 15 business days of written notice from the Trustee or the Holders to the Facility Agent if the Obligor is insolvent (subject to exceptions and conditions). This could include circumstances where the Senior Debt continues to be paid but where the Issuer has failed to make required payments under, or has otherwise breached, Notes II.</p> <p>Refer to Section 2.4.9 for a further description of these limitations. Refer also to Sections 6.15 and 6.16 for a summary of the Security Trust Deed and Intercreditor Deed, in particular the limited rights for enforcement of Notes II while the Senior Debt remains outstanding, and to Section 10.3 for a summary of the Trust Deed.</p>	Appendix A (clause 5) and Sections 2.2.13, 2.4.9, 6.15, 6.16 and 10.3

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## 2.6 Exchange Right on IPO of a member of the Healthscope Group

Topic	Summary	For more information
<p><b>2.6.1 Can Notes II be exchanged?</b></p>	<p>Eligible Holders of Notes II will have a priority right to the general public to subscribe in an IPO (which is not guaranteed to occur) in relation to the Healthscope Group by “exchanging” all or part of their holding of Notes II for the Listed Securities.</p> <p>Eligible Holders will receive a discount of 2.5% to the price per Listed Security offered to retail investors in an IPO. The price of securities acquired by Holders on exchange of Notes II in an IPO will be equal to 97.5% of the price payable by retail investors under the IPO.</p> <p>Eligible Holders are Holders resident in Australia (or such other jurisdictions, if any, determined by the Issuer in its discretion) registered as holding Notes II on the applicable record date.</p> <p>Notes II do not have a general right to convert into ordinary shares in the Issuer or a member of the Healthscope Group and may only be exchanged if there is an IPO in accordance with the Terms of Issue.</p> <p>No assurance can be or is given that an IPO will occur.</p>	<p>Appendix A (clause 3)</p>
<p><b>2.6.2 What constitutes an “IPO” for the purposes of the Exchange Right?</b></p>	<p>An “IPO” is any public offering of:</p> <ul style="list-style-type: none"> <li>• shares in the Issuer, any Related Body Corporate of the Issuer or any other entity in the Healthscope Group or any special purpose vehicle established by any such entity; and/or</li> <li>• units in a trust,</li> </ul> <p>that (in either case or together) directly or indirectly owns or will own a significant portion of the business currently conducted by the Healthscope Group, for the purposes of seeking admission of that entity to the official list of ASX or any other Australian securities exchange and the quotation of those securities.</p> <p>Holders will not be entitled to exercise the Exchange Right if the IPO is to occur on a securities exchange other than ASX or another Australian securities exchange. Similarly, Holders will not be entitled to exercise the Exchange Right in the event the Healthscope Group is sold privately.</p>	<p>Appendix A (clause 17.2)</p>
<p><b>2.6.3 Will the ordinary shares of the Issuer or other members the Healthscope Group be quoted on ASX as part of the Offer?</b></p>	<p>No.</p>	
<p><b>2.6.4 How will Holders exercise their Exchange Right?</b></p>	<p>The Issuer is required to provide Holders with notice of an IPO. Eligible Holders will then have the opportunity to submit a notice requesting an exchange of all or part of their Notes II for Listed Securities in the IPO.</p>	<p>Appendix A (clause 3)</p>
<p><b>2.6.5 Are there limitations on the Exchange Right?</b></p>	<p>Holders will not be entitled to exercise the Exchange Right to the extent that this would result in less than 10% of the total amount to be raised from the IPO being raised from investors other than the Holders pursuant to the Exchange Right.</p> <p>If Holders exercise their Exchange Right in respect of an aggregate amount which exceeds the total amount available for subscription by the Holders (as set out above), then the holdings of each such Holder will be reduced by a proportionate amount of such excess.</p>	<p>Appendix A (clauses 3.7 and 3.8)</p>

## Section 2

### About Notes II

Topic	Summary	For more information
<b>2.6.6 Will Eligible Holders be entitled to interest payments on Exchange?</b>	Yes. Interest accrued since the previous Interest Payment Date will be paid in cash on Notes II that are exchanged unless the Suspension Condition (refer to Section 2.2.7) is then satisfied in which case such amount will be added to the amount that can be exchanged under the IPO.	Appendix A (clause 3.4) and Section 2.2.7
<b>2.6.7 Does the Exchange Right override the Issuer's Early redemption right – IPO?</b>	The Issuer's right to redeem Notes II early will not apply to a Holder to the extent that an Exchange Right applies in respect of an IPO and the Holder has validly exercised that Exchange Right. If an IPO is withdrawn or does not proceed, an Exchange Right in respect of that IPO will lapse and the Issuer may be entitled to redeem Notes II early, but there is no guarantee that there will be an early redemption.	Appendix A (clause 3.4)

## 2.7 Other

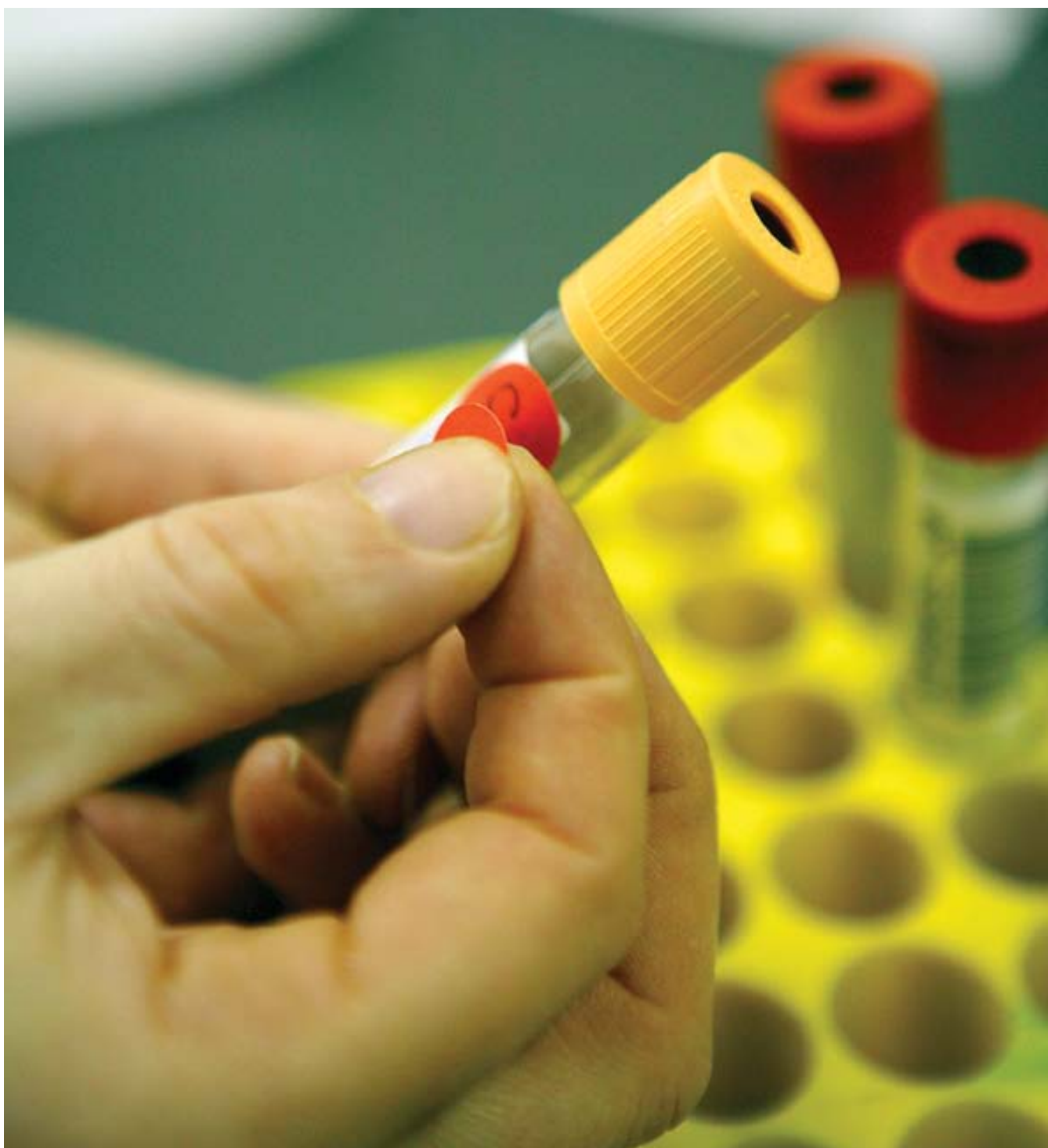
Topic	Summary	For more information
<b>2.7.1 Do Notes II have any shareholder voting rights?</b>	Holders have no voting rights at meetings of holders of shares in the Issuer (or any other member of the Healthscope Group) and no formal mechanisms to influence management generally.	
<b>2.7.2 Can the Issuer amend the Terms of Notes?</b>	<p>The Terms of Issue can be amended if approved by Holders in accordance with the Trust Deed. However, while any Senior Debt is outstanding, the Intercreditor Deed restricts the Terms of Issue from being amended in a manner which, in summary, would be adverse to the interests of Senior Creditors without the prior written consent of all Senior Creditors.</p> <p>The Terms of Issue may also be amended without the consent of Holders in certain circumstances set out in the Trust Deed including where the amendments are, in the opinion of an independent law firm appointed by the Issuer, of a formal, minor or technical nature, made to correct any ambiguity or manifest error, made to comply with applicable legal or regulatory requirements, convenient for the purpose of obtaining or maintaining the listing or quotation of Notes II or are not likely to be prejudicial to the interests of Holders.</p>	Section 10.3
<b>2.7.3 Can the Issuer issue further Notes II or other instruments?</b>	Yes, subject to the restrictions imposed by the Senior Facility Agreement, the Terms of Issue and the Intercreditor Deed and the requirements imposed by the restriction referred to in Section 2.4.11, the Issuer reserves the right to issue further Notes II or other instruments upon such terms as to ranking (including those that rank ahead of Notes II), dividends or interest, conversion, redemption and otherwise as the Issuer may determine at the time of issue.	Section 2.4.11



Topic	Summary	For more information
<b>2.7.4 Can the Issuer purchase Notes II on ASX?</b>	None of the Issuer or any Obligor is permitted to purchase Notes II on ASX while the Senior Debt is outstanding.	
<b>2.7.5 What are the taxation consequences of investing?</b>	Section 10.6 contains a general summary of the tax consequences of investing in Notes II. You should seek professional tax advice that takes into account your particular circumstances before deciding whether to invest in Notes II.	Section 10.6
<b>2.7.6 What is the governing law of Notes II?</b>	Victoria, Australia.	

## Section 3

# About the Australian healthcare industry



### 3.1 Overview

The Australian healthcare industry is a major part of the Australian economy. In the 2011 financial year, total public and private expenditure on health goods and services was approximately \$130 billion, comprising approximately 9.3% of Australia's gross domestic product. This expenditure has grown significantly in the last 10 years from approximately \$58 billion in the 2001 financial year, representing a compound average nominal growth rate of 8.4% per annum or 5.3% per annum in real (constant price) terms over the period.

Figure – Total expenditure on health goods and services

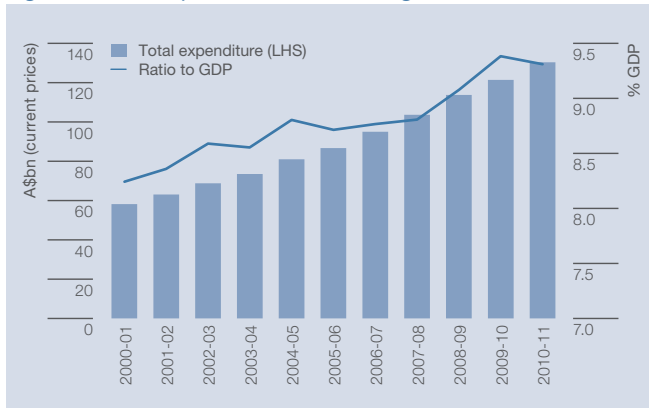
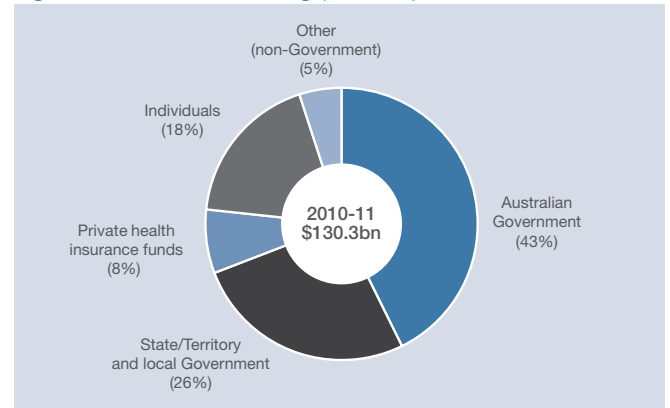


Figure – Sources of funding (2010–11)



Source: AIHW Health Expenditure Australia 2010-11, ABS

Australia's health expenditure is predominantly funded by Government, with approximately two thirds of total Australian health expenditure funded directly or indirectly by Federal and State Governments in each of the ten financial years ended 30 June 2011. Medicare is Australia's national medical insurance scheme, funded by the Federal Government. Medicare provides access to free treatment as a public patient in a public hospital, and free or subsidised treatment by practitioners such as general practitioners and specialists and for services such as pathology and radiology.

The majority of non-Government expenditure is contributed by private health insurance funds and individuals, who were cumulatively responsible for 26% of total Australian health expenditure in the 2011 financial year.

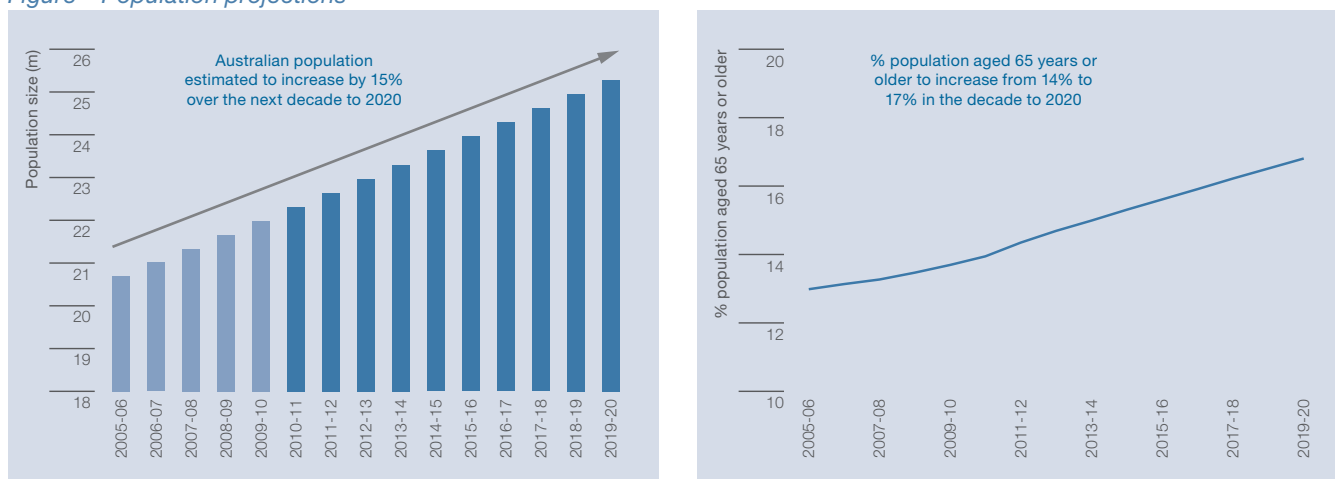
## Section 3 About the Australian healthcare industry

### 3.1.1 Key drivers of growth

Population growth and an increasing average population age are the key drivers of demand for healthcare services.

Based on the ABS population projections, the Australian population is estimated to increase by 15% (or 3.3 million people) from 30 June 2010 to 30 June 2020. Over the same period, the proportion of Australians aged 65 years or older is expected to increase from 13.7% to 16.8% of the population, driven by declining birth rates and increased life expectancy. In absolute terms, this represents an increase of more than 40% in the number of Australians aged 65 years or older, from approximately 3.0 million as at 30 June 2010 to approximately 4.3 million at 30 June 2020.

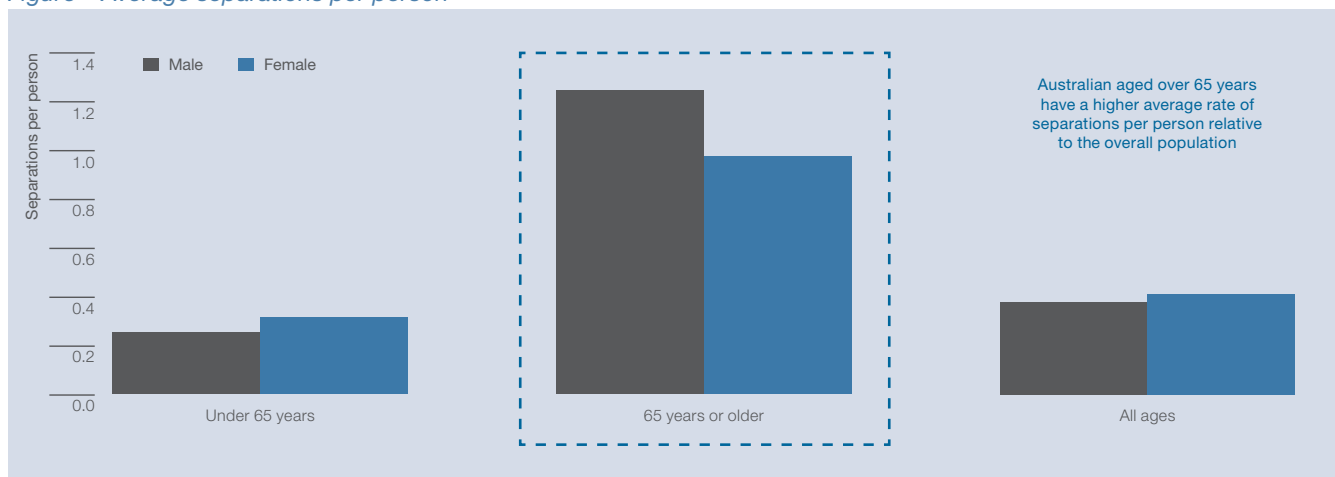
Figure – Population projections



Source: ABS Population Projections, Australia, 2006 to 2101

An ageing population generally increases the demand for healthcare services. Individuals aged 65 years and over have a tendency to suffer from greater incidences of chronic illness and disabilities than the rest of the population. This results in individuals aged 65 years and over having, on average, a greater number of separations<sup>1</sup> and a longer length of stay than individuals aged less than 65 years.

Figure – Average separations per person



Source: ABS Demographic Statistics, Jun 2012, AIHW Australia's Hospitals 2010–11 at a Glance

<sup>1</sup> Incidences of patients leaving healthcare facilities.

### 3.1.2 The Healthscope Group's healthcare markets

The Healthscope Group operates across four areas of healthcare – hospitals, Australian pathology and medical centres, and international pathology. Over 80% of the Healthscope Group's EBITDA comes from its hospitals business in Australia.

An overview of the healthcare markets that the Healthscope Group operates in is provided below.

## 3.2 Overview of the Australian private hospital market

In Australia there are approximately 1,300 hospitals with approximately 86,000 beds. These hospitals are either public (operated by Government) or private (operated by "for-profit" and "not-for-profit" providers). As at 30 June 2011, private hospitals comprised approximately one third of the market by beds.

*Table – Australian hospitals overview*

As at 30 June 2011	Public hospitals	Private hospitals		Total
		Same day	Overnight	
Number of facilities	752	314	279	1,345
Beds	57,772	2,957	25,394	86,123
Separations ('000)				
Same day	2,685	808	1,627	5,120
Overnight	2,594	1	1,137	3,732
Total	5,279	809	2,764	8,852
Total patient days ('000)	18,487	809	7,598	26,894
Average length of stay (days)				
All patients	3.5	1.0	2.7	3.0
Excluding same day patients	6.1	n/m	5.3	5.8

Source: AIHW Australian Hospital Statistics 2010-11, ABS Private Hospitals, Australia, 2010-11

### 3.2.1 Types of hospitals

There are five main types of hospitals in Australia, which can be differentiated by ownership, operator, location and the nature of treatment provided.

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

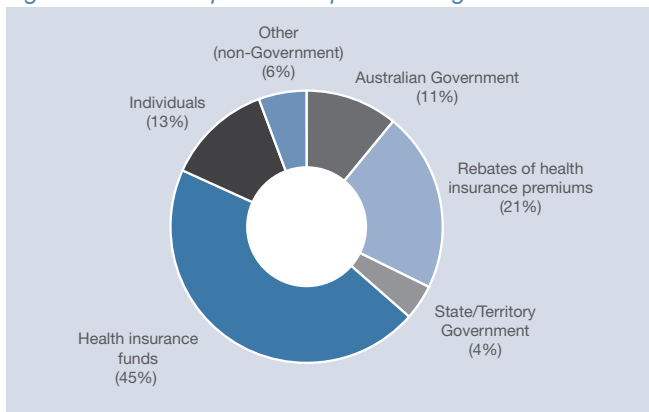
### 3.2.2 Private hospital operators

There are two leading private hospital operators in Australia – Ramsay Health Care and the Healthscope Group. Many of the remaining private hospitals are operated by a variety of “not-for-profit” market participants.

### 3.2.3 Private hospital funding

Approximately two-thirds of private hospital funding is related, directly or indirectly, to private health insurance. In the financial year ended 30 June 2011, private hospitals received 45% of their funding directly from private health insurance funds, with a further 21% of funding provided indirectly through Government rebates on private health insurance premiums. In comparison, approximately 90% of public hospital funding is provided by the Federal and State Governments.

Figure – Source of private hospital funding



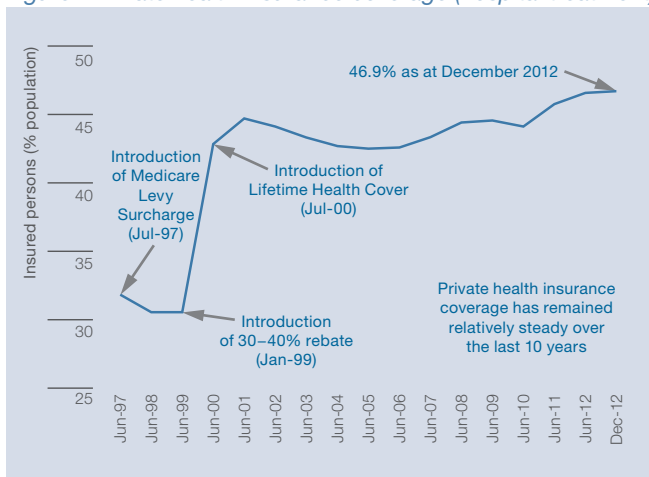
Source: AIHW Health Expenditure Australia 2010-11, ABS

Benefits paid by private health insurance funds to private hospitals on behalf of patients are generally based on contractually set rates for services. These rates are typically negotiated and contracted between the private health insurance funds and each individual hospital operator on a periodic basis.

### 3.2.4 Private health insurance

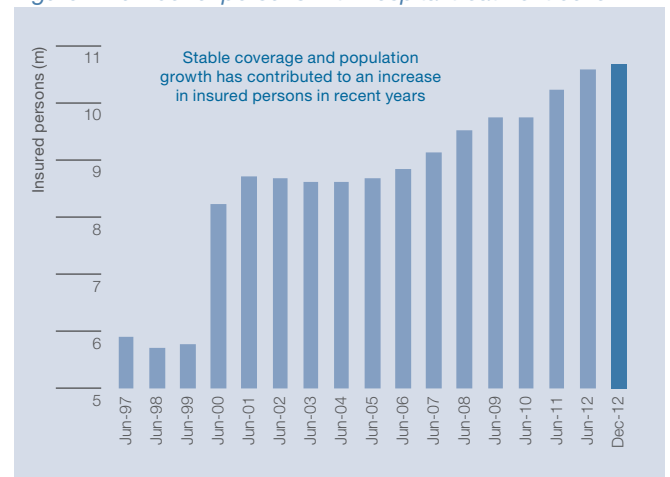
Members of private health insurance funds are the largest users of private hospitals in Australia, therefore the number of privately insured people will influence demand for private hospital services. Over the last decade, the percentage of population insured (with hospital treatment) in Australia has risen moderately from 44.3% at 30 June 2002 to 46.9% at 31 December 2012. The last major change in coverage levels occurred in 1999, following the introduction of a Federal Government rebate on private health insurance premiums.

Figure – Private health insurance coverage (hospital treatment)



Source: PHIAC membership data (June 2012)

Figure – Number of persons with hospital treatment cover



## Section 3

### About the Australian healthcare industry

In 2012, the Federal Government introduced means testing of the private health insurance rebate. Previously, individuals and families who held private health insurance for hospital treatment were entitled to a 30% to 40% rebate (depending on age) on the cost of their health insurance, which was funded by the Federal Government. Since 1 July 2012, the rebate has become means tested based on level of income. The rebate is reduced for certain tiers of income, after which it is phased out completely. As part of the changes, the Government also increased the Medicare Levy surcharge which is an additional tax paid by high income earners for not having private hospital cover.

Furthermore, in October 2012 the Federal Government announced draft legislation in relation to the indexation of the private health insurance levy threshold, proposing to cap future rebate growth at CPI.

Means testing of the Federal Government rebate on private health insurance has the potential to decrease the number of members in private health insurance funds, or cause members to downgrade their policies. In 2012, members could prepay their private health insurance to avoid means testing of the rebate for periods of up to 12 months or more in certain circumstances.

As at 31 December 2012 there had been little observable impact on the level of private health membership since introduction of the means testing, with private health insurance membership increasing by 10 basis points to 46.9% between 30 June 2012 and 31 December 2012. It is possible that the means testing of private health insurance rebate may have a greater impact in future years on membership, or levels of cover within funds, as the prepayment period expires.

#### 3.2.5 Legislation and regulation

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

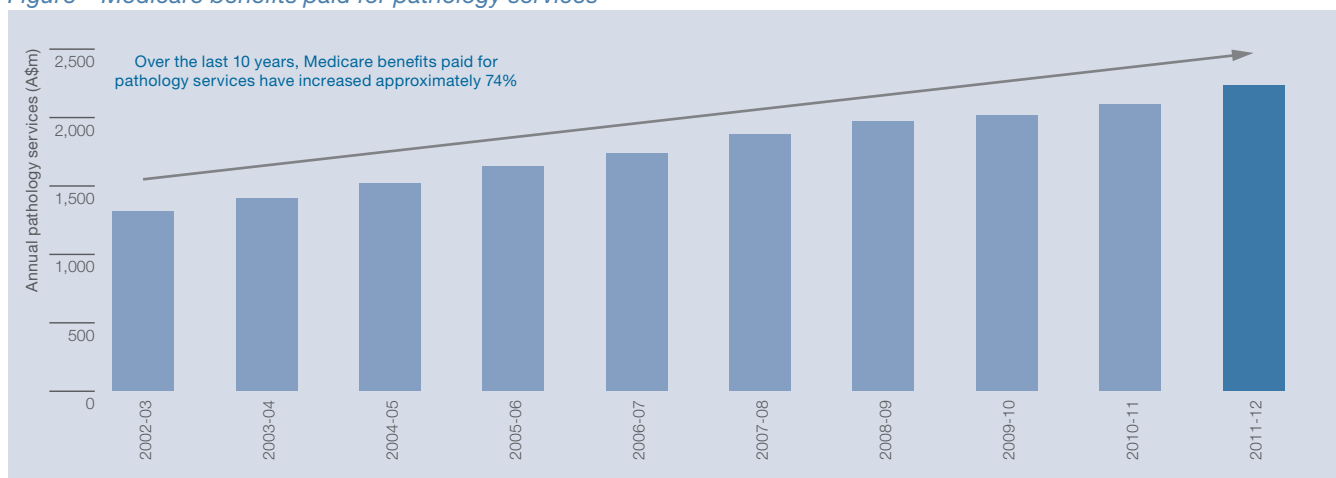
### 3.3 Overview of the Australian Pathology market

Pathology is a specialty of medicine that focuses on the study and diagnosis of disease and infection. Pathology services provide doctors with information to assist in the diagnosis and management of diseases through the examination of organs, tissues, bodily fluids (e.g. blood, urine) and whole bodies.

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

The majority of funding for human pathology services in Australia is provided by Medicare, either partially through Medicare rebates or fully through bulk billing. Bulk billing is where the service is fully funded by Medicare with no patient co-payment required. For the year ended 30 June 2012, Medicare benefits paid by the Federal Government for pathology services totalled over \$2.2 billion.

Figure – Medicare benefits paid for pathology services



Source: Medicare Australia Statistics



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### 3.3.1 Pathology operators

Pathology services are provided in Australia by both private and public operators. The pathology industry in Australia has three large private operators, being Sonic Healthcare, Primary Healthcare and the Healthscope Group, who together comprise over 80% of total private pathology market revenue for the year ended 30 June 2012.

### 3.3.2 Recent sector developments

#### Collection centre deregulation

Prior to 30 June 2010, the total number of pathology collection centres licences in Australia was capped under applicable regulations. However, in 2010 collection centres were deregulated which removed the cap on collection centre licenses, which enabled pathology providers to expand their collection centre networks. This has resulted in the number of collection centres in Australia increasing by over 60% since deregulation. The increase in collection centres led to an increase in the cost base of pathology operators, driven primarily by rent and labour costs incurred in collection centres.

#### Changes to Government funding and regulation

A five year Pathology Funding Agreement between the Australian Federal Government and the pathology sector came into effect on 1 July 2011. The agreement provides for growth in pathology expenditure of around 5% per year over the life of the agreement.

Due to an overrun in outlays of around \$43 million in 2011/12, a fee decrease of 1.24% was introduced on 1 January 2013 comprising an across the board 0.67% reduction to all pathology item rebates and a \$3.50 reduction in the rebate for the Vitamin D test.

In addition, the Federal Government has committed to undertake a formal review of the impact of collection centre deregulation. This will examine the impact of deregulation on rental levels and the industry in general. The review is expected to be completed in the first half of 2013.

### 3.3.3 Regulation

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

## 3.4 Australian medical centres

In Australia, primary care is provided by general practitioners ("GPs") at medical centres. GPs are usually the first point of contact for patients in the Australian healthcare system. GPs provide diagnosis and treatment advice, prescribe medications and also provide referrals to specialists, which may in turn lead to a hospital admission.

General practice services are delivered largely by sole practitioners and small groups of practitioners. It is estimated there are approximately 9,380 general practices and over 27,000 GP's in Australia. The medical centre industry in Australia is fragmented and it is estimated that approximately 12% of doctors work for the three largest providers, being IPN (Sonic Healthcare), Primary Health Care, and the Healthscope Group.

General practice is funded through Medicare and services are either bulk billed (where there is no patient co-payment) or funded through a combination of Medicare and a patient co-payment.

For the year ended 30 June 2012, Medicare benefits paid by the Federal Government for general practice totalled approximately \$4.2 billion.

## 3.5 Overview of the Healthscope Group's International Pathology markets

The Healthscope Group's International Pathology business has operations in New Zealand, Singapore and Malaysia, with a small presence in Vietnam.

### 3.5.1 New Zealand

Pathology funding in New Zealand is distributed through 20 District Health Boards ("DHBs") which were formed in 2001.

The DHBs have established exclusive arrangements for community pathology with private providers via competitive tendering processes. Hospital pathology services are largely provided by public hospital laboratories although some DHBs have chosen to contract out hospital and community pathology to private providers. Key providers include the Healthscope Group (operating as Labtests, SCL and Northland Pathology), Sonic Healthcare and Pathology Associates.

### 3.5.2 Singapore

The private pathology market in Singapore is serviced by independent laboratories, private hospital laboratories and government hospital laboratories. The market has grown consistently resulting from population increases, ageing population, growing health awareness and demand for health screening programmes. Customer segments include general practitioners, specialists, private hospitals and corporate clients. Regulations are set by the Ministry of Health and the private pathology sector is funded through a user-pay model. Key providers include the Healthscope Group (operating as Quest Laboratories), Parkway, Raffles, Pathlab and Innovative Diagnostics.

### 3.5.3 Malaysia

The private pathology market in Malaysia is fragmented with a large number of service providers from small independent laboratories, hospital in-house laboratories and large consolidated laboratories. The vast majority of pathology referrals are sourced from general practitioners and specialists, however there is a growing trend for walk-in patients through direct advertising to the consumer without a doctor referral. Key providers include the Healthscope Group (operating as Gribbles), Pathlab, BP Laboratories, KPJ Healthcare and Pantai.

## Section 4

# About the Healthscope Group

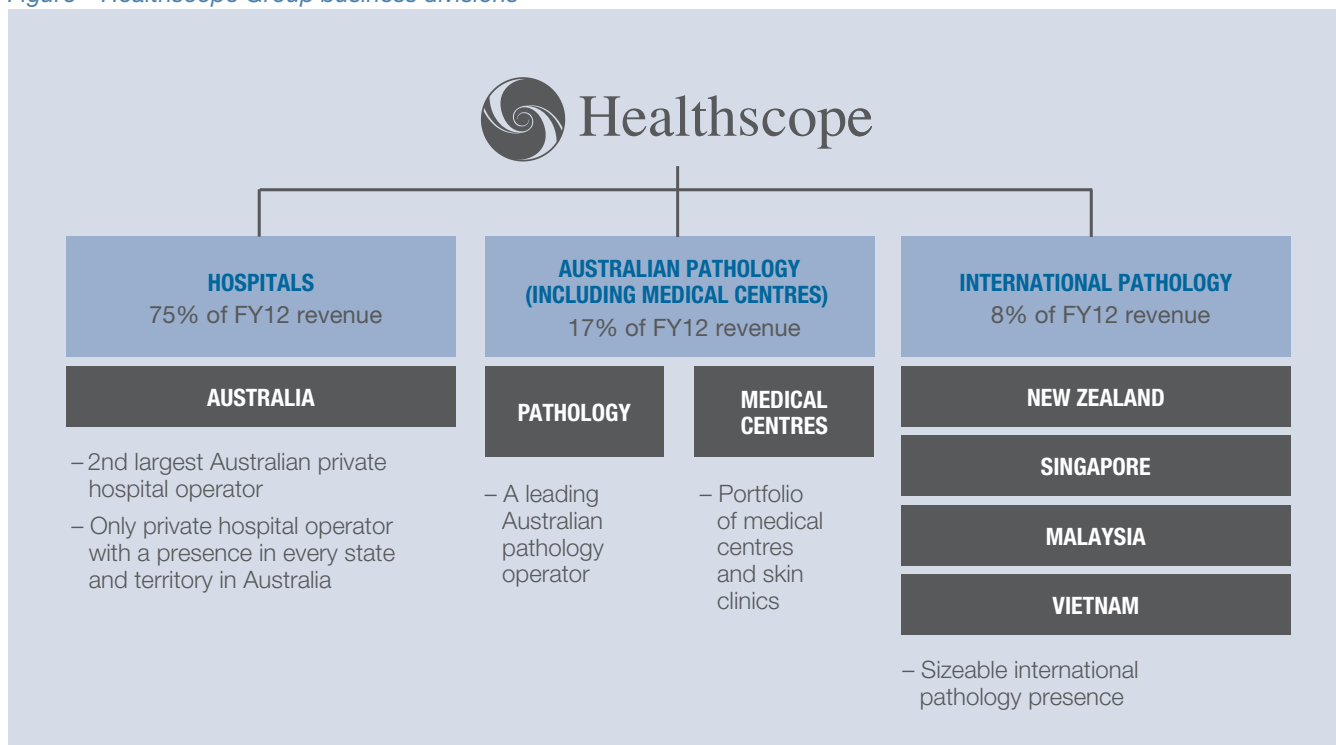


## 4.1 Overview of the Healthscope Group and its businesses

The Healthscope Group is one of Australia's leading private healthcare services providers with revenues of \$2,115.8 million and EBITDA before significant items of \$303.0 million for the twelve months ended 30 June 2012. The Healthscope Group is based in Melbourne, Australia, and has operations in all Australian states and territories as well as internationally, in New Zealand, Singapore, Malaysia and Vietnam. The Healthscope Group employs over 19,500 people. The Healthscope Group operates through three divisions:

- the operation of private hospitals in Australia ("Hospitals");
- the provision of pathology testing services and the operation of medical centres in Australia ("Australian Pathology"); and
- the provision of pathology testing services internationally ("International Pathology")

Figure – Healthscope Group business divisions

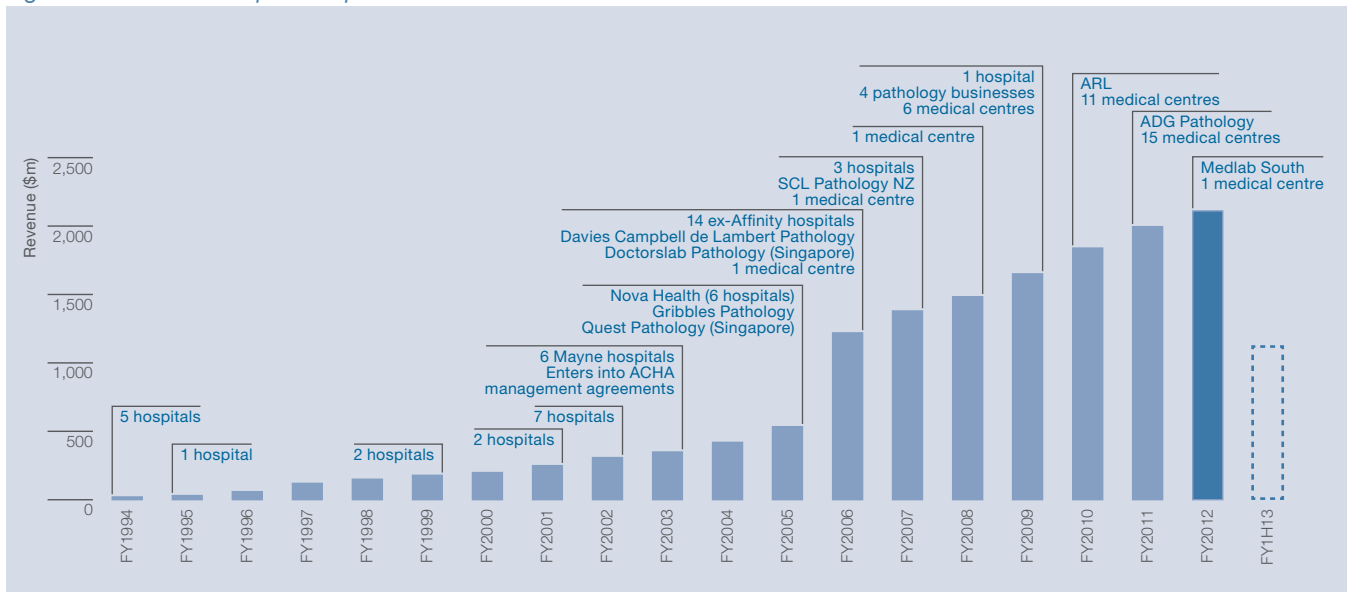


Healthscope Limited was formed in 1985 and listed on the Australian Securities Exchange (ASX) in 1994. In October 2010, Healthscope Limited was acquired by a consortium comprising funds advised and managed by The Carlyle Group and TPG and was subsequently de-listed from the ASX.

In December 2010, the Issuer, a special purpose vehicle, issued Notes I that are listed on the ASX.

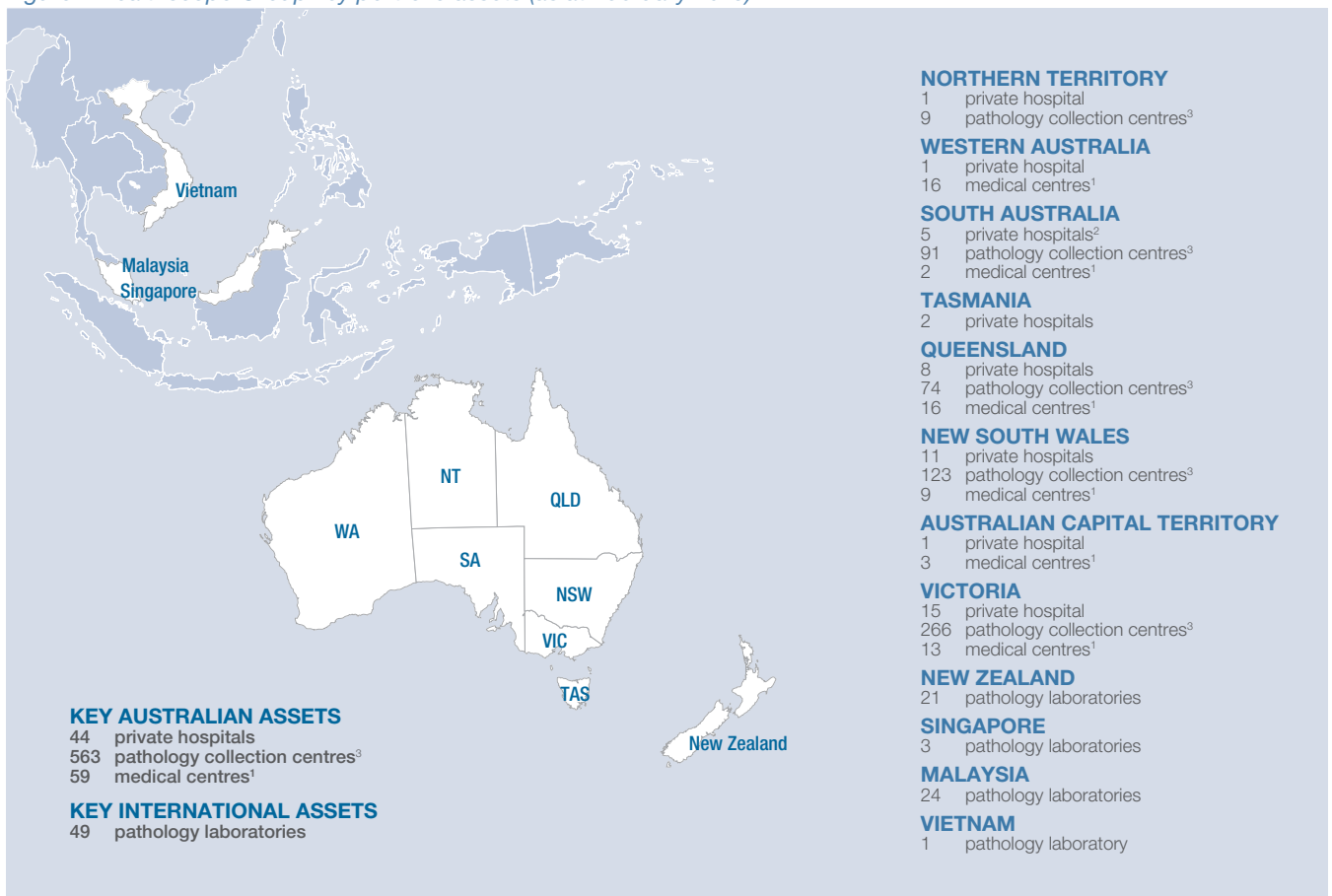
Since 1994, the Healthscope Group has significantly expanded the scale and scope of its operations both organically and by acquisition. Over this time, the Healthscope Group has increased its hospitals portfolio from 3 hospitals to 44 hospitals, as well as entering the pathology and medical centres markets.

Figure – The Healthscope Group revenue



## 4.2 The Healthscope Group's key assets

Figure – Healthscope Group key portfolio assets (as at February 2013)



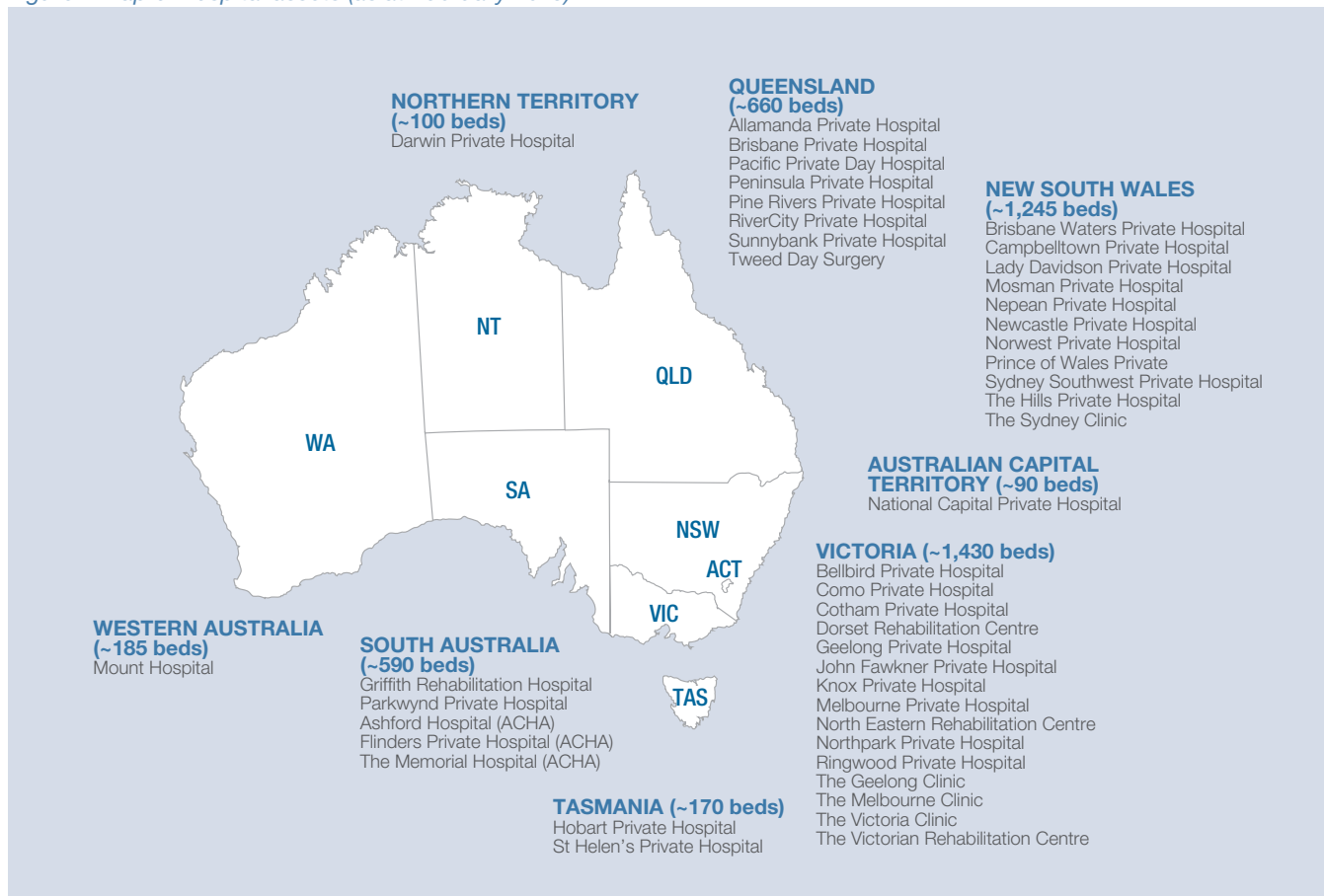
### Notes

- 1 Medical centres include skin care clinics
- 2 Includes 3 hospitals operated on behalf of the Adelaide Community Healthcare Alliance ("ACHA")
- 3 Pathology collection centre numbers as at 28 February 2013

### 4.3 Hospitals

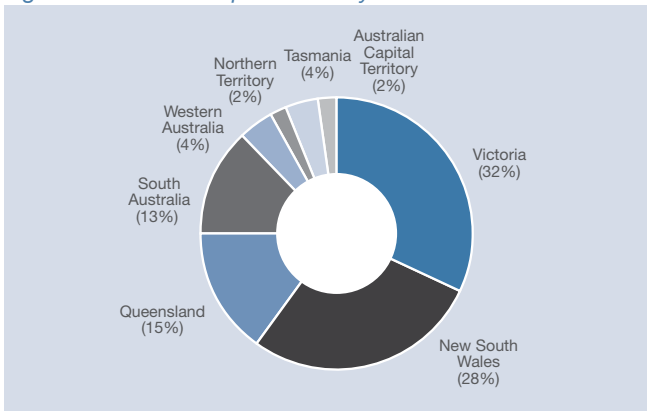
The Healthscope Group is Australia’s second largest private hospital operator, with a portfolio of 44 private hospitals nationwide. Hospitals represent the Healthscope Group’s largest operating division, generating revenues of \$1,584.2 million for the year ended 30 June 2012 – representing approximately 75% of the Healthscope Group’s total revenues for the period. As at February 2013, the Hospitals division employs approximately 13,700 employees.

Figure – Map of hospital assets (as at February 2013)



The Healthscope Group’s private hospital portfolio comprises 30 owned hospitals, 11 leased hospitals and 3 hospitals operated on behalf of the Adelaide Community Healthcare Alliance (“ACHA”). Healthscope’s hospital portfolio is concentrated in large metropolitan centres in every state and territory in Australia. The portfolio includes large high acuity hospitals, with six co-located with large public teaching hospitals.

Figure – Chart of hospital beds by state



The Hospitals portfolio includes three types of private hospital, as set out in the table below.

Table – Hospital types

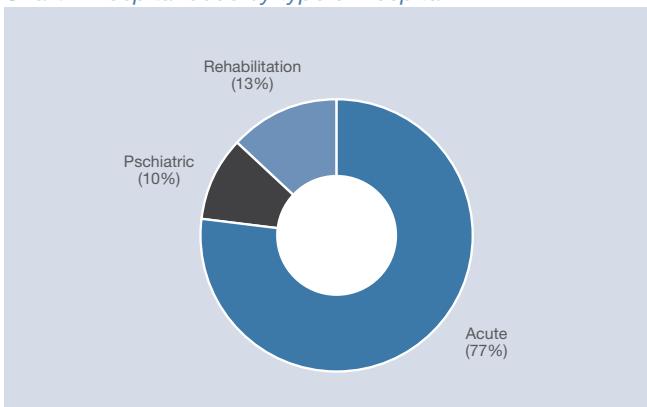
Hospital type	Number of hospitals	Number beds <sup>1</sup>	Description
Acute	31	~3,440	Acute hospitals provide medical and surgical services for admitted patients, including intensive care, day surgery, maternity, cardiac surgery, general surgery, urology, ear, nose and throat surgery, oral surgery, gynaecology, plastic surgery, endoscopy, vascular surgery and other specialist surgery.
Psychiatric	7	~462	Psychiatric hospitals offer a range of services for patients with various mental health disorders, including anxiety, depression, schizophrenia, post-traumatic stress, eating disorders, alcohol and drug addiction and obsessive compulsive disorders.
Rehabilitation and extended care	6	~567	Rehabilitation hospitals provide services for rehabilitation of patients with acquired brain injury, musculoskeletal injuries, cardiac and stroke, and those requiring pain management.

**Note:**

<sup>1</sup> "Beds" refers to the number of overnight beds available.

In addition, the Healthscope Group operates community housing facilities to provide for the longer term residential needs of patients with an acquired brain injury.

Chart – Hospital beds by type of hospital



#### 4.4 Australian Pathology and medical centres

The Healthscope Group's Australian Pathology division, which includes medical centres, generated revenue of \$364.6 million in the financial year ended 30 June 2012 and as at February 2013, this division employed approximately 3,400 people.

##### 4.4.1 Australian pathology

The Healthscope Group entered the pathology industry in December 2004 following the acquisition of the Gribbles Pathology Group. As at February 2013, the Healthscope Group's Australian pathology business comprises a network of over 550 collection centres and 70 NATA accredited laboratories. In the 12 months ended 31 December 2012, the Healthscope Group's Australian pathology division performed over 5 million patient episodes. The Australian pathology business provides a comprehensive range of pathology services across all disciplines including anatomical pathology, biochemistry, haematology, microbiology and molecular pathology.

Following the Australian Government's deregulation of collection centres in July 2010, the Healthscope Group expanded its network of collection centres from over 300 centres prior to deregulation to over 600 in September 2011. This expansion caused a significant increase in the cost base of the Australian pathology business, and together with structural changes in the industry, resulted in a decline in the profitability of this business.

In response to the decline in profitability, the Healthscope Group has implemented a number of changes to its Australian pathology business. In August 2011, the Healthscope Group divested its Tasmanian pathology business, and in October 2012, the Healthscope Group divested its Western Australian pathology business. The Healthscope Group also proposed to sell its New South Wales and Queensland pathology businesses during 2012, but these transactions did not proceed. Subsequently, the Healthscope Group has divested its ACT and Southern Tablelands business, with the remainder of the New South Wales business, and the Queensland business, remaining a part of the Healthscope Group's portfolio.

Healthscope is currently focused on improving the performance of its Australian pathology business by improving the efficiency and throughput of its laboratory and collection centre portfolio. This has also included a restructure of its New South Wales pathology business and the closure of a number of underperforming laboratories and collection centres.

##### 4.4.2 Medical centres

As at February 2013, the Healthscope Group owns and operates 46 medical centres and 13 specialist skin cancer clinics around Australia, providing serviced medical centres to over 420 general practitioners. In the 12 months ended 31 December 2012, the Healthscope Group's medical centres performed over 2 million patient consultations. In addition to generating revenues from service fees, the medical centres business also provides a source of referrals for the Healthscope Group's Australian pathology and hospital operations.

#### 4.5 International Pathology

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

In the financial year ended 30 June 2012, the International Pathology division generated revenue of \$167.0 million revenue and as at February 2013, this division employed approximately 2,400 people.

##### 4.5.1 New Zealand

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

The Healthscope Group is a market leader in community pathology in New Zealand, with its largest contract covering the greater Auckland region through Labtests Auckland. This DHB contract commenced in September 2009 and expires in September 2017. The Healthscope Group also has a number of other key DHB contracts across New Zealand on both the North and South Islands.

The Healthscope Group provided over 4.6 million patient episodes in the 12 months ended 31 December 2012. In December 2011, Healthscope was awarded a new pathology contract in the Canterbury region and in April 2012 the acquisition of Medlab South was completed. As at February 2013, the Healthscope Group operates 21 laboratories across New Zealand.



## 4.5.2 Singapore, Malaysia and Vietnam

In Singapore, the Healthscope Group is one of the largest community pathology providers, with one central laboratory supported by two satellite laboratories, which serviced over 1.3 million patient episodes for the 12 months ended 31 December 2012.

The Healthscope Group is one of the largest community pathology in Malaysia, with 24 laboratories across the country serviced approximately 1.5 million patient episodes for the 12 months ended 31 December 2012.

In Vietnam, Healthscope operates one laboratory in a large hospital outside Ho Chi Minh City specialising in women's and children's health.

## 4.6 Developments since October 2010

Following the acquisition of the Healthscope Group by The Carlyle Group and TPG in October 2010, significant progress has been achieved across many aspects of the Healthscope Group's business. Some of these achievements include:

- a number of new senior executives appointed with significant healthcare experience, across all divisions and in corporate office;
- launch of My Healthscope website, making Healthscope the first Australian private hospital group to publicly disclose quality indicators;
- delivery of brownfield projects, with 237 new beds and 16 new operating theatres since October 2010;
- greater collaboration with health funds;
- conditional agreement reached with Queensland Health to build and operate Gold Coast Private Hospital;
- focus on improved labour management through a number of labour initiatives;
- realisation of procurement savings through a number of initiatives;
- seven medical centres transformed to large, multidisciplinary centres;
- secured contract to supply pathology services to Christchurch (New Zealand); and
- acquisition of Medlab South, a pathology business in New Zealand.

## 4.7 The Healthscope Group's strategy for future earnings growth

Population growth and an increasing average population age are key drivers of demand for healthcare services. For the decade ending 30 June 2020, ABS estimates suggest the Australian population will grow by 15% (or 3.3 million people) and the number of Australians aged 65 years and over is expected to increase by more than 40%. Management is implementing strategies and continues to identify opportunities for growth in the Healthscope Group's businesses aimed at capitalising on the demand for healthcare services.

Further detail on some of the Healthscope Group's current growth strategies is outlined below.

### 4.7.1 Hospitals

The fundamental drivers of private hospitals remain strong, with favourable underlying demographic trends. The key elements of the hospitals growth strategy are increasing occupancy and utilisation across the hospital portfolio, capacity expansion through brownfield projects at existing hospitals, as well as building new hospitals in areas of high demand.

Brownfield developments deliver additional facilities such as beds and operating theatres at existing hospitals that are at or near full capacity in areas where management have identified strong demand for healthcare services. Since October 2010, the Healthscope Group has successfully completed 16 projects which have added 16 new operating theatres and 237 new beds.

## Section 4

### About the Healthscope Group

Table – Major brownfield developments recently completed

Hospital	Theatres	Beds	Date operational
Nepean	2		Oct 2010
Prince of Wales	2		Nov 2010
Geelong Clinic		5	Mar 2011
Newcastle	1		May 2011
Pine Rivers		35	Jul 2011
Norwest	1	43	Jul 2011
Hobart	1		Aug 2011
Knox	4	66	Sep 2011
Melbourne Clinic		23	Nov 2011
Brisbane Waters		14	Dec 2011
Sunnybank	1		Mar 2012
Brisbane	1		Mar 2012
Griffith Rehab		10	Jun 2012
Northpark	3	41	Mar 2013
Brisbane	Private room development		Mar 2013
Sunnybank	Maternity suite upgrade		Mar 2013
TOTAL	16	237	

The Healthscope Group has a strong pipeline of future brownfield projects with plans in place to increase the number of beds and theatres at a number of key facilities. In this respect, the Healthscope Group has reached conditional agreement to build and operate the Gold Coast Private Hospital, a key component of its expansion strategy. This large scale private hospital will be co-located with a new public hospital on the Gold Coast. This brownfield development is expected to open in 2015, and have over 230 beds, with the capacity to increase to around 350 beds based on future demand.

In addition to its expansion plans at existing and new facilities, the Healthscope Group has a number of strategies in place to drive organic revenue growth, which include attracting new medical professionals to its facilities, and targeted specialty growth. Healthscope also has a number of operational initiatives in place which are aimed at delivering further growth in earnings. These include initiatives around labour management and procurement.

#### 4.7.2 Pathology and medical centres

Following the sale of the Healthscope Group's pathology businesses in Tasmania, Western Australia, ACT and Southern Tablelands in New South Wales, the Healthscope Group's Australian pathology business comprises businesses in Victoria, South Australia, New South Wales, Queensland and the Northern Territory.

The Australian Pathology business has experienced significant costs associated with new collection centres opened in response to deregulation, and competitive pressures have increased in parallel. The Healthscope Group's strategy within Australian Pathology is to improve the performance of the business through rationalizing collection centres, restructuring the New South Wales business, and focusing on profitable growth across its business.

The Healthscope Group's medical centres business is focused on increasing throughput at its existing centres and transforming more of its centres into large, multi-disciplinary centres either through expansion or merger of existing centres.

### 4.7.3 International Pathology

In New Zealand, the focus is on realising the benefits from the recent Medlab South acquisition, as well as tendering for new DHB contracts as they come up for tender.

The Healthscope Group's pathology businesses in Singapore, Malaysia, and Vietnam will continue to focus on organic growth and operating efficiencies.

### 4.7.4 The Healthscope Group outlook statement

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

The Healthscope Group's management team continues to implement growth strategies across its divisions. These include development of new and existing hospital sites and pursuing organic growth across its other divisions. Based on information available to the Directors at the date of this Prospectus, the Directors believe that, subject to no material change in business conditions, the Healthscope Group's growth strategies and broader attractive healthcare industry fundamentals continue to support a positive outlook for growth in the Healthscope Group's revenue and EBITDA before significant items in the short to medium term.

This statement should be read in conjunction with the risk factors that may have a material impact on the financial and operational performance of the Healthscope Group set out in Section 7. This Section should also be read in conjunction with other disclosures in this Prospectus, in particular the risk factors that may have a material impact on the financial and operational performance of the Healthscope Group set out in Section 7.

## 4.8 Experienced management team

Many of the Healthscope Group's senior management team have considerable experience both in the healthcare industry and within the Healthscope Group.

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

Robert is supported by a high quality management team, who on average have approximately 25 years of experience in the healthcare industry.

Refer to Section 9 for further information on the management team.

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

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

### 4.9.1 The Carlyle Group

The Carlyle Group is a diversified private asset management firm, headquartered in Washington D.C., with 32 offices in 21 countries. As at 30 September 2012, The Carlyle Group has more than US\$157 billion of assets under management across 101 investment funds and 64 'fund of funds' vehicles. Investment funds advised and managed by The Carlyle Group have invested in a number of healthcare businesses, including the following.

- HCR ManorCare – leading US health care operator with an extensive network of rehabilitation centres and outpatient rehabilitation clinics
- Medical Park – Turkey's leading operator of hospitals and related healthcare facilities
- MultiPlan – largest independent preferred provider organisation in the United States
- Pharmaceutical Product Development, Inc – global contract research organization (CRO) providing outsourced clinical trial management and laboratory services
- ConnectiCare – regional health maintenance organisation in the United States

#### 4.9.2 TPG

TPG is a global private investment firm founded in 1992 with US\$54.5 billion of assets under management. TPG seeks to invest across a range of industries and geographies. Investment funds advised and managed by TPG have invested in a number of healthcare businesses, including the following.

- IASIS Healthcare – US operator of acute care and behavioural hospitals
- Parkway Holdings – one of Asia’s largest and most respected network of hospitals across Singapore, Malaysia, Brunei, India and China
- Surgical Care Affiliates – one of the largest providers of specialist surgical services in the United States
- Immucor – one of the largest in-vitro diagnostic blood typing and screening companies in North America
- IMS Health – a premier global provider of market intelligence to the pharmaceutical and healthcare industries
- Biomet – worldwide leader in the design and manufactured orthopaedic implants with products distributed in approximately 90 countries

Section 5

# Financial information



## 5.1 Basis of Preparation and Presentation

The Issuer is seeking to raise approximately \$300 million through the issue of 3,000,000 Notes II at an issue price of \$100 each with the proceeds to be used in the manner described in Section 1.1.6. The Offer could raise more or less than \$300 million of Notes II.

The pro forma historical financial information in this Prospectus is calculated on the basis of the issue of \$300 million of Notes II.

Interest payable to Holders of Notes II will ultimately be paid by the cash flows generated by the Healthscope Group. The pro forma historical financial information (as described below) for the Healthscope Group, as well as the Issuer, has been presented in order to assist investors to understand the state of affairs and results of the Healthscope Group from which the cash flows to service the interest payments on Notes II will be derived.

The pro forma historical financial information included in this Section is prepared on a pro forma basis in order to:

- present historical financial information for the Healthscope Group on a consistent basis;
- adjust this historical information to reflect the financial effects of the Offer and to eliminate significant items as set out in Sections 5.2 and 5.3; and
- present pro forma historical financial information of the Issuer.

The historical financial information for the financial years ended 30 June 2011 and 30 June 2012 has been derived from audited financial statements on which unmodified audit opinions were given.

Healthscope Limited and its controlled entities were acquired by funds advised and managed by The Carlyle Group and TPG on 12 October 2010. As a result, the 30 June 2011 financial statements of the Healthscope Group include the trading results of Healthscope Limited and its controlled entities from 12 October 2010 to 30 June 2011.

The historical and pro forma financial information for the half-years ended 31 December 2011 and 31 December 2012 has been derived from reviewed financial statements on which unmodified review conclusions were given.

EBITDA for the last twelve months (LTM) to 31 December 2012 as presented in Section 5.5 represents the sum of:

- EBITDA for the half-year ended 31 December 2012 (H1 13) as presented in Section 5.2.1; and
- EBITDA for the financial year ended 30 June 2012 after subtracting the EBITDA for the half-year ended 31 December 2011 (H1 12) as presented in Section 5.2.1.

The pro forma historical financial information included in this Section has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. The principal accounting policies of the Healthscope Group relevant to the financial information are set out in the Healthscope Group's aggregated financial report for the year ended 30 June 2012 at [www.healthscope.com.au](http://www.healthscope.com.au). The Directors are responsible for the preparation of the pro forma historical financial information.

The pro forma historical financial information presented consists of:

- pro forma aggregated income statements for the Healthscope Group for the:
  - Financial year ended 30 June 2011;
  - Financial year ended 30 June 2012;
  - Half-year ended 31 December 2011; and
  - Half-year ended 31 December 2012. (Section 5.2.1);
- pro forma aggregated balance sheet of the Healthscope Group as at 31 December 2012 prepared to reflect the issue of Notes II (Section 5.2.3);
- pro forma aggregated cash flows from operating activities for the Healthscope Group for the:
  - Financial year ended 30 June 2011;
  - Financial year ended 30 June 2012;
  - Half-year ended 31 December 2011; and
  - Half-year ended 31 December 2012 (Section 5.2.5);
- pro forma balance sheet of the Issuer as at 31 December 2012 prepared to reflect the issue of Notes II (Section 5.3);
- pro forma financial covenant analysis (Section 5.4); and
- reconciliation of EBITDA to Adjusted EBITDA calculated in accordance with the requirements of the Senior Facility Agreement (Section 5.5),

(together the "pro forma historical financial information").

The Healthscope Group and the Issuer are ultimately owned by funds advised and managed by The Carlyle Group and TPG.

Prior to its acquisition by these Current Owners on 12 October 2010, the Healthscope Group operated under a different corporate structure with different leverage, income tax and intangible assets profiles. In light of these circumstances, financial information is not presented in this Prospectus for periods prior to acquisition by the Current Owners.

The pro forma historical financial information has not been audited. The pro forma historical financial information has been reviewed by Deloitte Touche Tohmatsu. Its Investigating Accountants Report is set out in Section 5.12. Investors should note the scope and limitations of the Investigating Accountants Report.

Investors should note that past results are not a guarantee of future performance. The information in this Section should also be read in conjunction with the risk factors set out in Section 7 and other information contained in this Prospectus.

## 5.2 Historical financial information

### 5.2.1 Pro forma aggregated income statements for the Healthscope Group

Set out below is a summary of the Healthscope Group's pro forma aggregated income statements for the financial years ended 30 June 2011 (FY11) and 30 June 2012 (FY12) and for the half-years ended 31 December 2011 (H1 12), and 31 December 2012 (H1 13) as adjusted for significant items.

\$ million	FY11 <sup>1,2</sup>	FY12	H1 12	H1 13
Revenue <sup>3</sup>	1,429.3	2,115.8	1,058.3	1,114.3
<b>Net profit/(loss) for the period</b>	<b>(63.8)</b>	<b>15.5</b>	<b>10.0</b>	<b>(109.1)</b>
add back:				
Income tax expense/(benefit)	(35.3)	6.6	3.5	2.8
Net finance costs	130.6	185.6	92.1	92.3
Depreciation and amortisation	54.1	84.7	41.4	46.7
<b>EBITDA</b>	<b>85.6</b>	<b>292.4</b>	<b>147.0</b>	<b>32.7</b>
Significant items	116.3	10.6	4.4	123.3
<b>EBITDA before significant items</b>	<b>201.9</b>	<b>303.0</b>	<b>151.4</b>	<b>156.0</b>
<b>EBITDA Margin %<sup>4</sup></b>	<b>14.1%</b>	<b>14.3%</b>	<b>14.3%</b>	<b>14.0%</b>

1 Reflects the trading results of Healthscope Limited and its controlled entities following acquisition by The Carlyle Group and TPG, from 12 October 2010 to 30 June 2011.

2 During the financial year ended 30 June 2012, the acquisition accounting for Healthscope Limited was finalised resulting in retrospective adjustment of the 30 June 2011 income statement as required by relevant accounting standards. The adjusted income statement, disclosed as the comparative within the 30 June 2012 financial report, is presented above.

3 Includes prosthetics revenue of \$152.6 million for FY11, \$223.0 million for FY12, \$112.5 million for H1 12 and \$117.2 million for H1 13.

4 EBITDA before significant items as a percentage of revenue.

## Section 5

### Financial information

#### Significant items

In presenting the Healthscope Group's pro forma aggregated income statements, the following adjustments have been made to exclude certain significant items which impacted underlying performance.

\$ million	FY11 <sup>1</sup>	FY12	H1 12	H1 13
Restructure and other costs	31.4	4.3	1.2	4.7
Acquisition costs	81.7	1.8	0.9	0.5
Profit on sale of WA Pathology	–	–	–	(4.2)
Impairment of goodwill	–	–	–	120.0
Management fees <sup>2</sup>	3.2	4.5	2.3	2.3
<b>Total significant items</b>	<b>116.3</b>	<b>10.6</b>	<b>4.4</b>	<b>123.3</b>

1 Reflects the trading results of Healthscope Limited and its controlled entities from 12 October 2010.

2 Represents fees paid to The Carlyle Group and TPG. These fees are not considered an operating expense of the business.

#### 5.2.2 Historical aggregated financial performance by segment

Set out below is a summary of the historical financial performance (EBITDA) of the Healthscope Group by reporting segment for the financial years ended 30 June 2011 (FY11) and 30 June 2012 (FY12) and for the half-years ended 31 December 2011 (H1 12), and 31 December 2012 (H1 13).

\$ million	FY11 <sup>1</sup>	%	FY12	%	H1 12	%	H1 13	%
Hospitals	164.9	78%	252.5	80%	126.2	80%	136.4	84%
Australian Pathology	22.2	10%	23.3	8%	12.3	8%	5.0	3%
International Pathology	25.4	12%	38.7	12%	18.6	12%	21.0	13%
<b>EBITDA before corporate costs and significant items</b>	<b>212.5</b>	<b>100%</b>	<b>314.5</b>	<b>100%</b>	<b>157.1</b>	<b>100%</b>	<b>162.4</b>	<b>100%</b>
Corporate costs	(10.6)		(11.5)		(5.7)		(6.4)	
<b>EBITDA before significant items</b>	<b>201.9</b>		<b>303.0</b>		<b>151.4</b>		<b>156.0</b>	

1 Reflects the trading results of Healthscope Limited and its controlled entities from 12 October 2010.

#### 5.2.3 Pro forma aggregated balance sheet of the Healthscope Group

The pro forma aggregated balance sheet shown below represents the aggregated balance sheet of the Healthscope Group as at 31 December 2012, adjusted to reflect completion of the Offer as if it had occurred on 31 December 2012, resulting in:

- a \$300.0 million increase in Notes II debt;
- offset by a \$300.0 million repayment of Senior Debt as described in Section 1.1.6; and
- transaction costs of \$9.8 million will be funded by cash on hand.

The net impact of this is a \$9.8 million decrease in total non-current liabilities and a \$9.8 million decrease in current assets, with no impact on net assets or contributed equity.



\$ million	Balance sheet as at 31 Dec 2012	Net Adjustments <sup>1</sup>	Pro forma Balance sheet as at 31 Dec 2012
<b>Current assets</b>			
Cash	84.1	(9.8)	74.3
Trade and other receivables <sup>2</sup>	72.4	–	72.4
Prepayments	15.5	–	15.5
Inventories	46.6	–	46.6
Deferred settlement receivable	3.4	–	3.4
<b>Total current assets</b>	<b>222.0</b>	<b>(9.8)</b>	<b>212.2</b>
<b>Non-current assets</b>			
Trade and other receivables	2.5	–	2.5
Property, plant and equipment	1,183.0	–	1,183.0
Deferred tax assets	82.4	–	82.4
Intangible assets	1,829.8	–	1,829.8
Other financial assets	2.4	–	2.4
Investments accounted for using the equity method	0.7	–	0.7
<b>Total non-current assets</b>	<b>3,100.8</b>	<b>–</b>	<b>3,100.8</b>
<b>Total assets</b>	<b>3,322.8</b>	<b>(9.8)</b>	<b>3,313.0</b>
<b>Current liabilities</b>			
Payables	212.7	–	212.7
Provisions and other liabilities	113.2	–	113.2
Senior Debt	61.8	–	61.8
Other borrowings	17.2	–	17.2
Other financial liabilities	29.3	–	29.3
Deferred revenue	2.0	–	2.0
Current tax liabilities	1.6	–	1.6
<b>Total current liabilities</b>	<b>437.8</b>	<b>–</b>	<b>437.8</b>
<b>Non-current liabilities</b>			
Provisions	24.1	–	24.1
Senior Debt	1,347.6	(300.0)	1,047.6
Capitalised finance costs	(38.7)	–	(38.7)
Notes I & II	200.0	300.0	500.0
Capitalised finance costs	(5.0)	(9.8)	(14.8)
Related party loans	511.4	–	511.4
Other financial liabilities	34.2	–	34.2
Deferred tax liabilities	46.3	–	46.3
<b>Total non-current liabilities</b>	<b>2,119.9</b>	<b>(9.8)</b>	<b>2,110.1</b>
<b>Total liabilities</b>	<b>2,557.7</b>	<b>(9.8)</b>	<b>2,547.9</b>
<b>Net assets</b>	<b>765.1</b>	<b>–</b>	<b>765.1</b>
<b>Shareholders' funds</b>			
Contributed equity	962.2	–	962.2
Reserves	(39.6)	–	(39.6)
Accumulated losses	(157.5)	–	(157.5)
<b>Total shareholders' funds</b>	<b>765.1</b>	<b>–</b>	<b>765.1</b>

1 Net Adjustments reflect completion of the Offer as if it had occurred on 31 December 2012.

2 Trade receivables are disclosed net of receivables sold to Westpac under the Receivables Purchase Agreement. The receivables sold at 31 December 2012 were \$108.4 million and the proceeds from the sale were used to retire non-current borrowings and reduce the overall cost of debt servicing. The Receivables Purchase Agreement meets the de-recognition criteria under the relevant accounting standard AASB 139 *Financial Instruments: Recognition and Measurement*.

## Section 5

### Financial information

#### 5.2.4 Historical aggregated cash flow statements for the Healthscope Group

Set out below is a summary of the Healthscope Group's historical aggregated cash flow statements for the financial years ended 30 June 2011 (FY11) and 30 June 2012 (FY12) and for the half-years ended 31 December 2011 (H1 12), and 31 December 2012 (H1 13).

\$ million	FY11 <sup>1</sup>	FY12	H1 12	H1 13
<b>Operating cash flows</b>				
Cash generated from operations	190.9	301.4	155.9	175.8
Net interest and costs of finance paid	(101.6)	(172.1)	(85.8)	(86.6)
Income tax paid	(1.5)	(5.0)	(4.6)	(2.4)
<b>Net cash provided by operating activities before significant items</b>	<b>87.8</b>	<b>124.3</b>	<b>65.5</b>	<b>86.8</b>
Significant items	(89.8)	(12.6)	(15.9)	(11.8)
<b>Net cash provided by/(used in) operating activities after significant items</b>	<b>(2.0)</b>	<b>111.7</b>	<b>49.6</b>	<b>75.0</b>
<b>Investing activities</b>				
Proceeds from disposal of property plant and equipment	0.6	12.7	3.5	2.1
Proceeds from disposal of WA pathology	–	–	–	14.6
Proceeds from insurance claim	–	–	1.0	0.2
Payments for property plant and equipment	(62.0)	(87.8)	(45.1)	(33.1)
Brownfield facility developments	(76.9)	(48.2)	(32.6)	(21.0)
Payments for operating rights	(4.9)	(7.5)	(1.9)	(1.6)
Proceeds from ACHA loan	1.0	2.0	–	1.5
Payments for business combinations	(2,780.1)	(2.8)	(1.8)	(1.1)
<b>Net cash used in investing activities</b>	<b>(2,922.3)</b>	<b>(131.6)</b>	<b>(76.9)</b>	<b>(38.3)</b>
<b>Financing activities</b>				
Issue of shares	962.4	–	–	–
Facility fees paid	(83.6)	–	(0.1)	–
Net proceeds from/(repayment of) borrowings	2,064.2	56.5	34.0	(3.0)
Net proceeds from receivable securitization	4.5	0.6	7.5	(5.6)
Net proceeds from/(repayment of) finance leases	(4.4)	0.6	0.4	(0.8)
<b>Net cash provided by/(used in) financing activities</b>	<b>2,943.1</b>	<b>57.7</b>	<b>41.8</b>	<b>(9.4)</b>
<b>Net increase/(decrease) in cash</b>	<b>18.8</b>	<b>37.8</b>	<b>14.5</b>	<b>27.2</b>

<sup>1</sup> Reflects the cash flows of Healthscope Limited and its controlled entities from 12 October 2010.

## 5.2.5 Cash flow and cash conversion

Set out below is a summary of the Healthscope Group's pro forma aggregated cash flows from operating activities for the financial years ended 30 June 2011 (FY11) and 30 June 2012 (FY12) and for the half-years ended 31 December 2011 (H1 12), and 31 December 2012 (H1 13).

The Healthscope Group has achieved a cash conversion ratio of 95% to 113% after adding back Net Interest Paid, Income Tax Paid and adjusting for the cash impact of the significant items.

### Gross Operating Cash to EBITDA

\$ million, unless otherwise noted	FY11 <sup>1</sup>	FY12	H1 12	H1 13
<b>Aggregated cash flows from Operating Activities</b>	(2.0)	111.7	49.7	75.0
<b>Add back</b>				
– Net interest paid	101.6	172.0	85.8	86.6
– Income tax paid	1.6	5.0	4.6	2.4
– Significant items (cash)				
• Restructure and other costs	9.7	7.4	11.3	9.1
• Acquisition costs	78.5	2.2	1.9	0.4
• Other	1.6	3.0	2.7	2.3
	89.8	12.6	15.9	11.8
<b>Total Gross Operating Cash</b>	<b>190.9</b>	<b>301.4</b>	<b>155.9</b>	<b>175.8</b>
<b>EBITDA before significant items (Section 5.2.1)</b>	<b>201.9</b>	<b>303.0</b>	<b>151.4</b>	<b>156.0</b>
<b>Ratio of Gross Operating Cash to EBITDA before significant items</b>	<b>95%</b>	<b>99%</b>	<b>103%</b>	<b>113%</b>

<sup>1</sup> Reflects the trading results of Healthscope Limited and its controlled entities from 12 October 2010.

### 5.3 Pro forma balance sheet of the Issuer

The pro forma balance sheet shown below represents the balance sheet of the Issuer as at 31 December 2012, adjusted to reflect completion of the Offer as if it had occurred on 31 December 2012, resulting in:

- a \$300.0 million increase in Notes II debt; and
- a \$290.2 million increase in receivables from Healthscope Finance Pty Ltd as a result of on lending the proceeds of the Offer to the Healthscope Group net of transaction costs to be paid by the Healthscope Group on behalf of Healthscope Notes Limited.

The net impact of this is a \$290.2 million increase in non-current liabilities and a \$290.2 million increase in non-current assets, with no impact on net assets or contributed equity.

\$ million	Balance sheet as at 31 Dec 2012	Net Adjustments <sup>1</sup>	Pro forma Balance sheet as at 31 Dec 2012
<b>Current assets</b>			
Cash	0.1	–	0.1
Prepayments	0.2	–	0.2
Trade and other receivables	3.4	–	3.4
<b>Total current assets</b>	<b>3.7</b>	<b>–</b>	<b>3.7</b>
<b>Non-current assets</b>			
Receivables – Healthscope Finance Pty Ltd	191.7	290.2	481.9
<b>Total non-current assets</b>	<b>191.7</b>	<b>290.2</b>	<b>481.9</b>
<b>Total assets</b>	<b>195.4</b>	<b>290.2</b>	<b>485.6</b>
<b>Current liabilities</b>			
Trade and other payables	0.4	–	0.4
<b>Total current liabilities</b>	<b>0.4</b>	<b>–</b>	<b>0.4</b>
<b>Non-current liabilities</b>			
Healthscope Notes	200.0	300.0	500.0
Capitalised issue costs	(5.0)	(9.8)	(14.8)
<b>Total non-current liabilities</b>	<b>195.0</b>	<b>290.2</b>	<b>485.2</b>
<b>Total liabilities</b>	<b>195.4</b>	<b>290.2</b>	<b>485.6</b>
<b>Net assets</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total shareholders' funds</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>1</sup> Net Adjustments reflect completion of the Offer as if it had occurred on 31 December 2012.

## 5.4 Pro Forma financial covenant analysis

The pro forma financial covenant analysis below reflects the Healthscope Group's position relative to the covenants in the Senior Facility Agreement and under the Terms of Issue, as at 31 December 2012 adjusted to reflect completion of the Offer as if it had been in place (and impacted interest expense) for the full year to 31 December 2012. Further details regarding the Senior Debt, including information on financial covenants, can be found in Section 6. The financial covenants relevant to Notes II are set out in the Terms of Issue in Appendix A.

Pro forma financial covenants at 31 December 2012	Actual LTM to 31 Dec 12 <sup>1</sup>	Pro forma LTM to 31 Dec 12 <sup>2</sup>	Senior Debt	Notes I and II
			Senior Covenants	Suspension of Interest condition
Senior Leverage Ratio (times)	4.29x	3.35x	Less than 4.60x <sup>3</sup>	
Total Interest Cover Ratio (times)	1.80x	1.75x	More than 1.60x <sup>3</sup>	
Debt Service Cover Ratio (times)	1.36x	1.45x	More than 1.05x	More than 1.10x

1 Reflects covenant ratios for the twelve months to 31 December 2012.

2 Reflects covenant ratios for the twelve months to 31 December 2012 adjusted to reflect the Offer as if it had been in place (and impacted interest expense) for the full year to 31 December 2012 at an effective interest rate of 10.25% on principal of \$300 million.

3 Senior Leverage Ratio and Total Interest Cover Ratio covenants tighten over time. As such, the Healthscope Group will need to continue to increase its earnings and operating cash flow or reduce the principal outstanding of the Senior Debt in order to maintain compliance with its financial covenants. Refer to Section 6.5 for further information.

An explanation of the relevance and calculation of the covenants in the preceding table is set out below.

### Senior Leverage Ratio

The senior leverage ratio indicates the size of total net debt to Adjusted EBITDA. Further information in relation to the calculation of the Healthscope Group's Senior Leverage Ratio is set out in Section 6.5. The pro forma Senior Leverage Ratio above is calculated by dividing the pro forma Net Senior Debt (which excluded Healthscope Notes I and II) of \$1,035.1 million as set out below by the \$309.0 million Adjusted EBITDA as set out in Section 5.5.

Pro forma Net Senior Debt \$ million	Actual LTM to 31 Dec 12	Net Adjustments <sup>1</sup>	Pro forma 31 Dec 12
Senior Debt	1,409.4	(300.0)	1,109.4
less: Cash	(84.1)	9.8	(74.3)
	<b>1,325.3</b>	<b>(290.2)</b>	<b>1,035.1</b>

1 Reflects use of proceeds to reduce Senior Debt as set out in Section 1.1.6.

### Total Interest Cover Ratio

The Total Interest Cover Ratio measures how many times interest payments on a company's debt can be met from Adjusted EBITDA. Further information in relation to the calculation of the Healthscope Group's Interest Cover Ratio is set out in Section 6.5. The pro forma Interest Cover Ratio above is calculated by dividing the \$309.0 million Adjusted EBITDA as set out in Section 5.5 by the \$176.1 million pro forma net interest expense as set out below.

Pro forma net interest expense \$ million	Actual LTM to 31 Dec 12	Net Adjustments	Pro forma 31 Dec 12
Senior Debt and other finance costs <sup>1</sup>	148.9	(26.1)	122.8
Notes I <sup>2</sup>	22.5	–	22.5
Notes II <sup>3</sup>	–	30.8	30.8
	<b>171.4</b>	<b>4.7</b>	<b>176.1</b>

1 Pro forma Senior Debt and other net interest expense represents total finance costs for the 12 month period ended 31 December 2012 (excluding finance costs related to Notes I and II) adjusted for use of proceeds to reduce Senior Debt as set out in Section 1.1.6.

2 Notes I net interest expense reflects finance costs for the 12 month period ended 31 December 2012 at an effective interest rate of 11.25% on principal of \$200 million.

3 Notes II net interest expense reflects finance costs for the 12 month period ended 31 December 2012 at an effective interest rate of 10.25% on principal of \$300 million.

## Section 5

### Financial information

#### Debt Service Cover Ratio

A debt service cover ratio is the ratio of cash available for debt servicing to interest, principal and lease payments. Further information in relation to the calculation of the Debt Service Cover Ratio is set out in Section 6.5. The pro forma Debt Service Cover Ratio is calculated by dividing:

- Adjusted EBITDA less relevant capital expenditure paid in cash, less certain net taxes paid in cash and less any increase (or plus any decrease in working capital) for the 12 month period ended on 31 December 2012 (**DSCR Numerator**); over
- the aggregate of net interest expense inclusive of pro forma adjustment for interest expense on Notes I and II, scheduled repayments under the Senior Debt Facilities and certain payments on finance leases and hire purchase agreements for that same period (**DSCR Denominator**).

The actual Debt Service Cover Ratio for LTM 31 December 2012 is calculated by dividing the DSCR Numerator of \$280.6 million by the \$205.4 million DSCR Denominator resulting in a Debt Service Cover Ratio of 1.36x.

The pro forma Debt Service Cover Ratio above is calculated by dividing the DSCR Numerator of \$280.6 million by the \$193.6 million DSCR Denominator resulting in a Debt Service Cover Ratio of 1.45x.

#### Suspension of Interest payments

Interest payments under Notes II will be suspended on the occurrence of any of the Suspension Conditions set out in the Terms of Issue, including the Interest Suspension Financial Covenant which requires a Debt Service Cover Ratio of greater than 1.10:1 at all times. The Interest Suspension Financial Covenant will be tested at each Ratio Testing Date being the end of the previous calendar quarter before the relevant Interest Payment Date.

Interest payments on Notes I and Notes II will be suspended if the relevant payment would cause the Debt Service Cover Ratio to be less than or equal to 1.10x. Based on the Adjusted EBITDA for the 12 months ended 31 December 2012, Adjusted EBITDA would need to have been 22% lower to trigger the Suspension of Interest condition (assuming all other relevant components of the calculation of the Debt Service Cover Ratio being held constant).

While the Senior Leverage Ratio and the Total Interest Cover Ratio are Senior Debt covenants, if the Healthscope Group fails to comply with these Senior Debt covenants then a Suspension Condition will occur and interest payments under Notes II will be suspended.

#### Total Leverage Ratio

The Total Leverage Ratio indicates the size of total net debt relative to Adjusted EBITDA. Further information in relation to the calculation of the Total Leverage Ratio is set out in Section 6.5.

The Total Leverage Ratio is required to be below 5.00x (prior to a Material Disposal) or 4.25x (on or after a Material Disposal) before additional debt facilities can be incurred by the Issuer or other member of the Security Group (referred to as the Maximum Leverage Level). Investors should note, however, that further debt can be drawn under the Senior Facilities and other Permitted Finance Debt may be incurred without needing to ensure that the Total Leverage Ratio is less than the Maximum Leverage Level. Refer to Section 6.5 and the Terms of Issue in Appendix A.

Pro forma Total Leverage Ratio	Actual LTM to 31 Dec 12	Pro forma LTM to 31 Dec 12	Restriction on finance debt
Total Leverage Ratio (times)	4.94x	4.97x	More than 5.00x

The pro forma Total Leverage Ratio above is calculated by dividing the pro forma Net Debt (including Notes I and II) of \$1,535.1 million as set out below by the \$309.0 million Adjusted EBITDA as set out in Section 5.5.

Pro forma Total Leverage \$ million	Actual 31 Dec 12	Net Adjustments <sup>1</sup>	Pro forma 31 Dec 12
Senior Debt	1,409.4	(300.0)	1,109.4
Notes	200.0	300.0	500.0
less: Cash	(84.1)	9.8	(74.3)
	<b>1,525.3</b>	<b>9.8</b>	<b>1,535.1</b>

<sup>1</sup> Reflects use of proceeds to reduce Senior Debt as set out in Sections 1.1.6.

## 5.5 Reconciliation of EBITDA to Adjusted EBITDA

For the purpose of assessing compliance with the financial covenants under the Senior Facility Agreement and the Terms of Issue, certain adjustments are required to be made to EBITDA in order to calculate Adjusted EBITDA which is used in the calculation of the financial covenants.

The table below summarises the calculation of the Adjusted EBITDA for the LTM to 31 December 2012.

\$ million	Ref	LTM to 31 Dec 12
<b>H2 12 EBITDA</b>		145.4
<b>H1 13 EBITDA</b>		32.7
<b>LTM 31 December 2012 EBITDA</b>		178.1
<i>Exclude:</i>		
H2 12 significant items, excluding management fees (Section 5.2.1)	1	3.9
H1 13 significant items, excluding management fees (Section 5.2.1)	1	121.0
<i>Include:</i>		
pro forma EBITDA adjustments for growth capital expenditure prior to completion of the relevant projects	2	2.4
pro forma EBITDA adjustments for growth capital expenditure in relation to projects completed	3	2.0
pro forma EBITDA adjustments for acquisitions	4	0.3
EBITDA contribution of sold entities, transferred or disposed of	5	1.3
<b>Total adjustments</b>		<b>130.9</b>
<b>Adjusted EBITDA (as defined in the Senior Syndicated Facility Agreement)</b>		<b>309.0</b>

1 Adjusted EBITDA excludes:

- any contribution or deduction in respect of individually significant or extraordinary items;
- any restructuring costs incurred by a Group Member;
- transaction and one-off costs and expenses in connection with the acquisition of Healthscope Limited and any acquisition (whether or not consummated) incurred by any Group Member during that period;
- any loss or gain against book value arising from the disposal of any assets (not being disposals made in the ordinary course of trading) during the period; and
- any amortisation or impairment of goodwill, intangible assets and acquisition costs during that period.

2 Adjustments for growth capital expenditure prior to completion of the relevant project equal to the relevant proportion (being the proportion which that growth capital expenditure represents to the total growth capital expenditure budgeted for that project) of expected EBITDA for that project for the first 12 months (but no pro forma adjustments shall be made for growth capital expenditure on a project more than 9 months before the scheduled completion of the project).

3 Adjustment for growth capital expenditure in relation to projects completed during the previous 12 months equal to the budgeted EBITDA for that project for the relevant 12 months less actual EBITDA relating to that growth capital expenditure for the relevant period, provided that such adjustments are not negative.

4 Adjustment for businesses acquired by the Healthscope Group during the previous 12 months on a full year run rate basis.

5 Adjustment for businesses disposed of by the Healthscope Group during the previous 12 months on a full year run rate basis.

The above represents applicable adjustments to the Adjusted EBITDA relevant to the 12 months ended 31 December 2012 under the Senior Facility Agreement and the Terms of Issue. It does not represent all possible adjustments relevant to a particular period. Refer to Section 6.5 for further information regarding the determination of Adjusted EBITDA.

## 5.6 Working capital position

The Healthscope Group has consistently reflected a net current liability position.

The working capital position of the Healthscope Group as at 31 December 2012 continues to reflect a net current liability position of \$215.9 million.

The factors that contribute to the surplus of current liabilities include:

- (i) The Group continued to utilise its accounts receivable securitisation facility of \$140 million. During the period \$108.4 million of receivables were sold to the Bank under this facility resulting in reduced current assets and reduced 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 31 December 2012. Such liabilities include current employee entitlements of \$98.1 million and current other financial liabilities relating to the fair value of interest rate swaps of \$27.3 million.
- (iii) The Healthscope Group has continued to generate cash flows from operating activities, after servicing debt costs, of \$75.0 million and consistently recorded an EBITDA (before significant items) cash conversion ratio of between 95% to 113%.

Management continually monitor the Group’s working capital position including forecast working capital requirements in light of the Group’s existing debt facilities and available cash reserves and are satisfied that the Healthscope Group will be able to pay its debts as and when they fall due for a period of 12 months from 31 December 2012.

## 5.7 Management discussion and analysis of the pro forma historical financial information of the Healthscope Group

### 6 months ended 31 December 2012

#### The Healthscope Group

Revenue increased from \$1,058.3 million to \$1,114.3 million in the period ended 31 December 2012, representing an increase of 5.3%. The increase in revenue was driven by an increase in revenue in the Hospitals and International Pathology divisions, and to a lesser extent, an increase in revenue from the Australian Pathology division. Revenue growth in the Australian Pathology division was negatively impacted by the sale of the Western Australia pathology business in October 2012.

EBITDA before significant items for the period ended 31 December 2012 increased from \$151.4 million to \$156.0 million, an increase of 3.0%. The increase in EBITDA before significant items was driven by an increase in segment EBITDA from the Hospitals and International Pathology divisions, partly offset by a decrease in segment EBITDA from the Australian Pathology division. Australian Pathology segment EBITDA was impacted by the underperformance of the Queensland and New South Wales businesses, which were impacted by the proposed divestment process that did not proceed.

Net profit after tax decreased from \$10.0 million to a net loss of \$109.1 million, principally as a result of a \$120 million impairment charge recognised with respect to the Australian Pathology business. This impairment charge is a non-cash item and has no impact on the Group’s syndicated debt facility or banking covenant ratios.

#### Hospitals

Hospitals revenue increased by 5.1% during the period ended 31 December 2012 driven by growth in volume and acuity mix, with acute hospitals delivering the highest revenue growth. Recently completed hospital expansion programs contributed to volume growth.

Hospitals segment EBITDA increased by 8.0% during the period ended 31 December 2012, driven by a combination of volume growth and cost initiatives, in particularly in relation to labour and procurement.

#### Australian Pathology

Australian Pathology revenue increased by 1.2% during the period ended 31 December 2012, driven largely by the Victorian business. Revenue growth was negatively impacted by the sale of Western Australia business which was completed in October 2012.

Australian Pathology segment EBITDA decreased by 59.4% during the period ended 31 December 2012, which was largely driven by the underperformance of the Queensland and New South Wales businesses, which were impacted by the proposed divestment process that did not proceed.



## International Pathology

International Pathology revenue increased by 16.1% during the period ended 31 December 2012, driven largely by an increase in revenue from New Zealand and Singapore, and to a lesser extent, by an increase in revenue from Malaysia.

The International Pathology division recorded segment EBITDA growth of 12.9% during the period ended 31 December 2012, driven by an increase in segment EBITDA from New Zealand, Singapore and Malaysia.

## 12 months ended 30 June 2012

### The Healthscope Group

As Healthscope Ltd was acquired by a consortium comprising of funds advised and managed by The Carlyle Group and TPG on 12 October 2010, the audited FY11 financial information included in this prospectus only relates to the post acquisition period from 12 October 2010 to 30 June 2011. Accordingly, it is not meaningful to provide a management discussion and analysis of results for the 12 months ended 30 June 2012 with the period comprising 8.5 months ended 30 June 2011.

## 5.8 Cash capital expenditure

The Healthscope Group's capital expenditure relates to technology, new equipment, brownfield developments and maintenance to keep all facilities and equipment at the required standard to maintain the existing operations and earnings of the Healthscope Group.

The table below summarises capital expenditure incurred for the financial years ended 30 June 2011 (FY11) and 30 June 2012 (FY12) and for the half-years ended 31 December 2011 (H1 12), and 31 December 2012 (H1 13).

\$ million	FY11 <sup>1</sup>	FY12	H1 12	H1 13
Capital expenditure	138.9	136.0	77.6	54.1
% of revenue	9.7%	6.4%	7.3%	4.9%

<sup>1</sup> Reflects cash capital expenditure of Healthscope Limited and its controlled entities from 12 October 2010.

## 5.9 Use of Proceeds from the issue of Notes II

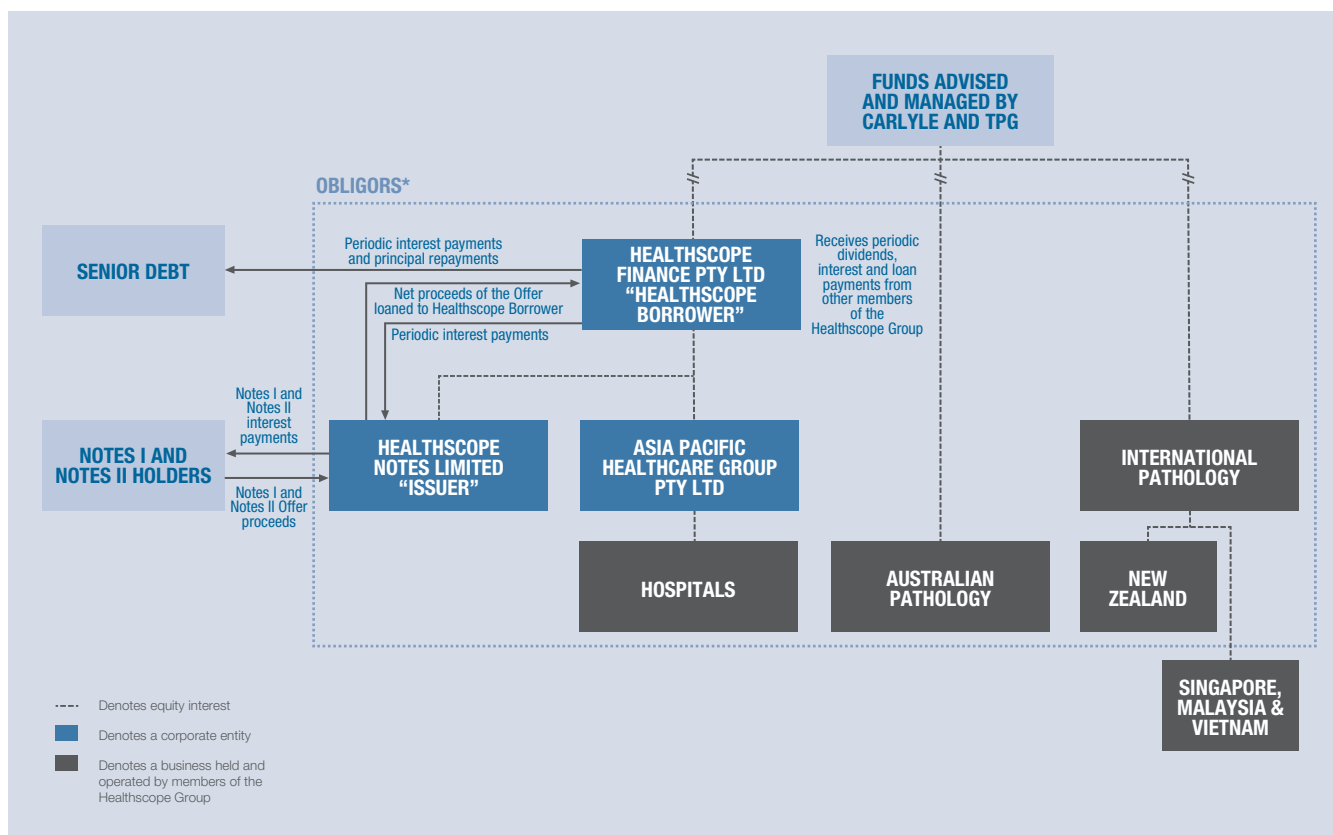
The proceeds of the Offer will be used to repay some of the Healthscope Group's Senior Debt, which will create additional financial flexibility for the Healthscope Group to pursue its growth strategy in Hospitals, including the advancement of its hospital brownfield projects.

The Issuer will loan the proceeds of the Offer to Healthscope Borrower to enable Healthscope Borrower to make the repayment of the Senior Debt referred to above. Details of the internal loan arrangement are set out in Section 5.11.

## 5.10 Healthscope Group structure

The following section provides an overview of the structure of the Healthscope Group and outlines how the Issuer relates to the other entities within the Healthscope Group.

Funds advised and managed by The Carlyle Group and TPG jointly own 100% of the equity in the Healthscope Group. The Healthscope Group is structured as three separate corporate groups. The two Australian corporate groups are the Hospitals group and the Australian Pathology group. The third corporate group is the International Pathology group, made up of offshore entities. As indicated in the diagram below, the majority of the members and businesses of the Healthscope Group also form part of the Security Group and are Obligors for the purposes of the Healthscope Group's Senior Debt. The Obligors comprised approximately 95% of the Healthscope Group's EBITDA for the financial year ended 30 June 2012 and 98% of total assets of the Healthscope Group as at that date.



\* This section of the diagram represents the entities within the Security Group who have granted securities and guarantees, that is they are Obligors, having regard to the Security needed to be provided by entities within the Security Group which represent not less than 90% (on an ongoing basis) of the assets and Adjusted EBITDA of the Security Group (excluding non-wholly owned subsidiaries)<sup>1</sup>. Further details of the Security and the Security Group are set out in Section 6.

<sup>1</sup> Such non-wholly owned, but controlled, subsidiaries and special purpose vehicles are consolidated within the Healthscope Group however do not form part of the Security Group.

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## 5.11 Flow of funds to the Issuer

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

Healthscope Borrower, as a borrower of monies, is liable to make interest payments and repay principal on Senior Debt in addition to its commitments to make interest payments and repay principal to the Issuer, which payments the Issuer is reliant upon to make its interest payments on, and to repay the principal of, Notes II. There are a number of risks which may affect the Healthscope Group's future operating and financial performance and the cashflows received by Healthscope Borrower. Some of the key risks are outlined in Section 1.3 and Section 7.

The Issuer will use the interest it receives from Healthscope Borrower to pay interest to Holders in accordance with the terms of Notes II and Notes I and to pay for its administration costs.

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

## 5.12 Investigating Accountant's Report on Historical Financial Information



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

550 Bourke Street  
Melbourne VIC 3000  
GPO Box 78  
Melbourne VIC 3001 Australia

DX: 111  
Tel: +61 (0) 3 9671 7000  
Fax: +61 (0) 3 9671 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

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

12 March 2013

Dear Directors,

### Investigating Accountants' Report on the Pro forma Financial Information

#### Introduction

At the request of the Directors of Healthscope Notes Limited (the **Issuer**), this report has been prepared for inclusion in the Prospectus to be dated 12 March 2013 in connection with the proposed issue of Healthscope Subordinated Notes II (**Notes II**) by the Issuer at \$100 per Note II (the **Offer**).

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

#### Background

The Issuer is a member of the Healthscope Group. Both the Issuer and the Healthscope Group are ultimately owned by funds advised and managed by The Carlyle Group and TPG.

The Issuer is seeking to raise \$300 million through the issue of 3,000,000 Notes II at an issue price of \$100 each (with the ability to raise more or less). The proceeds of the Offer will be on-lent to the Healthscope Group and used to voluntarily and permanently repay some of the Healthscope Group's Senior Debt.

The Offer forms part of the Healthscope Group's ongoing capital management strategy and will further diversify the Healthscope Group's funding sources and lengthen its debt maturity profile.

The Pro forma Financial Information has been presented in the Prospectus in order to assist investors to understand the state of affairs and results of the Healthscope Group from which cash flows to service the interest on the Notes II will be derived.

**Pro forma Financial Information**

Deloitte Touche Tohmatsu (“Deloitte”) has been requested to prepare an Investigating Accountants’ Report in relation to the following pro forma financial information set out in the Prospectus:

- pro forma aggregated EBITDA statements for the Healthscope Group for the:
  - Financial year ended 30 June 2011;
  - Financial year ended 30 June 2012;
  - Half-year ended 31 December 2011; and
  - Half-year ended 31 December 2012 (Section 5.2.1);
- pro forma aggregated balance sheet of the Healthscope Group as at 31 December 2012 prepared to reflect the issue of the Healthscope Notes II (Section 5.2.3);
- pro forma aggregated cash flows from operating activities for the:
  - Financial year ended 30 June 2011;
  - Financial year ended 30 June 2012;
  - Half-year ended 31 December 2011; and
  - Half-year ended 31 December 2012 (Section 5.2.5);
- pro forma balance sheet of the Issuer as at 31 December 2012 prepared to reflect the issue of the Healthscope Notes II (Section 5.3);
- pro forma financial covenant analysis prepared to reflect the issue of the Healthscope Notes II (Section 5.4); and
- reconciliation of EBITDA to Adjusted EBITDA calculated in accordance with the requirements of the Senior Facility Agreement (Section 5.5),

(together the “Pro forma Financial Information”).

The Pro forma Financial Information has been derived from the historical financial information of the Healthscope Group and Issuer for the relevant financial periods.

The historical financial information for the financial years ended 30 June 2011 and 30 June 2012 has been extracted from the audited financial statements of the Healthscope Group and the Issuer which were audited by Deloitte. The audit reports issued by Deloitte relating to those financial statements were unmodified.

The historical financial information for the half-years ended 31 December 2011 and 31 December 2012 has been extracted from the reviewed financial statements of the Healthscope Group and the Issuer which were reviewed by Deloitte. The review conclusions issued by Deloitte relating to those financial statements were unmodified.

EBITDA for the last twelve months (LTM) to 31 December 2012 as presented in Section 5.5 represents the sum of:

- EBITDA for the half-year ended 31 December 2012 (H1 13) as presented in Section 5.2.1; and
- EBITDA for the financial year ended 30 June 2012 after subtracting the EBITDA for the half-year ended 31 December 2011 (H1 12) as presented in Section 5.2.1.

### **Directors' responsibility for the Financial Information**

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

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

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

### **Scope**

We conducted our review of the Pro forma Financial Information in accordance with Australian Standard on Review Engagements 2405 *Review of Historical Financial Information Other than a Financial Report* to enable us to state whether anything has come to our attention which causes us to believe that the Pro forma Financial Information is not presented fairly in accordance with the basis of preparation as disclosed in Section 5.1 of the Prospectus.

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

- review of work papers, accounting records and other documents;
- a review of the extraction of the historical financial information from the audited and reviewed financial statements of the Healthscope Group and the Issuer;
- analytical procedures applied to the Pro forma Financial Information;
- a comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including the Australian Accounting Interpretations) and the accounting policies adopted by the Healthscope Group as referred to in the Prospectus;
- a review of the pro forma adjustments and the assumptions on which they are based as described in Sections 5.1, 5.2.1, 5.2.3, 5.2.5, 5.3, 5.4 and 5.5 of the Prospectus; and
- enquiry of the Directors and management of the Healthscope Group and the Issuer.

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

ASRE 2405 requires us to comply with the requirements of the applicable code of professional conduct of the professional accounting bodies in Australia.

### **Review Statement**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Financial Information, as set out in Section 5 of the Prospectus, is not presented fairly, in all material respects, in accordance with the basis of preparation as disclosed in Section 5.1 of the Prospectus.

**Subsequent Events**

Apart from the matters dealt with in this report, and having regard for the scope of our report, nothing has come to our attention that would cause us to believe that matters arising after 31 December 2012 would require comment on, or adjustments to, the information referred to in our report or that would cause such information to be misleading or deceptive or likely to mislead or deceive, including by omission.

**Independence and Disclosure of Interests**

Deloitte does not have any interest in the outcome of this Prospectus other than the preparation of this Investigating Accountants' Report and other services in relation to the Prospectus for which normal professional fees will be received.

Deloitte is the auditor of the Healthscope Group and the Issuer and from time to time it also provides certain other professional services to the Healthscope Group, for which normal professional fees are received.

**Consent**

Deloitte has consented to the inclusion of this report in the Prospectus in the form and context in which it is so included. The liability of Deloitte is limited to the inclusion of this report in the Prospectus. Accordingly, Deloitte makes no representation regarding, and takes no responsibility for, any other statements or material in, or omissions from, the Prospectus.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



T Imbesi  
Partner  
Chartered Accountants

## Section 6

# Description of indebtedness





## 6.1 Introduction

The acquisition of Healthscope Limited by The Carlyle Group and TPG was funded by both equity and debt and was finalised on 12 October 2010 (**Acquisition Date**). The debt funding comprised drawn Senior Debt of \$1,200 million (which was used to fund in part the acquisition and the refinancing of Healthscope Limited's then existing debt) and a \$200 million Subordinated Bridge Facility which was refinanced in full by Notes I.

Funds advised and managed by The Carlyle Group and TPG also provided shareholder loans into the Healthscope Group to partially fund the acquisition. Further detail of the terms of these shareholder loans is specified in Section 6.13.

## 6.2 Senior Facilities

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

The Senior Facilities consist of Facilities A, B, C and D (as described below). The Senior Facility Agreement also currently provides the flexibility for Facility D borrowers to draw bilateral ancillary facilities with any of the Facility D lenders of an amount up to that lender's unutilised commitment under Facility D. The Senior Facilities drawn at the Acquisition Date and as at 31 December 2012 comprise the following.

SeniorFacilities	Description	Term from FinancialClose	Commitment (\$m)	Drawn at the Acquisition Date (\$m)	Drawn as at 31 Dec 2012 (\$m)	Drawn as at 31 Dec 2012 (pro forma) (\$m)
Facility A	Amortising term loan	5 years	300.0	300.0	256.5	106.5
Facility B	Bullet term loan	5 years	900.0	900.0	900.0	900.0
Facility C	Growth capital expenditure facility	5 years	300.0	–	235.0	85.0
Facility D	Revolving working capital facility <sup>1</sup>	5 years	50.0	–	–	–

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

The Additional Capex Facility (described in Section 6.9) will also be Senior Debt and will therefore rank in priority to Notes II.

The total amount of Senior Debt also includes \$17.9 million of capitalised finance leases at 31 December 2012 (implying total drawn debt of \$1,409.4m at 31 December 2012 and \$1,109.4 on a pro-forma basis).

## 6.3 Purpose of Senior Facilities

The Senior Facilities may be drawn for the following purposes.

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

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

### Facility C (growth capital expenditure facility)

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

### Facility D (revolving working capital facility)

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

<sup>1</sup> Facility D amount is undrawn but \$22 million has been used to back guarantees, which are contingent liabilities.

## Section 6

### 6.4 Interest and Fees

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

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

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

#### Base rate

The base rate is the bid rates displayed on Reuters page "BBSY" for the relevant interest period (for Australian dollar drawings), the bid rates displayed on Reuters page "LIBOR01" for the relevant interest period (for US dollar drawings and Sterling drawings), the bid rates displayed on Reuters page "BKBM" for the relevant interest period (for New Zealand dollar drawings) or the base rate for any other applicable currency for which the Senior Facilities may be drawn. By way of illustration, if the relevant interest period under Facility A (which is only denominated in Australian dollars) was 6 months, as at 31 December 2012, the base rate would be 3.01%.

An interest rate equal to the base rate (calculated using an interest period of one month) and the applicable margin plus 2.00% applies to any amounts that are not paid when due.

Under the SFA, the Healthscope Borrower was required to hedge at least 75% of its exposure to floating interest rate movements under Facilities A, B and C until 11 October 2013, and thereafter to hedge at least 50% of its exposure to floating interest rate movements under those Facilities until the maturity date.

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

#### Senior Facilities margins

The margin applicable to each Facility is determined as per the table below with reference to the Senior Leverage Ratio (as described below) as most recently determined under the Senior Facility Agreement.

Senior Leverage Ratio	Facility A (% per annum)	Facility B (% per annum)	Facility C (% per annum)	Facility D (% per annum)
Greater than 3.75x	4.25	4.50	4.50	4.25
Greater than 3.50x up to and including 3.75x	4.00	4.25	4.25	4.00
Greater than 3.25x up to and including 3.50x	3.50	3.75	3.75	3.50
Greater than 3.00x up to and including 3.25x	3.25	3.50	3.50	3.25
Less than or equal to 3.00x	2.75	3.00	3.00	2.75

Senior Leverage Ratio as at 31 December 2012 was 4.29x and accordingly the applicable margins as at the date of this Prospectus are as indicated by shading in the above table.

#### Senior debt fees

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

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

### 6.5 Senior Facilities Financial Covenants

Under the terms of the Senior Facility Agreement, the Healthscope Borrower has undertaken to ensure that the following financial covenants are met. Investors should note that failure to meet the following financial covenants will be an event of default under the Senior Facility Agreement and (when notification of such event of default is provided to the Note Trustee) will cause interest payable on Notes II to be suspended.

#### Debt Service Cover Ratio

The Healthscope Borrower must ensure that the Debt Service Cover Ratio does not fall below 1.05:1 on each calculation date. The Debt Service Cover Ratio under the Senior Facility Agreement is calculated in substantially the same manner as for the Terms of Issue.

## Senior Leverage Ratio and Total Interest Cover Ratio

The Healthscope Borrower must ensure that:

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

Period	Senior Leverage Ratio	Total Interest Cover Ratio
1 January 2013 up to and including 31 March 2013	4.60x	1.60x
1 April 2013 up to and including 30 June 2013	4.45x	1.65x
1 July 2013 up to and including 30 September 2013	4.30x	1.70x
1 October 2013 up to and including 31 December 2013	4.15x	1.80x
1 January 2014 up to and including 31 March 2014	4.00x	1.85x
1 April 2014 up to and including 30 June 2014	3.80x	1.90x
1 July 2014 up to and including 30 September 2014	3.65x	2.00x
1 October 2014 up to and including 31 December 2014	3.45x	2.00x
1 January 2015 up to and including 31 March 2015	3.45x	2.15x
1 April 2015 up to and including 30 June 2015	3.45x	2.20x
1 July 2015 up to and including 30 September 2015	3.45x	2.30x
1 October 2015 up to and including 31 December 2015	3.45x	2.35x

## Capital Expenditure

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

Period	Capital Expenditure Limit (\$ million)
1 July 2012 up to and including 30 June 2013	230.3 <sup>1</sup>
1 July 2013 up to and including 30 June 2014	162.1
1 July 2014 up to and including 30 June 2015	138.4

Capital expenditure encompasses payment for expenditure on the acquisition, development, maintenance, refurbishment or upgrading of capital assets (including any costs incurred in connection with that expenditure) and any other expenditure, in each case, which is regarded as capital expenditure under applicable accounting standards.

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

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

- funded from amounts permitted towards reinvestment in assets or to fund additional Capital Expenditure permitted under the Senior Facility Agreement or any other amounts received or receivable in respect of permitted disposals;

<sup>1</sup> Healthscope may also carry forward unused Capital Expenditure Limits from prior years. \$90.3 million is available for use in financial year ending 30 June 2013,

## Section 6

- funded from an equity raising, subordinated shareholder debt or additional debt that is subordinated on terms approved by the Facility Agent to the Senior Facilities;
- funded from any excess cashflow following any voluntary or mandatory prepayments made in accordance with the Senior Facility Agreement;
- funded from any amount under any additional leasing facility or additional capex facility permitted under the terms of the Senior Facility Agreement;
- in an amount equal to 25% of the face value of Notes II raised above the Capital Expenditure Limit in each of the 2014 and 2015 financial years; or
- on certain permitted projects and acquisitions.

Equity injections made by the Healthscope Group to any special purpose vehicle established for the purposes of the Gold Coast Private Hospital project up to an amount of \$100 million shall not be considered to be capital expenditure for the purpose of the Senior Facility Agreements.

### Covenant cure

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

### Covenant testing and comparison with Terms of Issue

The Senior Leverage Ratio, Total Interest Cover Ratio and Debt Service Cover Ratio are calculated quarterly.

Investors should note that there are two ratios which are calculated for the purposes of the Terms of Issue: the Debt Service Cover Ratio (referred to as the 'Interest Suspension Financial Covenant') and the Total Leverage Ratio. The Debt Service Cover Ratio under the Terms of Issue is calculated in substantially the same manner as for the Senior Facility Agreement. Differences in the method of calculation may mean that the Debt Service Cover Ratio varies between the Terms of Issue and the Senior Facility Agreement. In respect of any payment of interest on Notes I and Notes II, if making those interest payments would result in the Debt Service Cover Ratio as calculated under the Senior Facility Agreement being less than or equal to 1.10x, interest on Notes II and Notes I will be suspended. In contrast to the Senior Leverage Ratio in the Senior Facility Agreement, the Total Leverage Ratio covers all finance debt (i.e. it is not limited to the Senior Facilities) (subject to certain exclusions) and applies in connection with an Obligor's restriction on incurring finance debt other than Permitted Finance Debt (at levels above 5.00x prior to a Material Disposal or above 4.25x on or after a Material Disposal) or payment of distributions. Refer to the Terms of Issue for more information.

### Adjusted EBITDA for the purpose of financial covenant calculations

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

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

Other adjustments to EBITDA are as described in the definition of Adjusted EBITDA in the Terms of Issue, which is substantially similar to the equivalent definition in the Senior Facility Agreement.

## 6.6 Senior Debt Repayment

### Final repayment

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

### Repayment under Facility A

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

Repayment date	Amount of repayment (A\$m)	Amount of repayment (A\$m) After Notes Issue
30 June 2013	21.00	8.72
31 December 2013	35.25	14.63
30 June 2014	35.25	14.63
31 December 2014	55.00	22.84
30 June 2015	55.00	22.84
Maturity Date (currently being 11 October 2015)	55.00	22.84

The senior debt prepayment from the proceeds of the Offer will be allocated between Facilities A and C in equal amounts (such that each facility is prepaid in an amount of approximately \$150 million, depending on the amount of Notes II issued). Once prepaid these amounts cannot be redrawn.

### Repayment under Facilities B and C

The Healthscope Borrower (and any other Security Group member which has drawn under Facility C) must repay the principal outstanding under Facilities B and C in full on the maturity date.

### Repayment under Facility D

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

### Mandatory prepayment

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

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

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

Applicable Senior Leverage Ratio for the Financial Year	Percentage of Excess Cashflow
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## Section 6

Greater than 3.25x	75%
Greater than 2.75x and up to and including 3.25x	50%
Greater than 2.25x and up to and including 2.75x	25%
Less than or equal to 2.25x	0%

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

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

## 6.7 Events of Default under the Senior Facility Agreement

### Senior Events of Default

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

- an Obligor fails to pay any amount due by it under a Senior Finance Document (after any applicable grace period);
- an Obligor fails to perform its obligations under a Senior Finance Document (after any applicable cure period) or breaches a financial covenant and such breach is not cured, waived or remedied in accordance with the Senior Facility Agreement;
- any representation or warranty made by an Obligor in any Senior Finance Document is incorrect or misleading in any material respect (after any applicable cure period);
- an Obligor fails to pay when due any amount of financial indebtedness when due which is greater than \$15 million (except in relation to a Subordinated Finance Document) or which becomes due and payable (or capable of being declared due and payable) ahead of its stated maturity by reason of a default or similar event;
- an Obligor becomes insolvent or an insolvency event occurs in relation to an Obligor, which includes any corporate action, legal proceedings or other procedure or step being taken in relation to the suspension of payments, a moratorium of any indebtedness, a composition, assignment or arrangement with any creditor, the appointment of a liquidator, receiver, administrator, the enforcement of a security interest and various other customary insolvency proceedings, or any analogous event occurs in any jurisdiction in relation to that Obligor;
- a final non-appealable judgment in an amount exceeding \$15 million is obtained against an Obligor;
- an Obligor reduces its capital without the consent of the Facility Agent (other than as permitted under the Senior Facility Agreement);
- all or a material part of the secured property owned by an Obligor is compulsorily acquired without reasonable compensation being paid;
- a change of ownership occurs in respect of the Obligors other than as permitted under the Senior Facility Agreement;
- an Obligor repudiates or rescinds a Senior Finance Document;
- a material provision of the Senior Finance Documents is or becomes void, voidable, illegal or unenforceable and the same is prejudicial to the interests of the Senior Creditors; or
- an event or circumstance occurs which has or would have material adverse effect on:
  - the consolidated business, operations, assets of financial condition of the Security Group (taken as a whole);
  - the ability of the Obligors (taken as a whole) to meet the payment and other material obligation under any Senior Finance Document;
  - subject to reservations in legal opinions accepted by the Facility Agent, the validity or enforceability of the whole or any material part of any Senior Finance Document or any material rights and remedies of the Senior Creditors; or
  - subject to reservations in legal opinions accepted by the Facility Agent, the effectiveness or priority of the security interests given under any Senior Finance Document.

### Senior Review Event

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

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

## **6.8 Notes I**

Notes I are subordinated Notes Issued by the Issuer in 2010 under a prospectus dated 24 November 2010. There are \$200 million of Notes I on issue with a maturity date in June 2016. Notes I rank equally with Notes II.

## **6.9 Additional Capex Facility**

Following the use of the proceeds of the Offer to voluntarily repay some of the Healthscope Group's Senior Debt, the Healthscope Group proposes to raise an additional amount of up to \$150 million (undrawn) through the entering into of the Additional Capex Facility. Pursuant to the terms of the Senior Facility Agreement and the Intercreditor, this facility will be considered Senior Debt and therefore rank in priority to Notes II.

## **6.10 Transactional Facility**

The Healthscope Borrower is a borrower of \$33,420,000 transactional facilities provided by Australia and New Zealand Banking Group Ltd. The facilities comprise an online facility (for \$26,770,000), an overdraft facility (for \$5,000,000), a credit card facility (for \$1,500,000) and an encashment facility (for \$150,000). The Healthscope Borrower or a member of the Security Group can access the online facility to manage, among other things, the Healthscope Group's pay away exposure on any one day. The transactional facilities are secured and rank equally with the other Senior Debt.

## **6.11 Additional finance debt**

Members of the Healthscope Group (which are not Obligors) may incur additional finance debt which is not restricted by the general limitations on incurring financial indebtedness imposed by the Senior Facility Agreement. Whilst any amounts raised pursuant to such an arrangement would not be considered Senior Debt, they would impact the leverage of the Healthscope Group taken as a whole. Financing arrangements that could be entered into on this basis would include, amongst others, ring-fenced project financing arrangements in which the lenders would have security over the assets of that project but would not have recourse to Obligors or their assets, and other non-secured facilities.

The Total Leverage Ratio is required to be below 5.00x (prior to a Material Disposal) or 4.25x (on or after a Material Disposal) before any such additional debt facilities can be obtained by the Issuer or other member of the Security Group. Investors should note, however, that further debt can be drawn under the Senior Facilities and other Permitted Finance Debt may be incurred without needing to satisfy the Total Leverage Ratio. Refer to the Terms of Issue in Appendix A for more information.

## Section 6

### 6.12 Notes II security summary

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

- be the same security as the security which secures the Senior Debt and Notes I; but
- be subordinated and ranking second to approximately \$1,109.4 million (pro forma for this Offer) of currently drawn Senior Debt;<sup>1</sup>
- rank equally to \$200 million of Notes I; and
- rank ahead of the \$1.5 billion in capital invested by funds advised and managed by The Carlyle Group and TPG into the Healthscope Group.<sup>2</sup>

### 6.13 Shareholder loans

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

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

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

### 6.14 Security

The securities and guarantees currently granted in support of the obligations under the Senior Facilities and Notes I include:

- cross guarantees from the majority of the entities of the Security Group;
- fixed and floating charges over all or substantially all of their assets, and share and loan mortgages from the majority of the entities of the Security Group; and
- real property mortgages over material freehold and leasehold interests (if any) of certain entities of the Security Group to the extent required under the Senior Finance Documents.

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

Before granting the above securities and guarantees, shareholders of those entities in the Security Group which have granted such security and guarantees undertook a customary whitewash process in order to approve those companies financially assisting Asia Pacific Healthcare Group Pty Limited acquiring shares in Healthscope Limited under the applicable companies legislation (including the Corporations Act).

<sup>1</sup> The Senior Facilities are not fully drawn and have total capacity of approximately \$1,506.5 million prior to the issue of Notes II. The Security Group could also obtain a commitment of up to \$150 million under the Additional Capex Facility, commitments of up to \$100 million under an additional capital expenditure facility and \$50 million under an additional leasing facility permitted by the terms of the Senior Facility Agreement, commitments of up to \$50 million under certain permitted additional finance lease and hire purchase facilities (as at 31 December, the Healthscope Group had used \$17.9 million of capacity under this facility) and additional senior commitments of up to \$50 million as permitted by the terms of the Intercreditor Deed (refer to Section 2.4.5). Excludes securitised receivables, which are off-balance sheet. Refer to Section 10.5 for further details on Healthscope Group's receivables securitisation arrangements.

<sup>2</sup> Approximate capital invested by funds advised and managed by The Carlyle Group and TPG on the Acquisition Date. Capital was invested in the form of ordinary equity and shareholder loans which are subordinated, including to Notes I and Notes II. Refer to Section 6.13 for a description of the terms of the shareholder loans.



Under the terms of the Security Trust Deed and the Intercreditor Deed (a summary which appears in Sections 6.15 and 6.16 respectively) these securities have been granted in favour of the Security Trustee, on a first ranking basis with respect to the Senior Debt and on a second ranking basis with respect to the Subordinated Debt. When the Offer is completed, these securities will secure Notes I and Notes II on a second ranking basis.

Investors should note that, in addition to sharing in the charges and mortgages granted by the Obligors (on a subordinated basis), the Holders will have the benefit of a subordinated guarantee and indemnity (referred to in this Prospectus as the Note Guarantee) from each Obligor on the same terms granted under the Senior Facility Agreement but on a subordinated basis. The Obligors granting such Note Guarantee will represent entities with EBITDA and assets sufficient to comply with the 90% test set out above.

Notwithstanding the above, Notes II are described as “unsecured notes” for the purposes of section 283BH of the Corporations Act for the reason described in this Prospectus.

## 6.15 Security Trust Deed

### Security Trust

The Security Trustee and certain members of the Healthscope Group, the lenders under the Senior Facility Agreement and others are parties to the Security Trust Deed. Under that deed, the Security Trustee holds the Security (including the security referred to in Section 6.12) and any proceeds derived from the enforcement of that security on behalf of the security beneficiaries (being the Senior Creditors and the Subordinated Creditors).

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

### Application of recovered money

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

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

## 6.16 Intercreditor Deed

### Subordination of Notes II

The Security Trustee and certain members of the Healthscope Group, the lenders under the Senior Facility Agreement and others are parties to the Intercreditor Deed, which provides as follows:

- all the Subordinated Debt (which, from the Issue Date, will include Notes II) and payment of, and the rights and claims of the Subordinated Creditors (which, from the Issue Date, will include the Holders and the Note Trustee) in respect of, all the Subordinated Debt, are subordinated and postponed and made subject in right of payment to all the Senior Debt and payment of, and the rights and claims of the Senior Creditors in respect of, all the Senior Debt; and
- until the Senior Debt has been paid or satisfied in full, the Subordinated Debt must not be paid or repaid unless such payments constitute permitted payments (as described below, which includes interest on Notes I and Notes II).

The amounts owing to Holders under Notes II will from the Issue Date constitute Subordinated Debt for the purposes of the Intercreditor Deed and will therefore be subject to, and have the benefit of, the Security under the terms of the Intercreditor Deed.

## Section 6

Investors should note that shareholder loans made available to the Security Group as referred to Section 6.13 (being referred to in the Intercreditor Deed as Shareholder Debt) above rank behind Subordinated Debt, which from the Issue Date will include Notes II.

### Turnover of receipts and permitted payments

Payments that are made to the Subordinated Creditors on account of any payment under the Subordinated Finance Documents by any Obligor must be held on trust and distributed to the Security Trustee unless such payments constitute permitted payments, namely:

- a payment whereby:
  - no amount of the Senior Debt is due and payable but unpaid (other than amounts due and payable as a result of an excess cashflow mandatory prepayment (as described above in Section 6.6));
  - the Debt Service Cover Ratio is greater than 1.10x (and will remain so once the payment is made to the Subordinated Creditors);
  - no Payment Blockage (i.e. no Senior Event of Default or Senior Potential Event of Default) is currently subsisting (except to the extent that such Senior Event of Default or Senior Potential Event of Default has been subsisting for 179 days); and
  - in the case of the payment of principal or PIK (capitalised) interest, the payment made is made from amounts which would otherwise be available to pay Distributions under certain provisions of the Senior Facility Agreement.

As noted in Section 6.13 above, while the Senior Debt and the Subordinated Debt (which from the Issue Date will include Notes II along with Notes I) is outstanding, no payments in respect of the Shareholder Debt can be made except from permitted distributions under the Senior Facility Agreement and the Notes I Terms of Issue and, after the Issue Date, the Notes II Terms of Issue, provided that at the time payment is made, all payments then due and owing in respect of the Senior Debt and Subordinated Debt, which from the Issue Date will include Notes II, have been paid.

### Amendments, waivers and consent by the Senior Creditors binding

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

### Acceleration and enforcement rights of the Subordinated Creditors

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

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

### Refinancing of Senior Debt

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

- the new senior facility is on terms consistent with the Intercreditor Deed and new senior financiers assume the obligations of a Senior Creditor under the Intercreditor Deed;
- the aggregate of the finance debt to which the Subordinated Debt is subordinated following the refinancing does not exceed the sum of:
  - the total principal outstanding, undrawn commitments and unpaid accrued interest of the Senior Debt immediately prior to the refinancing; and
  - any costs, fees and expenses (including break costs) associated with the refinancing of Senior Debt; and
- where Notes I are outstanding the maturity date of the new facility is no later than the maturity date applicable to Notes I, otherwise the Maturity Date of Notes II.

### Permitted Actions

A Subordinated Creditor may seek an injunction, declaratory relief or other equitable remedy (other than claiming equitable damages) at any time to enforce, among other things, any covenant to:

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

### **Further restrictions on Subordinated Creditors**

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

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

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

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

## **6.17 Incorporation by reference**

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

## Section 7

# Investment risks



## 7.1 Introduction

There are risks associated with an investment in Notes II.

There are risks which arise from the nature of Notes II. There are also risks, specific to the Healthscope Group and of a general nature, which may adversely affect the future operating and financial performance of the Healthscope Group and therefore the ability of the Issuer to make interest payments and repay the principal of Notes II. These risks may also adversely affect the market value of Notes II. Many of these risks and their consequences are outside the control of the directors and senior management of the Issuer and the Healthscope Group.

This Section does not list every risk that may be associated with an investment in Notes II now or in the future. The risks referred to in this Section are based on an assessment of a combination of the probability of the risk occurring and the impact of the risk should it occur. The assessment is based on the knowledge of the Healthscope Group as at the date of this Prospectus and there is no assurance that the importance of different risks will not change or that other risks will not arise.

Before deciding whether to invest in Notes II, you should consider these risks in conjunction with other information disclosed in this Prospectus and satisfy yourself that you have a sufficient understanding of these matters. You should consider whether Notes II are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Notes II, you should seek professional guidance from your financial or other professional adviser before deciding whether to invest.

## 7.2 Risks associated with an investment in Notes II

### 7.2.1 Insufficient cash flow to meet payments

Healthscope Borrower, as a borrower of monies, is liable to pay interest and repay principal on Senior Debt in addition to its commitments to pay interest and repay principal to the Issuer, which payments the Issuer is reliant upon to make interest payments on, and to repay the principal of, Notes II. Cash flows from the operations, investments and financing activities of the Healthscope Group will be periodically provided to Healthscope Borrower in order to enable Healthscope Borrower to service its interest obligations to the Senior Creditors and the Issuer. It is these interest payments from Healthscope Borrower which enable the Issuer to pay its interest obligations to Holders.

The Healthscope Group may not generate sufficient cash flows or may be unable to obtain appropriate finance to enable Healthscope Borrower to meet its commitments to Holders to pay interest and repay the principal of Notes II.

If the Issuer does not pay some or all of the interest or principal as and when payable under the Terms of Issue, then you may not receive some or all of the money you invested in Notes II or interest that is due to be paid to you.

### 7.2.2 Suspension of interest payments

Interest payments on Notes II may be suspended in the circumstances set out in the Terms of Issue.

While the obligation to pay interest is suspended, not cancelled, and is cumulative, it is possible that Holders will be inconvenienced by the suspension of the payment of interest.

There is also a risk that the suspension will continue for an extended period and potentially past the Maturity Date.

### 7.2.3 Senior Debt and subordination

The Healthscope Group has entered into the Senior Facilities, the details of which are set out in Section 6. These facilities contain a number of provisions and covenants, a breach of which may cause the Healthscope Group to default on the Senior Debt which would cause the suspension of interest payable on Notes II and entitle the Senior Creditors to exercise certain rights, including to demand immediate repayment of any amounts outstanding on the Senior Debt and the enforcement of their security interests.

Notes II rank behind, and are subordinated to, the Senior Debt. The Healthscope Group, based on the Senior Leverage Ratio contained in the Senior Facility Agreement, would currently be able to incur up to approximately \$386.3 million of additional Senior Debt that ranks in priority to Notes II on a pro forma 31 December 2012 basis without exceeding covenant restrictions under the Senior Facility Agreement. However, under the existing available facilities and the proposed Additional Capex Facility, the Healthscope Group would only be able to incur up to \$325.1 million of Senior Debt without obtaining consent from the Senior Creditors under the Senior Facility Agreement (refer to Section 5.4). In any enforcement of Security or winding up of the Issuer or on a distribution of the proceeds of enforcement of the Security, Holders will rank behind the Senior Creditors and will not have a right to receive repayment of principal or interest until the Senior Creditors have been repaid in full. There is a risk that insufficient monies will be available after the Senior Debt has been repaid in full to repay in full, or at all, amounts owing to Holders in relation to Notes II.

### 7.2.4 Substantial debt obligations

The Healthscope Group has a substantial amount of indebtedness through the Senior Debt (including any Additional Capex Facility) and the Issuer will have indebtedness to holders through Notes II and Notes I. Through the various financing arrangements in place within the Healthscope Group, the Healthscope Group will periodically forward funds derived from its operations, investments and financing activities to Healthscope Borrower which, in turn, will periodically forward funds to the Issuer.

As is typical for financing of this type, required repayments under the Senior Facilities will increase as outlined in Section 6.6. The Healthscope Group must meet its Senior Debt Obligations as well as obligations to Holders and holders of Notes I (and other creditors) through existing cash and available cash flow from operations. This indebtedness will require the Healthscope Group to dedicate a substantial portion of its cash flow from operations towards required interest and principal payments, thereby reducing the availability of cash flow for working capital, capital expenditure or potential acquisitions. This indebtedness may limit the Healthscope Group's flexibility in planning for, or reacting to, changes in the businesses and industries in which it operates. It may also detract from its ability to successfully withstand a potential downturn in the business.

The Healthscope Group's operating cash flow and interest payments for the 12 months ended 31 December 2012 are described in Section 5. That section sets out that, after the payment of net interest on Senior Debt for that period, on a pro forma basis net operating cash flow of \$159.9 million is available for the payment of interest on Notes I and Notes II of \$53.3 million.

After application of proceeds of the Offer to pay down Senior Debt, the Healthscope Group will be required to make regular repayments of Senior Debt until the maturity date of the Senior Debt. A summary of repayments required under the Senior Facilities is set out in Section 6.6.

There is a risk that the Healthscope Group suffers a decline in net cash flow during the term of Notes II that is significant enough to prevent the Healthscope Group from satisfying all of its interest payments on Notes I and Notes II or Senior Debt or to repay Notes I and Notes II or prepay or refinance Senior Debt on its maturity in full.

If the operating performance of the Healthscope Group deteriorates or the Healthscope Group's capital structure changes, this may result in:

- the Healthscope Group and/or the Issuer having insufficient cash flow to meet their obligations (see above); and/or
- an adverse change in the underlying credit quality of Notes II, which may adversely impact the market price of Notes II.

The existing Notes I mature in 2016 and will also require repayment or refinancing.

### 7.2.5 Interest rate changes

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

The Healthscope Group has a substantial amount of indebtedness through the Senior Debt. Interest payments on this indebtedness may be impacted by movements in interest rates, and may increase if interest rates rise. The amount of this impact is, however, partially offset by hedging agreements into which the Healthscope Borrower has entered.

### 7.2.6 Price volatility

The Issuer has applied for quotation of Notes II on ASX. The market price of Notes II on ASX may fluctuate due to various factors, including:

- changes in Australian and international economic conditions, interest rates, credit margins, inflation rates and foreign exchange rates;
- the performance or financial position of the Healthscope Group;
- movements in the market price of equity and/or other debt issued by the Healthscope Group or by other issuers;
- changes in investor perceptions and sentiment in relation to the Healthscope Group or the healthcare industry; and
- other major Australian and international events such as hostilities and tensions and acts of terrorism.

The market price for Notes II may also be negatively impacted by interest rate fluctuations and low liquidity as described below.

It is possible that Notes II may trade at a market price below the face value and that the market price of Notes II may be more sensitive than that of ordinary shares to changes in interest rates, credit margins and other market prices.

If Notes II trade at a market price below the amount at which you acquired them, there is a risk that if you sell them prior to the Maturity Date, you may lose some of the money you invested.

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In recent years, markets have become more volatile. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market. You should carefully consider this volatility risk before deciding whether to make an investment in Notes II.

The ASX trading history of Healthscope Notes I is not necessarily indicative of the trading price and liquidity of Notes II.

### **7.2.7 Healthscope Group may incur additional debt**

The Healthscope Group has the right to incur additional debt that ranks in priority to, equally with or behind Notes II. Refer to Section 2.4.10 for more information.

A holding of Notes II does not confer any right to participate in further issues of securities by the Issuer, whether equity, debt, or some other security other than the ability of eligible Holders to exchange all or part of their holding of Notes II for securities issued pursuant to an IPO in relation to the Healthscope Group. In addition, other entities in the Healthscope Group may issue securities with the same or different dividend, interest or distribution rates, maturities, or terms and conditions to Notes II.

The issue of further securities or debt by the Issuer or other Healthscope Group entities may have the effect of reducing the amount that Holders would receive on an enforcement of the Security or pursuant to a winding up of the Issuer, and may have an adverse effect on the market price or liquidity of Notes II.

### **7.2.8 Lack of liquidity**

The market for Notes II may not be liquid. Although the Issuer is seeking to raise approximately \$300 million it does have the ability to raise less. A smaller issue size is likely to result in lower liquidity.

If liquidity is low, there is a risk that if Holders wish to sell their Notes II prior to the Maturity Date, they may not be able to do so at a price acceptable to them, or at all, and there is a risk that the market price will become more volatile in general.

The ASX trading history of Notes I is not necessarily indicative of the trading price and liquidity of Healthscope Notes II.

### **7.2.9 Cessation of ASX listing**

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

### **7.2.10 No right of Redemption**

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

### **7.2.11 Early Redemption**

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

### **7.2.12 No IPO of the Healthscope Group**

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

### **7.2.13 Debt refinancing**

The existing Senior Facilities mature on 11 October 2015 and will need to be refinanced or extended by that date. Notes I mature on 17 June 2016 and may need to be refinanced by that date. A risk exists that this debt will not be able to be refinanced or will be refinanced on terms less attractive than those that currently apply. This may have a materially adverse effect on the Issuer's ability to pay interest and repay principal on Notes II. If the Senior Facilities cannot be refinanced on acceptable terms on or prior to its maturity date, interest payments on Notes II may be suspended. In addition, Notes I mature in June 2016 before the maturity of Notes II.

### 7.2.14 Limited Holder rights

In the event that the Issuer defaults on the payment of principal or interest, only the Trustee is able to take action directly against the Issuer (subject to the terms of the Intercreditor Deed). Holders' rights are limited to voting in meetings of Holders to request the Trustee to take action. Refer to Section 10.3 for more information.

In addition, the rights of the Trustee and Holders to take action against the Issuer upon the occurrence of an Event of Default are subject to further restrictions set out in the Intercreditor Deed, Security Trust Deed and the Trust Deed.

### 7.2.15 Taxation

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

### 7.2.16 New Zealand investors and currency risk

The denomination and currency for payment for Notes II is Australian dollars and not New Zealand dollars. If you are a New Zealand resident, the Offer may involve a currency exchange risk. The New Zealand Dollar value of the securities will go up or down according to changes in the exchange rate between Australian dollars and New Zealand dollars. These changes may be significant. Payments to Holders will be made in Australian dollars and Holders may incur fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

New Zealand resident Holders should seek their own advice for the New Zealand taxation consequences of investing in Notes II.

### 7.2.17 General economic and financial market conditions

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

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

## 7.3 Healthscope Group specific risks

### 7.3.1 Government policy and regulation

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

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

- changes to Federal Government initiatives which currently promote private health insurance (refer section 7.3.2 below);
- changes to regulations relating to health funds;
- changes to private hospital licensing policy;
- changes to medical negligence legislation;
- changes to immigration laws; and
- policy direction changes to public hospitals which encourages them to compete with private hospitals.

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

- changes to the Medicare regime, including any reduction of Medicare rebates for pathology services;
- further changes to the nature and extent of the regulation or licensing systems; and
- changes coming out of the Federal Government's review of pathology that is currently underway.



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### **7.3.2 Means testing of private health insurance rebate**

In 2012, the Federal Government introduced means testing of the private health insurance rebate. Previously, individuals and families who held private health insurance for hospital treatment were entitled to a 30% to 40% rebate (depending on age) on the cost of their health insurance, which was funded by the Federal Government. From 1 July 2012, the rebate is means tested based on level of income. The rebate is reduced for certain tiers of income, after which it is phased out completely. As part of the changes, the Government also increased the Medicare Levy surcharge which is an additional tax paid by high income earners for not having private hospital cover.

There is a risk that the means testing of the Federal Government rebate on private health insurance has the potential to decrease the number of members in private health insurance funds or members may choose to downgrade their cover, which may in turn impact the demand for private hospital services.

### **7.3.3 Licences**

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

### **7.3.4 Competition**

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

### **7.3.5 Relationships with private health insurance funds**

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

The profitability of health funds is dependent on a number of factors, including number of members, types of policies, level of claims and investment income. If the profitability of health funds deteriorates, for example if a material number of members drop or downgrade their policies as a result of the means testing of the private health insurance rebate, there is a risk that health funds may put increased pricing pressure on private hospital operators.

### **7.3.6 Relationships with doctors**

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

### **7.3.7 Reliance on nursing labour**

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

### **7.3.8 Industrial relations**

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

### **7.3.9 Reliance on key suppliers**

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

### 7.3.10 Insurance

Insurance is maintained by the Healthscope Group within ranges of coverage consistent with industry practice. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover all or any future claims.

### 7.3.11 Medical indemnity claims and costs

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

### 7.3.12 Development projects

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

### 7.3.13 Performance of Australian Pathology

Healthscope's Australian Pathology business has underperformed in recent years. A number of strategies are in place that are designed to improve the performance of this business, including rationalising collection centres, restructuring the New South Wales business, and being more focused on profitable growth. However, there is a risk that despite these initiatives, this business continues to underperform.

Furthermore, if the pathology industry grows at a rate greater than 5% there is a risk that there may be further fee decreases under the Pathology Funding Agreement (see below), which may impact on Healthscope's business.

### 7.3.14 Pathology Funding Agreement

A 5-year Pathology Funding Agreement between the Australian Federal Government and the pathology sector came into effect on 1 July 2011. The agreement provides for growth in pathology expenditure of around 5% per year over the life of the agreement. In 2011/12 the underlying demand for pathology grew at a rate faster than 5%, which resulted in an overrun which led to a fee decrease of 1.24% on 1 January 2013.

If pathology outlays continue to grow at a higher level than as agreed with Government, there is a risk that further fee cuts could be implemented during the remaining term of the agreement. Fee changes are implemented by the Government after joint review and consultation with industry stakeholders.

## Section 8

# About the Offer



## Section 8

### About the Offer

Information about the Offer including the Offer key dates and the Offer Period is included in Section 1. This Section provides further information about the Offer, including how to apply.

## 8.1 The Offer

Topic	Summary
<b>8.1.1 What is the Offer?</b>	<ul style="list-style-type: none"><li>• The Offer is for the issue of Notes II with an Issue Price of \$100 each to raise approximately \$300 million with the ability to raise more or less.</li><li>• All Notes II will be issued under and subject to the disclosures made in this Prospectus.</li></ul>
<b>8.1.2 How is the Offer structured?</b>	<ul style="list-style-type: none"><li>• The Offer comprises:<ul style="list-style-type: none"><li>– an Institutional Offer to certain Institutional Investors;</li><li>– a Broker Firm Offer made to retail clients in Australian and New Zealand of Syndicate Brokers; and</li><li>– a Securityholder Offer made to Eligible Securityholders.</li></ul></li><li>• Following strong support for the Offer from Syndicate Brokers and Institutional Investors, the Issuer has determined that a general offer will no longer be conducted.</li><li>• The allocation of Notes II between the Institutional Offer, the Broker Firm Offer and the Securityholder Offer will be determined by the Joint Lead Managers in consultation with the Issuer and the Issuer reserves the right to withdraw the Offer or a part of it. Refer to Section 8.2.10 for further information on the allocation policy in respect of each component of the Offer.</li></ul>
<b>8.1.3 How to obtain a copy of the Prospectus and Application Form?</b>	<ul style="list-style-type: none"><li>• During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at <a href="http://www.HealthscopeNotesIIOffer.com">www.HealthscopeNotesIIOffer.com</a>. Application Forms will not be available until after the Exposure Period.</li><li>• During the Offer Period, an electronic version of the Replacement Prospectus with an Application Form will be available at <a href="http://www.HealthscopeNotesIIOffer.com">www.HealthscopeNotesIIOffer.com</a> and may be available through your Syndicate Broker.</li></ul> <p><b>Electronic access to this Prospectus</b></p> <ul style="list-style-type: none"><li>• The following conditions apply if the Prospectus is accessed electronically:<ul style="list-style-type: none"><li>– you must download the entire Prospectus; and</li><li>– the Prospectus is available electronically to you only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia or New Zealand.</li></ul></li></ul> <p><b>Access to hardcopy of this Prospectus</b></p> <ul style="list-style-type: none"><li>• During the Offer Period, if you are an Eligible Securityholder in Australia or New Zealand you can also request a free paper copy of this Prospectus and an Application Form by calling the Notes II Offer Information Line on 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia) (Monday to Friday – 8.30am to 5.30pm) from 4 March 2013.</li><li>• The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.</li><li>• Your Application will only be considered where you have applied pursuant to an Application Form (either electronic or paper) that was attached to, or accompanied by, a copy of this Prospectus, and have provided your Application Monies.</li></ul>
<b>8.1.4 Is any brokerage, commission or stamp duty payable?</b>	<ul style="list-style-type: none"><li>• No brokerage, commission or stamp duty is payable by you on your Application. You may be required to pay brokerage if you sell your Notes II on ASX after Notes II have been quoted on ASX.</li></ul>

Topic	Summary
<b>8.1.5 Will Application Monies be held on trust?</b>	<ul style="list-style-type: none"> <li>All Application Monies received before Notes II are issued will be held by the Issuer on trust in an account established solely for the purpose of depositing Application Monies received. Any interest that accrues in that account will be retained by the Issuer. After Notes II are issued to successful Applicants, the Application Monies held on trust will be payable to the Issuer.</li> </ul>
<b>8.1.6 How will refunds (if any) be made?</b>	<ul style="list-style-type: none"> <li>If you are not issued any Notes II or you are issued fewer Notes II than the number that you applied and paid for as a result of a scale back, all or some of your Application Monies (as applicable) will be refunded to you (without interest) as soon as practicable after the Issue Date.</li> <li>If the Offer does not proceed for any reason, all Applicants will have their Application Monies refunded (without interest) as soon as practicable.</li> </ul>
<b>8.1.7 Do I need to provide my bank account details to receive interest payments?</b>	<ul style="list-style-type: none"> <li>Yes. The Issuer will pay your interest payments by direct credit into an Australian dollar account of an Australian branch of a financial institution nominated by you. Cheques will not be issued to pay your interest payments.</li> <li>If you do not provide your relevant details to the Registry, or the transfer of any interest payment does not complete, a notice will be sent to your email address, or if no email address has been supplied, will be posted to the address notified by you advising you of the amount of the interest payment. In that case the funds will be held in a special purpose account maintained by the Issuer as a non-interest bearing deposit or paid by the Issuer under legislation relating to unclaimed monies.</li> </ul>
<b>8.1.8 Do I need to provide my TFN or ABN?</b>	<ul style="list-style-type: none"> <li>You do not have to provide your TFN or ABN and it is not an offence if you fail to do so. However, the Issuer may be required to withhold Australian tax at the maximum marginal tax rate including the Medicare Levy (currently 46.5%) on the amount of any interest payment unless you provide one of the following: <ul style="list-style-type: none"> <li>– TFN;</li> <li>– TFN exemption number (if applicable); or</li> <li>– ABN (if Notes II are held in the course of an enterprise carried on by you).</li> </ul> </li> <li>The collection and quotation of TFNs and ABNs are authorised, and their use and disclosure is strictly regulated, by tax laws and the Privacy Act.</li> </ul>

## 8.2 How to apply and pay

Topic	Broker Firm Offer	Securityholder Offer
<b>8.2.1 Who can apply?</b>	<b>Broker Firm Applicant</b> <ul style="list-style-type: none"> <li>Eligible clients, that is, a retail client in Australia or New Zealand, of a Syndicate Broker, invited to participate through the Broker Firm Offer.</li> </ul>	<b>Securityholder Applicant</b> <ul style="list-style-type: none"> <li>That is, an Eligible Securityholder</li> </ul>
<b>8.2.2 How many Notes II can I apply for?</b>	<ul style="list-style-type: none"> <li>Your Application must be for a minimum of 50 Notes II (\$5,000).</li> <li>If your Application is for more than 50 Notes II, then you must apply in incremental multiples of 10 Notes II – that is, for incremental multiples of \$1,000.</li> </ul>	
<b>8.2.3 When can I apply?</b>	<ul style="list-style-type: none"> <li>Applications will only be accepted after the Offer Period opens, which is expected to occur on 12 March 2013.</li> <li>The Closing Date for the Broker Firm Offer is expected to be 10:00am on 26 March 2013.</li> <li>Your completed Application Form and Application Monies must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.</li> </ul>	<ul style="list-style-type: none"> <li>Applications will only be accepted after the Offer Period opens, which is expected to occur on 12 March 2013.</li> <li>The Closing Date for the Securityholder Offer is expected to be 5:00pm on 19 March 2013 (for paper Applications) or 5:00pm on 25 March 2013 (for online Applications).</li> <li>Your completed paper Application Form or online Application Form and Application Monies must be received by the Registry by the relevant Closing Date.</li> </ul>
<b>8.2.4 How to apply online?</b>	<ul style="list-style-type: none"> <li>Contact your Syndicate Broker for instructions.</li> </ul>	<ul style="list-style-type: none"> <li>You can apply online at <a href="http://www.HealthscopeNotesIIOffer.com">www.HealthscopeNotesIIOffer.com</a>, using your HIN/SRN identification.</li> <li>Instructions on how to complete your Application are provided online.</li> <li>When applying online, you will be required to pay for Notes II using BPAY®.</li> </ul>
<b>8.2.5 How to pay online?</b>	<ul style="list-style-type: none"> <li>Contact your Syndicate Broker for instructions.</li> </ul>	<ul style="list-style-type: none"> <li>If you apply using an online Application Form, you must complete your Application by making a BPAY® payment.</li> <li>Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for that Application. Follow the BPAY® instructions below to complete your Application.</li> <li>If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by the Issuer. Your completed online Application Form and Application Monies must be received by the Registry by the Closing Date.</li> </ul>

Topic	Broker Firm Offer	Securityholder Offer
8.2.6 How to use BPAY®?	n/a	<ul style="list-style-type: none"> <li>• Using the BPAY® details provided, you need to: <ul style="list-style-type: none"> <li>– access your participating BPAY® financial institution either through telephone banking or internet banking;</li> <li>– select BPAY® and follow the prompts;</li> <li>– enter the biller code supplied;</li> <li>– enter the unique Customer Reference Number supplied for each Application;</li> <li>– enter the total amount to be paid which corresponds to the number of Notes II you wish to apply for under each Application (that is, a minimum of \$5,000 – 50 Notes II, and incremental multiples of \$1,000 – 10 Notes II). Note that your financial institution may apply limits on your use of BPAY® and that you should make enquiry about the limits that apply in your own personal situation;</li> <li>– select the account you wish your payment to be made from;</li> <li>– schedule your payment for the same day that you complete your online Application Form since Applications without payment cannot be accepted; and</li> <li>– record your BPAY® receipt number and date paid. Retain these details for your records.</li> </ul> </li> </ul>
8.2.7 How to apply using a paper Application Form?	<ul style="list-style-type: none"> <li>• There are paper Application Forms in the back of this Prospectus that may be used by Broker Firm Applicants.</li> <li>• General instructions on how to complete the paper Application Form are set out on the Application Form.</li> <li>• You must contact your Syndicate Broker for their specific instructions on how to submit the Application Form and your Application Monies to your Syndicate Broker.</li> <li>• You must not return your paper Application Form to the Registry.</li> <li>• Your Syndicate Broker must have received your completed paper Application Form and Application Monies in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer – expected to be 10:00am on 26 March 2013 and will act as your agent in processing your paper Application Form and providing your Application details and Application Monies to the Issuer.</li> </ul>	<ul style="list-style-type: none"> <li>• There are paper Application Forms in the back of this Prospectus that may be used by Broker Firm Applicants.</li> <li>• You can request an additional copy of the Prospectus and Application Form by calling the Notes II Offer Information Line on 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia) (Monday to Friday – 8.30am to 5.30pm) from 4 March 2013.</li> <li>• Instructions on how to complete the paper Application Form are set out on the Application Form.</li> <li>• If applying using the paper Application Form, you will be required to pay for Notes II using cheque(s) and/or money order(s) by the Closing Date, expected to be 5.00pm on 19 March 2013.</li> <li>• You will be required to post your completed paper Application Form to the Registry. If you wish to pay by BPAY® you need to make an online application at the Notes II Offer website at <a href="http://www.HealthscopeNotesIIOffer.com">www.HealthscopeNotesIIOffer.com</a>.</li> </ul>

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Topic	Broker Firm Offer	Securityholder Offer
<p><b>8.2.8 How to pay using a paper Application Form?</b></p>	<ul style="list-style-type: none"> <li>You must contact your Syndicate Broker for information on how to submit the paper Application Form and your Application Monies to your Syndicate Broker.</li> </ul>	<ul style="list-style-type: none"> <li>If you apply under the Securityholder Offer using a paper Application Form, your completed Application Form must be accompanied by Application Monies in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian branch of a financial institution and made payable to “Healthscope Notes II Offer”.</li> <li>Cheque(s) should be crossed “Not Negotiable”. Cash payments will not be accepted.</li> <li>You cannot pay by BPAY® if you apply under the Securityholder Offer using a paper Application Form. If you wish to pay by BPAY®, you need to make an online Application.</li> <li>Your completed paper Application Form and Application Monies must be received by the Registry by the Closing Date on 19 March 2013.</li> </ul>
<p><b>8.2.9 Where to return your paper Application Form?</b></p>	<p>n/a</p>	<ul style="list-style-type: none"> <li><b>Mailing address:</b> Refer to the address on the Application Form</li> <li>Please note that paper Application Forms and Application Monies will not be accepted at any other address or office and will not be accepted at the Issuer’s registered office or any other Healthscope Group office or at other offices or branches of the Registry.</li> </ul>



Topic	Broker Firm Offer	Securityholder Offer
<b>8.2.10 What is the allocation policy?</b>	<ul style="list-style-type: none"> <li>• Allocations to Syndicate Brokers will be determined by the Joint Lead Managers in consultation with the Issuer following completion of the Bookbuild.</li> <li>• Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.</li> </ul>	<ul style="list-style-type: none"> <li>• Allocations for the Securityholder Offer will be determined by the Issuer after the Closing Date. There is no specified proportion of the Offer that may be allocated to the Securityholder Offer.</li> <li>• The Issuer has absolute discretion to determine the method and extent of the allocation.</li> <li>• The Issuer (at its discretion) reserves the right to scale back Applications from Securityholder Applicants. Any scale back will be announced on ASX on the day Notes II commence trading on a deferred settlement basis – expected to be 28 March 2013.</li> <li>• The Issuer (at its discretion) reserves the right to: <ul style="list-style-type: none"> <li>– allocate to any Securityholder Applicant all Notes II for which they have applied;</li> <li>– reject any Application by a Securityholder Applicant; or</li> <li>– allocate to any Securityholder Applicant a lesser number of Notes II than that applied for, including less than the minimum application of Notes II or none at all.</li> </ul> </li> <li>• No assurance is given that any Securityholder Applicant will receive an allocation.</li> </ul>
<b>8.2.11 How will the final allocation policy be announced?</b>	<ul style="list-style-type: none"> <li>• Allocations to Syndicate Brokers will be advised to those brokers following the Bookbuild.</li> <li>• Applicants under the Broker Firm Offer will also be able to confirm their firm allocation through the Syndicate Broker from whom they received their allocation.</li> <li>• However, if you sell Notes II before receiving a Holding Statement or CHES confirmation, you do so at your own risk, even if you confirmed your firm allocation through a Syndicate Broker.</li> </ul>	<ul style="list-style-type: none"> <li>• If you are an Applicant in the Securityholder Offer, you will be able to call the Notes II Offer Information Line on 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia) (Monday to Friday – 8.30am to 5.30pm) to confirm your allocation from on or about 27 March 2013. It is expected that the basis of allocation will be advertised in The Sydney Morning Herald, The Age, The Australian and The Australian Financial Review on or about 28 March 2013.</li> <li>• However, if you sell Notes II before receiving a Holding Statement or CHES confirmation, you do so at your own risk, even if you obtained details of your holding from the Notes II Offer Information Line.</li> </ul>

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### About the Offer

Topic	Broker Firm Offer	Securityholder Offer
<b>8.2.12 Who should I contact with an enquiry?</b>	<ul style="list-style-type: none"><li>If you have further questions about the Offer or your Broker Firm Application, please call your Syndicate Broker.</li></ul>	<ul style="list-style-type: none"><li>You can call the Notes II Offer Information Line on 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia) (Monday to Friday – 8.30am to 5.30pm) if you:<ul style="list-style-type: none"><li>– have further questions on how to apply for Notes II;</li><li>– require assistance to complete your Application Form;</li><li>– require additional copies of this Prospectus and Application Forms; or</li><li>– have any other questions about the Offer.</li></ul></li><li>If you are unclear in relation to any matter relating to the Offer or are uncertain whether Notes II are a suitable investment for you, you should consult your financial or other professional adviser.</li></ul>

## 8.3 Institutional Offer

The Institutional Offer was open to those Institutional Investors who were invited by a Structuring Adviser to bid for Notes II in the Bookbuild.

Further details of the Institutional Offer, including application and settlement procedures for Institutional Investors were advised by the Structuring Advisers. Allocations to Institutional Investors were determined by the Joint Lead Managers in consultation with the Issuer following completion of the Bookbuild and advised to those investors following the Bookbuild.

If you are an Institutional Investor and you have an enquiry, you should contact one of the Structuring Advisers.

## 8.4 Other information

### 8.4.1 Bookbuild

The Joint Lead Managers conducted a Bookbuild to determine the Interest Rate and firm allocations of Notes II to Bookbuild participants. The Bookbuild closed on 6 March 2013 and was conducted in accordance with the terms and conditions agreed by the Issuer and the Joint Lead Managers. As part of the Bookbuild, certain Institutional Investors and Syndicate Brokers were invited to lodge bids for Notes II. On the basis of those bids, the Joint Lead Managers in consultation with the Issuer determined the firm allocations of Notes II to Syndicate Brokers and certain Institutional Investors and the Issuer and the Joint Lead Managers determined the Interest Rate. A total of \$300 million was allocated under the Bookbuild.

The Interest Rate of 10.25% per annum was set by the Bookbuild and announced to ASX on 7 March 2013 and is included in this Prospectus.

Further information in relation to the Institutional Offer and Bookbuild, including application and settlement procedures for the Bookbuild were notified to Syndicate Brokers by the Joint Lead Managers.

### 8.4.2 Application to ASX for quotation of Notes II

The Issuer will apply for quotation of Notes II on ASX within 7 days after the date of this Prospectus. Notes II are expected to trade on ASX under the code "HLNGA". ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may quote Notes II is not to be taken as an indication of the merits of Notes II offered for subscription.

If permission is not granted for the official quotation of Notes II on ASX within three months after the date of the Original Prospectus, Notes II will not be issued, and all Application Monies received by the Issuer will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

### 8.4.3 CHESS and issuer sponsored holdings

The Issuer will apply for Notes II to participate in ASX's Clearing House Electronic Sub-register System ("CHESS"). CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form. When Notes II become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub register.

Notes II of a Holder who is a participant in CHESS, or a Holder sponsored by a participant in CHESS, will be registered on the CHESS subregister. All other Notes II will be registered on the Issuer sponsored sub-register. Following completion of the Offer, Holders will be sent a Holding Statement or CHESS confirmation that sets out the number of Notes II that have been allocated to them. This statement will also provide details of a Holder's HIN for CHESS holders or, where applicable, the SRN of issuer sponsored holders. It is expected that Holding Statements for issuer sponsored Holders and confirmations for CHESS holders will be dispatched to successful Applicants by 3 April 2013. Certificates will not be issued.

Holders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Holder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Registry in the case of a holding on the issuer sponsored sub-register. The Issuer and the Registry may charge a fee for these additional issuer sponsored statements.

### 8.4.4 Deferred settlement trading and selling Notes II on market

It is expected that trading of Notes II on ASX will commence on or about 28 March 2013 on a deferred settlement basis.

It is the responsibility of each person who trades in Notes II to confirm their holding before trading. If you sell Notes II before receiving a Holding Statement or CHESS confirmation, you do so at your own risk. The Issuer, the Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Notes II before receiving your Holding Statement or CHESS confirmation, even if you obtained details of your holding from the Notes II Offer Information Line on 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia) (Monday to Friday – 8.30am to 5.30pm) from 4 March 2013 or confirmed your firm allocation through a Syndicate Broker. Notes II are expected to commence trading on ASX on or about 4 April 2013 on a normal settlement basis.

### 8.4.5 Discretion regarding the Offer

The Issuer reserves the right not to proceed with the Offer or any part of it at any time before the issue of Notes II.

If the Issuer withdraws the Offer, or any part of it does not proceed, all relevant Application Monies will be refunded (without interest).

The Issuer and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or issue to any Applicant or bidder fewer Notes II than applied or bid for.

You should also note that no cooling off rights (whether by law or otherwise) apply to an investment in Notes II. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted.

### 8.4.6 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, Notes II or the Offer or otherwise to permit a public offering of Notes II in any jurisdiction outside Australia or New Zealand.

This Prospectus does not constitute an offer or invitation to subscribe for Notes II in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed by you in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

#### Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, Notes II have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

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

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

#### Singapore

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

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

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

#### Switzerland

Notes II may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to Notes II may be publicly distributed or otherwise made publicly available in Switzerland. Notes II may only be offered to regulated financial intermediaries (such as banks, securities dealers, insurance institutions and fund management companies), institutional investors with professional treasury operations and high net worth individuals (ie, individuals holding, directly or indirectly, a minimum net wealth of 2 million Swiss francs in financial assets).

Neither this document nor any other offering or marketing material relating to Notes II have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Notes II will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

#### United States of America

The Offer is being made pursuant to Regulation S ("Regulation S") under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Notes II have not been, and will not be, registered under the Securities Act or the securities law of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws. Each Broker Firm Applicant, each Securityholder Applicant and each person to whom the Institutional Offer is made, will be taken to have represented, warranted and agreed as follows:

- they understand that Notes II have not been, and will not be, registered under the Securities Act or the securities law of any state of the United States and may not be offered, sold or resold in the United States or to, or for the account or benefit of US persons, except in accordance with the Securities Act and any other applicable securities laws;
- if a person in a jurisdiction (outside Australia or New Zealand) referred to in this Section, they are a person to whom this Prospectus may be distributed, or Notes II offered or sold, in accordance with this Section without lodgement, filing or registration of this Prospectus or Notes II with any government authority of that jurisdiction;

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- they are not in the United States or a US person, and each purchaser of Notes II is making such purchase outside the United States in an offshore transaction (as defined in Regulation S) meeting the requirements of Regulation S;
  - they have not and will not send this Prospectus or any other material relating to the Offer to any person in the United States or a US person; and
  - they will not offer or sell Notes II in the United States or in any other jurisdiction outside Australia except in accordance with an exception from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable law and in compliance with all applicable laws in the jurisdiction in which Notes II are offered and sold.

This Prospectus does not constitute and is not an offer to sell, or a solicitation of an offer to buy, securities of the Issuer in the United States.

## Section 9

# Key people, interests and benefits



## 9.1 Board of Directors

The Board of the Issuer is comprised of Robert Cooke, Simon Moore and Steven Schneider and is a subset of the boards of Healthscope Hospitals Holdings Pty Ltd and Healthscope Pathology Holdings Pty Ltd which are the ultimate Australian parent companies of the Hospitals division and Australian Pathology division respectively.

The board of directors of each of Healthscope Hospitals Holdings Pty Ltd and Healthscope Pathology Holdings Pty Ltd is comprised of the following directors:



**Robert Cooke**  
*Executive Chairman and Managing Director*

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

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

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



**Simon Moore**  
*Non-Executive Director*

Simon is a Partner and Managing Director of The Carlyle Group, based in Sydney. He is currently a director of Coates Hire and the Healthscope Group and an alternate director of Qube Holdings.

Prior to joining The Carlyle Group, Simon was a Managing Director and Investment Committee Member of Investcorp International, Inc. based in New York. Prior to that, Simon worked in private equity investments and investment banking at J.P. Morgan & Co. in New York, Hong Kong and Melbourne.

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



**Matthew Hunter**  
*Non-Executive Director*

Matthew is a Managing Director of The Carlyle Group focused on buyout opportunities in Australia, based in Sydney. He is currently a director of Coates Hire and the Healthscope Group.

Prior to joining The Carlyle Group, Matthew spent 12 years in investment banking, most recently with Merrill Lynch in Australia, where he was head of financial sponsor coverage. Prior to joining Merrill Lynch, Matthew held positions with JPMorgan in Australia and the UK, and Goldman Sachs in Australia. During this time, Matthew advised clients on mergers and acquisitions, principally in the consumer & industrial and financial services sectors.

Matthew graduated from the University of New South Wales in 1994 with a degree in Commerce (First Class Honours in Finance).



**Stephen Wise**  
*Non-Executive Director*

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

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

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

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**Karen Bechtel**  
*Non-Executive Director*

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

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

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

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**Todd Sisitsky**  
*Non-Executive Director*

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

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

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

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**Steven Schneider**  
*Non-Executive Director*

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

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

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



**Richard Seow**  
*Non-Executive Director*

Richard is a senior advisor to TPG, and is currently the Chairman of the Singapore Sports Council, Republic Polytechnic and the Anglo Chinese School Board of Governors.

Richard was the former Chairman of Parkway Holdings. Prior to his involvement with Parkway in 2005, Richard worked in investment banking for 16 years, including at Citigroup and Goldman Sachs. Richard also currently serves or has previously served on the boards of Anglo Chinese School (Independent and International) Board of Management, University of Oregon Foundation, Singapore's Fathers Action Network, Hup Soon Global, Lee Hing Development, Yuchai International, SEMAC Corporation, Singapore Government Parliamentary Committee for Finance and Trade & Industry, and Boys Home Singapore.

Richard received his commission from the Singapore Armed Forces in 1984, where he was a Sword of Honour winner. Richard completed his undergraduate education with a BS Economics from the University of Oregon and received his MBA from the University of Southern California.

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## 9.2 Senior Management Team

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**Robert Cooke**  
*Executive Chairman and Managing Director*

Refer above



**Michael Sammells**  
*Chief Financial Officer*

Michael was appointed as Chief Financial Officer effective January 2012. He was previously the Chief Financial Officer at Medibank Private. He has a long and proven track record in the health industry, as well as in business and banking. Prior to his role at Medibank Private, Michael was the Director of Finance and Corporate Services at Southern Health in Victoria. He also held corporate finance roles, as well as operational roles in private hospitals, over the 14 years he spent with the Mayne Group.

**Mark Briscoe**  
*General Manager Corporate Services*

Prior to joining the Healthscope Group in 2011, Mark was the Director of Operations and Developments at Spire Healthcare Limited in the UK, responsible for KPIs, ensuring hospital targets and budgets were delivered along with all capital spending and budgeting. In Australia, Mark has worked in various health care corporate roles at Mayne Health, Affinity Health and Symbion Health. At the Healthscope Group, Mark is responsible for health funding and working with the Hospital State Managers and General Managers to deliver efficiencies across the Healthscope Group network.

**Andrew Currie**  
*Hospitals State Manager, Victoria, Tasmania & Western Australia*

Prior to joining the Healthscope Group in 2011, Andrew was the Managing Director of Clear Outcomes Pty Ltd since 2000. He was formerly the CEO of Geelong Private Hospital, Christo Road Private Hospital and Port Macquarie Private Hospital. Andrew has also sat on the boards of many hospitals and advised on numerous hospital redevelopment projects.

**Stephen Gameren**  
*Hospitals State Manager, New South Wales & ACT*

Stephen has worked with the Healthscope Group since 2004. He has over 20 years of experience in healthcare management, spanning three countries – New Zealand, United Kingdom and Australia. Stephen worked as CEO at the Hills Private Hospital and was Project Director and CEO for the Norwest Private Hospital Project successfully commissioning this new hospital in September 2009 prior to moving to the NSW and ACT State Manager position in February 2010.

**Richard Lizzio**  
*Hospitals State Manager, Queensland and Northern Territory*

Richard has an extensive commercial background including in the not for profit sector in health, aged care and education. Prior to joining the Healthscope Group in 2011, Richard spent 8 years working with Ramsay Healthcare in various hospital GM positions in Queensland including his most recent appointment as CEO Greenslopes Private Hospital. Richard started his working life as a Chartered accountant with KPMG and later moved into retail stockbroking and financial services.

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**Alan Lane**

*Hospitals State Manager, South Australia*

Alan has worked for 25 years in healthcare, and joined the Healthscope Group in 2004. Alan's extensive involvement in healthcare spans the market sectors of hospitals, pharmacy, pathology, manufacturing, business development and logistics. As part of his responsibility for South Australia, Alan is the CEO of the Adelaide Community Healthcare Alliance ("ACHA") group.

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**Anoop Singh**

*Chief Operating Officer, Pathology*

Anoop joined the Healthscope Group in 2011. Over the past 20 years, he has held a number of senior commercial appointments in the healthcare industry in Australia including leadership positions in large diversified companies such as Mayne Nickless and Symbion. As Vice President of the Australian Association of Pathology Practices Anoop is also involved in key strategic and policy matters in relation to the Australian pathology sector.

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**Dr. Michael Coglein**

*Chief Medical Officer*

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

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## 9.3 Corporate Governance

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

### 9.3.1 Board of Directors

#### Composition of the Board

The directors of the Issuer are Robert Cooke, Simon Moore and Steven Schneider. The Directors bring wide and varied operational and financial experience to the Board. Details on each of the Directors are provided in Section 9.1.

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

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

The Board has adopted corporate governance and management policies which it considers appropriate for its business.

#### Audit and Risk policies

The Board will be responsible for ensuring that:

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

## Section 9

### Key people, interests and benefits

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#### Auditing Policies

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

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

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

#### Risk Management Policy

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

#### 9.3.2 Continuous disclosure policy

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

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

All relevant information provided to ASX will be posted on the Healthscope Group's website, [www.healthscope.com.au](http://www.healthscope.com.au).

#### 9.3.3 Guidelines for dealing in securities

The Board has policies and procedures in place to help make sure directors and officers and employees of the Healthscope Group:

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

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

#### 9.3.4 Code of conduct

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

#### 9.3.5 Communications with Holders

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

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

### 9.3.6 Policy for directors to take independent professional advice

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

## 9.4 Interests and Benefits

### 9.4.1 Directors' interests

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

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

Other than as set out in this Prospectus, no amount (whether in cash, securities or otherwise) has been paid or agreed to be paid, nor has any benefit been given, or agreed to be given to any Director or proposed director:

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

#### Interests in the Issuer

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

#### Interests in the Healthscope Group

Simon Moore is nominated to the Board of the Issuer by The Carlyle Group and Steven Schneider is nominated by TPG. They do not receive remuneration from the Issuer for their services as Directors of the Issuer (or directors of other companies in the Healthscope Group) and they do not hold any security interests in the Healthscope Group.

Robert Cooke is employed by a member of the Healthscope Group. He receives a salary for services as an employee of the Healthscope Group and may benefit from participation in the Healthscope Group short term incentive plan and long term incentive plan. As at the date of this Prospectus, he holds no shares of any member of the Healthscope Group. However, Robert together with certain other members of Healthscope Group management, holds a class of securities in Healthscope Hospitals Holdings Pty Ltd, Healthscope Pathology Holdings Pty Ltd and CT Healthscope Holdings L.P. Prior to the receipt of returns on these securities, certain time based and Healthscope Group related performance hurdles must be met and certain events must occur.

#### Participation in the Offer

Directors and their associates and related parties may participate in the Offer.

#### Remuneration

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

### 9.4.2 Professionals

Credit Suisse, Macquarie Capital and UBS are acting as Joint Structuring Advisers and Joint Lead Managers, and ANZ, Commonwealth Bank, National Australia Bank and Westpac are acting as Joint Lead Managers for the Offer, in respect of which they will receive the fees described in Section 10.4. The Joint Lead Managers will be responsible for paying selling fees of up to 1.00% of the value of Notes II allocated in the Bookbuild.

All of the Joint Lead Managers or related entities of the each of the Joint Lead Managers are lenders to the Healthscope Group and, as a result of the repayment of some of the Senior Debt with the proceeds of the Offer, will receive a partial repayment of the loans they have made to the Healthscope Group. The amount of the repayment will be in proportion to their respective participation as lenders in the facilities being repaid.

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

## Section 9

### Key people, interests and benefits

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Deloitte Touche Tohmatsu has acted as the Investigating Accountant to the Issuer in connection with the Offer and has performed work in relation to the Investigating Accountant's Report. In aggregate, the Issuer has paid or agreed to pay Deloitte Touche Tohmatsu approximately \$145,000 (excluding disbursements and GST) for these services to the date of this Prospectus. Further amounts may be paid to Deloitte Touche Tohmatsu in accordance with its normal time-based charges.

The Trust Company (Australia) Limited will be paid the fees as described in Section 10.3 in respect of acting as the Trustee for the Holders under the Trust Deed.

Except as set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation of this Prospectus; or
- Joint Lead Manager or Co-Manager,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the last two years before lodgement of this Prospectus with ASIC, an interest in:

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

nor has anyone paid or agreed to pay or given or agreed to give any benefit to such persons in connection with the formation or promotion of the Issuer or the Offer.

#### 9.4.3 Expenses of the Offer

The total expenses of the Offer will be paid out of cash on the Issuer's balance sheet. The total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to this Prospectus and the Offer) are expected to be approximately \$9.8 million (excluding GST).

## Section 10

# Additional information



## 10.1 Issuer's Reporting and Disclosure Obligations

The Issuer is admitted to the official list of ASX Limited and is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity it is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. Broadly, these obligations require the Issuer to prepare both yearly and half yearly financial statements and to report on its operations during the relevant accounting period and to obtain an audit or review report from its auditor. Copies of these and other documents lodged with ASIC may be obtained from or inspected at any office of ASIC.

In addition, the Issuer must ensure that ASX is continuously notified of information about specific events and matters as they arise for the purposes of ASX making the information available to the Australian securities market. The Issuer has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which the Issuer is aware which a reasonable person might expect to have a material impact on the price or value of its quoted securities. The ordinary shares in the Issuer are not and will not be quoted.

The Issuer also prepares half year and full year financial reports for the Healthscope Group which aggregate the Hospitals division, the Australian Pathology division and the International Pathology division. These financial reports are released on ASX on a half year and annual basis. These financial reports are prepared as general purpose financial reports in accordance with the Australian Accounting Standards and will include for the Healthscope Group, a statement of financial performance, a statement of comprehensive income, a statement of cash flows, a statement of changes in equity and accompanying note on significant accounting policies and relevant notes to the financial statements.

Refer to Section 9.3 for information on the Issuer's continuous disclosure policy and overview of its approach to communications with Holders.

## 10.2 Terms of Issue

The rights and obligations attached to Notes II are contained in the Terms of Issue annexed as Appendix A. Rights and liabilities attaching to Notes II may also arise under the Trust Deed (refer to Section 10.3 below), the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and the general law.

## 10.3 Summary of Trust Deed

The Trust Deed is between the Issuer and the Trustee. The Trustee acts as trustee for the Holders under the Trust Deed and holds the benefit of the Trust Deed on trust for the Holders. All Holders are bound by the terms of the Trust Deed. Any provision in the Trust Deed which is inconsistent with the provision in the Security Trust Deed or Intercreditor Deed will not operate to the extent of the inconsistency (and the Trustee will become party to these documents as trustee on behalf of Holders). Investors should note that it is a condition of the Holders receiving rights and benefits under the Trust Deed, Intercreditor Deed and Security Trust Deed (including sharing on a subordinated basis in the Security) that the Holders are bound by the Trust Deed, Intercreditor Deed and Security Trust Deed and perform all obligations and comply with all subordinations, restrictions and limitations under those documents (without needing to become party to those documents).

The rights of the Trustee and Holders to take action against the Issuer, including upon the occurrence of an event of default, are subject to restrictions set out in the Intercreditor Deed, the Security Trust Deed and the Trust Deed. Refer to Sections 2.4, 2.4.8, 2.5, 6.15 and 6.16 for a summary of these restrictions and the Security Trust Deed and Intercreditor Deed.

No Holder shall be entitled to proceed directly against the Issuer to enforce any rights or remedies unless the Trustee, having become bound to proceed against the Issuer under the Trust Deed, fails to do so within a reasonable period and such failure is continuing, in which case a Holder may, upon giving an indemnity satisfactory to the Trustee, institute proceedings against the Issuer.

To the extent the Trustee is permitted under the Security Trust Deed, the Intercreditor Deed and the Guarantee and Indemnity Deed Poll, and provided that the Trustee: (i) is indemnified to its reasonable satisfaction; (ii) is not of the view that the relevant breach or default is unlikely to materially prejudice the interests of the Holders; and (iii) holds sufficient Trust assets to enforce the Trust Deed in the manner contemplated, the Trustee must take action to enforce the Trust Deed if it is directed in writing by Holders who hold 10% or more of Notes II, or a resolution of Holders is passed at a meeting of Holders directing the Trustee to take such action to enforce the Trust Deed.

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

Further, the Trustee has no obligation to exercise its rights, powers or discretions under the Trust Deed unless it is directed to do so by a meeting of Holders, its liability is limited, it is indemnified to its satisfaction against any expense or liability and it holds sufficient trust assets to exercise the right, power or discretion contemplated.



The Trust Deed provides, however, that:

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

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

The Trust Deed provides for the following.

## Issue of Notes II

The Issuer may issue Notes II to any person on and subject to the terms of the Trust Deed and the Terms of Issue.

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

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

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

## Cleared funds

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

## Covenants

The Issuer covenants with the Trustee and Holders that it will, among other things;

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

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

## Trustee's powers

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

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

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

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

Except where provided by the Corporations Act, the Trustee is not required to:

- provide to any person any information concerning the business, financial condition, status or affairs of the Issuer;
- investigate the adequacy, accuracy or completeness of any information provided by the Issuer;
- assess, investigate or keep under review the business, financial condition, status or affairs of the Issuer; or
- monitor compliance by the Issuer of its obligations under the Trust Deed or by any person of its obligations under the Security Trust Deed or Intercreditor Deed.

## Amendments

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

The Issuer may by an instrument in writing alter the Trust Deed if the alteration has been approved by Holders by a special resolution and provided the alteration does not alter or conflict with, without the consent of the Trustee, any of the rights and obligations of the Trustee.

The Intercreditor Deed limits rights of the Trustee to amend the Trust Deed without the approval of all Senior Creditors in certain circumstances where those amendments would be adverse to the Senior Creditors.

## Fees and expenses

The Issuer must pay to the Trustee a fee as between the Trustee and the Issuer in respect of the Trustee's services under the Trust Deed. The Issuer must pay all costs and expenses incurred by the Trustee in connection with the negotiation, preparation, performance and enforcement of the Trust Deed. Unless otherwise agreed, such payment is to be calculated on a time basis at hourly rates.

## Liability of the Trustee and indemnity

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

## Retirement of Trustee

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

## Replacement of Trustee

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

## Register

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

## Meetings of Holders

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

At least 10 business days' notice (15 business days' notice for a special resolution) must be given to the Trustee, the Issuer and the Holders, by the party convening the meeting. The quorum for any meeting is at least 5 persons holding, or represented by attorney or proxy, at least 10% of Notes II. If a quorum is not present within half an hour from the time appointed for the meeting, the meeting will be adjourned to such day and time as the chairperson directs. At an adjourned meeting the Holders with at least 5% of Notes II who are present either in person or by proxy constitute a quorum and are entitled to pass the resolution.

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

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

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

## Discharge and release

The Trust Deed terminates on the earlier of:

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

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

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

## 10.4 Summary of Offer Management Agreement

The Offer is managed by the Joint Lead Managers pursuant to an offer management agreement dated 4 March 2013 between the Joint Lead Managers, the Issuer, and Healthscope Hospitals Holdings Pty Ltd (ACN 144 840 639) and Healthscope Pathology Holdings Pty Ltd (ACN 145 250 157) (together the "Guarantors") ("Offer Management Agreement"). Under the Offer Management Agreement, the Joint Lead Managers have agreed to manage the Offer, including the Bookbuild and allocation processes for the Offer, and provide settlement support in connection with the issue of Notes II allocated under the Bookbuild.

### Commission, fees and expenses

Based on an Offer size of \$300 million, the estimated aggregate fees payable by the Issuer to the Joint Lead Managers are approximately \$7.2 million (exclusive of GST) making certain assumptions as to the allocations of Notes II between the Securityholder Offer, Broker Firm Offer and Institutional Offer. The actual amount payable will not be known until the issue of Notes II.

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

## Warranties

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

## Indemnity

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

## Termination events

A Joint Lead Manager may at any time by notice to the Issuer, the Guarantors and the other Joint Lead Managers terminate the Offer Management Agreement if any of the following occurs:

- the Joint Lead Managers require (acting reasonably) the Issuer, or the Issuer is otherwise required, to lodge a supplementary prospectus with ASIC and:
  - the Issuer has not obtained the Joint Lead Managers' approval to the form and content of the supplementary prospectus (provided the Joint Lead Managers have not unreasonably withheld or delayed their approval); and
  - provided the Joint Lead Managers have not unreasonably withheld or delayed their approval, the Issuer does not lodge the supplementary prospectus in the form approved by the Joint Lead Managers, as soon as practicable but in any event no later than 5 Business Days after being notified or becoming aware of a requirement to lodge a supplementary prospectus;
- any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Healthscope Group (taken as a whole), including any material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Issuer or the Healthscope Group (taken as a whole) from those respectively disclosed in the Prospectus or other publicly available information;
- a director of the Issuer is charged with an indictable offence;
- approval is refused or approval is not granted to the official quotation of all of Notes II on ASX, on or before the date specified in the Offer Management Agreement, or if granted, the approval is subsequently withdrawn, qualified or withheld;
- any of the following notifications are made:
  - ASIC gives notice of intention to hold a hearing in relation to the Prospectus under section 739(1) of the Corporations Act or issues an order or interim order under section 739 of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Prospectus;
  - any person (other than a Joint Lead Manager) gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in the Prospectus (or any supplementary prospectus) or to be named in the Prospectus (or any supplementary prospectus) (other than a Joint Lead Manager) withdraws that consent; or
  - any person (other than a Joint Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- the Issuer withdraws the Prospectus or the Offer or fails to proceed with the Offer by the date of lodgement of the Prospectus;
- the Trustee ceases to be licensed to act as a trustee for the purposes of Chapter 2L of the Corporations Act;
- the Issuer or a Guarantor is or becomes insolvent;
- there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Offer Management Agreement), any of which does or is likely to prohibit or materially adversely regulate the Offer, capital issues or stock markets or materially adversely affect the taxation treatment of Notes II; or

- the S&P/ASX200 Index of ASX falls by an amount that is 12.5% or more of the level as at the close of trading on the business day before the date the Institutional Offer closes, and remains at or below that level for a period of at least 2 consecutive business days or a period ending on the close of trading on the date on which Notes II are to be allotted; or
- any of the following occurs:
  - the average mid-rate for the iTraxx Australia Index (Series 18) of a term of 5 years increases by an amount that is 0.35% above the level as at the close of trading on the business day before the date of the Offer Management Agreement, and remains at or above that level for a period of at least 3 consecutive business days or a period ending on the close of trading on the date on which Notes II are to be allotted; or
  - the 5 year Swap Rate increases by an amount that is 0.5% or more above the level as at the close of trading on the business day before the date of the Offer Management Agreement, and remains at or above that level for a period of at least 3 consecutive business days or a period ending on the close of trading on the date on which Notes II are to be allotted.

## Termination events subject to materiality

If a Joint Lead Manager has reasonable grounds to believe and does believe that the event has or is likely to have a materially adverse effect on the outcome, success or settlement of the Offer or could give rise to a liability of that Joint Lead Manager under any law or regulation, then a Joint Lead Manager may at any time, by notice to the Issuer, the Guarantors and to the other Joint Lead Managers, terminate the Offer Management Agreement if any of the following occurs:

- a statement contained in the Prospectus is misleading or deceptive (including, without limitation, misleading representations within the meaning of section 728(2) of the Corporations Act), or a matter is omitted from the Prospectus (having regard to the provisions of sections 710, 711, 715A and 716 of the Corporations Act);
- the due diligence report or any other information supplied by or on behalf of the Issuer to a Joint Lead Manager in relation to the Healthscope Group or the Offer is misleading or deceptive;
- the Finance Documents (as defined in the Security Trust Deed) are terminated, a member of the Healthscope Group has received notice that the Finance Documents have been breached or rescinded, or a condition precedent to performance of the Finance Documents in whole or in part (in the reasonable opinion of the Joint Lead Manager) becomes incapable of being satisfied, or a condition or obligation is waived by the Issuer, or the Finance Documents are amended in a material respect, without the prior written consent of the Joint Lead Manager or an “event of default” (as defined in the Security Trust Deed) occurs or any consent required under the Finance Documents in relation to the Offer is subsequently varied or withdrawn, or purported to have been varied or withdrawn;
- a default by the Issuer in the performance of any of its obligations under the Offer Management Agreement or the Trust Deed;
- a representation or warranty contained in the Offer Management Agreement on the part of the Issuer is not true or correct in any respect, or is misleading or deceptive;
- any certificate given under the Offer Management Agreement by the Issuer is false, misleading, deceptive or inaccurate;
- a change to the chief executive officer or chief financial officer of the Issuer;
- a contravention by the Issuer or any entity in the Healthscope Group of the Corporations Act, the Competition and Consumer Act 2012, its constitution, or any of the Listing Rules;
- the Prospectus or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- at any time prior to the date on which Notes II are to be allocated, hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, Japan, Russia or a member state of the European Union, Indonesia, North Korea, South Korea or the People’s Republic of China or a major terrorist attack is perpetrated anywhere in the world. This event may not be relied upon by a Joint Lead Manager after the date on which Notes II are to be allocated; or
- either of the following occurs:
  - a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom, Hong Kong or Singapore is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
  - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading,

in either case the effect of which is such as to make it, in the reasonable judgment of a Joint Lead Manager, impractical to promote the offer of Notes II or to enforce contracts to issue and transfer Notes II.

## 10.5 Receivables Purchase Agreement summary

### Background

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

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

### Purchase of receivables and related rights

Westpac is not obliged to accept any offer for the sale of receivables and related rights and the acceptance of any offer is subject to the satisfaction of a range of conditions precedent. Westpac acquires the equitable title to any purchased receivables and related rights ("Purchased Receivables") and holds the relevant cash reserves as agent for participants who have acquired an interest in those receivables and other assets. Currently, Westpac is the senior participant and Healthscope Limited is the mezzanine participant and subordinated participant. The participants receive interest and principal in respect of their participations from collections on the Purchased Receivables in accordance with the terms of the Receivables Purchase Agreement. Westpac also receives certain program fees and other costs under and in connection with the Receivables Purchase Agreement (including as a result of a change in law).

The Receivables Purchase Agreement includes restrictions on when receivables and related rights may be acquired by Westpac if certain limits are exceeded and sets out concentration limits in respect of certain obligors. The current purchase limit under the Receivables Purchase Agreement is \$140,000,000.

### Servicing of the Purchased Receivables

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

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

### General obligations of Healthscope

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

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

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

### Termination of the Receivables Purchase Agreement

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

If the termination date of the commitment under the Receivables Purchase Agreement is a date other than the scheduled termination date, Healthscope Limited is required to pay to Westpac a prepayment amount. If Healthscope Limited determines that it does not intend to offer any further receivables under the Receivables Purchase Agreement certain break costs are also payable by Healthscope Limited.

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

## 10.6 Australian Taxation Implications

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

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

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

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

### 10.6.1 Australian income tax

#### Interest payments – Australian residents

Interest payments received in respect of Notes II by Australian resident Holders should be included in the Holder’s assessable income. The manner and timing in which the interest payments should be included in each Holder’s assessable income (and income tax returns) will depend on whether the Taxation of Financial Arrangements (“TOFA”) rules in Division 230 of the Tax Act apply to them.

TOFA will generally not apply to:

- individuals;
- superannuation funds and managed investment schemes if the value of their assets is less than \$100 million;
- certain financial entities with an aggregated turnover of less than \$20 million; or
- other entities (not individuals) who are below all of the following thresholds in a previous income year:
  - aggregated turnover of less than \$100 million;
  - assets of less than \$300 million; and
  - financial assets of less than \$100 million.

#### Holders who are subject to TOFA

For Holders who are subject to TOFA, the default position should be to include the interest payments in their assessable income (and income tax returns) on a compounding accruals basis over the life of Notes II. However, Holders may elect to be taxed pursuant to various elective regimes under TOFA. Due to the complexities within TOFA, Holders should seek tax advice specific to their circumstances in relation to the application of the TOFA rules.

#### Holders who are not subject to TOFA

For Holders who are not subject to TOFA, Notes II should be treated as “traditional securities” for the purposes of the Tax Law. The interest payments should generally be included in the Holder’s assessable income and recognised in the Holder’s income tax returns in the year of income in which the interest payments are received.

#### Interest payments – Non-residents

Normally, interest payments made to non- resident Holders who do not hold Notes II through a permanent establishment in Australia would be subject to Australian withholding tax at the rate of 10%. However, it is intended that Notes II will be issued in a manner that will cause such interest payments to be exempt from Australian interest withholding tax under section 128F of the Tax Act. In particular, the Issuer has applied for Notes II to be quoted on ASX and Notes II are not expected to be issued or sold to an associate of the Issuer in a manner that would cause the failure of the public offer test in the section 128F exemption.

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

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

## Section 10

### Additional information

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Where the section 128F exemption applies, payments of “interest” to non-resident Holders who do not hold Notes II through a permanent establishment in Australia will not be subject to interest withholding tax and will not be included in the assessable income of the non-resident Holder. If a non-resident Holder does hold Notes II through a permanent establishment in Australia, then interest payments will be included in the assessable income of the Holder for Australian taxation purposes. Interest withholding tax will not apply to interest payments paid to such a Holder.

#### Disposal or redemption of Notes II – Australian residents

##### Holders who are subject to TOFA

Holders who are subject to TOFA should treat Notes II as financial arrangements pursuant to TOFA. TOFA requires a balancing adjustment to be made when a Holder disposes of or redeems Notes II to bring to account any outstanding gains or losses from Notes II.

If the proceeds received in respect of the disposal or redemption of Notes II exceed the cost of Notes II and taking into account any past assessable amounts, an assessable balancing adjustment may be included as a revenue gain in the assessable income of the Holder in the year of income in which the disposal, redemption or transfer takes place and will not be a capital gain.

Conversely, a deductible balancing adjustment should generally arise (resulting in revenue loss) if the interest and proceeds of disposal or redemption received in respect of Notes II are less than the cost of Notes II.

For a Holder that acquires Notes II under this Prospectus, the cost of a Note II will include its Issue Price.

Due to the complexities within TOFA, Holders who are subject to TOFA should seek tax advice specific to their circumstances.

##### Holders who are not subject to TOFA

Notes II should be treated as “traditional securities” pursuant to the Tax Law for Holders who are not subject to TOFA. Accordingly, Notes II will be subject to the specific provisions relating to the taxation of gains and deduction of losses arising from the disposal or redemption of “traditional securities”.

If an Australian resident Holder disposes of or redeems Notes II, and the proceeds of disposal or redemption exceed the cost of Notes II, the resulting gain should generally be included as a revenue gain in the assessable income of the Holder in the income year in which the sale takes place and will not be a capital gain.

Conversely, if the proceeds received on disposal or redemption are less than the cost of Notes II, generally the resulting revenue loss may be deductible to the Holder in the income year in which the sale takes place.

For a Holder that acquires Notes II under this Prospectus, the cost of a Notes II will include its Issue Price.

#### Disposal or redemption of Notes II – Non-residents

For non-resident Holders any gain arising from disposal or redemption of Notes II should only be subject to Australian tax, and a loss should only be deductible, if:

- the non-resident Investor is a resident of a country with which Australia has concluded a comprehensive double tax treaty and Notes II are held through a permanent establishment in Australia; or
- the non-resident Holder is not a resident of a country with which Australia has concluded a comprehensive double tax treaty and the gain has an Australian source. The source of a gain (or loss) on disposal of a security is determined by weighing all of the relevant factors including the location of the security, the place at which the contract to sell the security is concluded and the place at which the decision to sell the security is made. Generally, where a non-resident Holder makes a gain (or loss) from a disposal of a Note II to another non-resident, and the relevant negotiations are undertaken and the transaction is documented outside of Australia, the gain (or loss) would not ordinarily have an Australian source. Depending on the non-resident’s individual circumstances, where the disposal of a Note II has a connection with Australia (e.g. the disposal takes place on the ASX) the gain (or loss) may have an Australian source and the non-resident Holder should seek tax advice in respect of the tax treatment of that gain or loss.

Generally, the proceeds received on disposal or redemption would include the gross amount received by the Holder in respect of the disposal of Notes II and any amount in respect of suspended interest. If the gain is subject to Australian tax, it will be included in the non-resident’s Australian assessable income as a revenue gain and will not be a capital gain. The Australian tax implications will depend on whether the non-resident Holder is subject to TOFA.



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## Exchange of Notes II

In the event of an IPO only, Holders have a right (the "IPO Exchange Right") to exchange their Notes II into Listed Securities at a 2.5% discount to the issue price payable by retail investors in the IPO.

### Australian residents

The Australian tax consequences of Holders exercising their IPO Exchange Right are broadly the same for both Australian resident Holders who are subject to TOFA and Australian resident Holders who are not.

There should be no assessable gain or deductible loss arising on the exercise of the IPO Exchange Right if Notes II are exchanged into ordinary shares of the Issuer or a 'connected entity' of the Issuer. In addition, any capital gain or loss which otherwise arises on the exchange of Notes II should be deferred until the Listed Securities are sold or otherwise disposed of.

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

The capital gains tax cost base of the Listed Securities received on an exchange of Notes II (in circumstances where the Listed Securities are ordinary shares of the Issuer or a 'connected entity' of the Issuer) should be equal to the Holder's cost base of Notes II at the time of the exchange, plus any amounts paid by the Holders in relation to the exchange.

The Holder should be subject to capital gains tax at the time they dispose of the Listed Securities in the future.

A capital gain should arise where the consideration received for the disposal exceeds the tax cost base of the Listed Securities. Conversely, a capital loss should arise where the consideration received on disposal is less than the tax cost base of the Listed Securities.

If the Holder is an individual, the trustee of a trust, or a complying superannuation entity, the Holder should be entitled to the capital gains tax discount ("CGT discount") where they have held the Listed Securities for at least 12 months following the date of the exchange. Where the CGT discount applies, the Holder will be entitled to reduce their taxable capital gain realised on disposal of the Listed Securities by 50% (for individuals and trustees) or 33.33% (for complying superannuation entities).

The CGT discount is applied only after available capital losses have been applied to reduce the capital gain. The CGT discount does not apply to capital losses. The CGT discount will not be available to a Holder if it is an Australian company.

### Non-residents

There should be no assessable gain or deductible loss arising on the exercise of the IPO Exchange Right if Notes II are exchanged into ordinary shares of the Issuer or a 'connected entity' of the Issuer. In addition, any capital gain or loss which otherwise arises on the exchange of Notes II should be deferred until the Listed Securities are sold or otherwise disposed of.

### Holders who are subject to TOFA

Any gain arising to a non-resident Holder from a future disposal of the Listed Securities should only be subject to Australian tax, and a tax loss should only be deductible, if:

- the non-resident Holder is a resident of a country with which Australia has concluded a comprehensive double tax treaty and the Listed Securities are held through a permanent establishment in Australia; or
- the non-resident Holder is not a resident of a country with which Australia has concluded a comprehensive double tax treaty and the gain or loss has an Australian source. The source of a gain or loss on disposal of a security is determined by weighing all of the relevant factors including the location of the security, the place at which the contract to sell the security is concluded and the place at which the decision to sell the security is made. Generally, where a non-resident Holder makes a gain (or loss) from a disposal of a Listed Security to another non-resident, and the relevant negotiations are undertaken and the transaction is documented outside of Australia, the gain (or loss) would not ordinarily have an Australian source. Depending on the non-resident's individual circumstances, where the disposal of a Listed Security has a connection with Australia (e.g. the disposal takes place on the ASX) the gain (or loss) may have an Australian source and the non-resident Holder should seek tax advice in respect of the tax treatment of that gain or loss.

If the gain is subject to Australian tax, it will be included in the non-resident Holder's Australian assessable income as a revenue gain and will not be a capital gain. Due to the complexities of the TOFA rules, non-resident Holders who are subject to TOFA should seek tax advice specific to their circumstances.

## Section 10

### Additional information

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#### Holders who are not subject to TOFA

A non-resident Holder who is not subject to TOFA should be exempt from Australian capital gains tax on disposal of the Listed Securities unless:

- The non-resident Holder has a non-portfolio interest (i.e. together with its foreign associates it holds 10% or more of the Listed Securities at the time of disposal or has held 10% or more of the Listed Securities for at least 12 months in the last 24 month period); and
- The underlying value of the Listed Securities is predominantly due to direct or indirect interests in Australian real property.

### 10.6.2 Other Australian tax matters

#### Debt interests

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

The Terms of Issue allow the terms of Notes II to be subsequently changed. Where an amendment to the Terms of Issue results in Notes II satisfying the definition of an 'equity interest' and ceasing to qualify as a 'debt interest' for the purposes of Division 974 of the Tax Act, Notes II would be treated as equity interests from the time of the amendment. Whether Notes II continue to qualify as 'debt interests' could also be impacted by the Issuer entering into a new arrangement that is related to the issue of Notes II.

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

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

#### No Tax File Number or Australian Business Number withholding tax

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

#### Supply withholding tax

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

#### Additional withholdings from certain payments to non-residents

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

#### Garnishee notices

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

#### Death duties

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

#### Goods and Services Tax ("GST")

The issue, disposal, redemption or exchange of Notes II will in most cases be financial supplies and, consequently, no GST will be payable in respect of these events.

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

## 10.7 Consents to be Named

Each of the parties referred to in the following table (except as discussed below it):

- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based; and
- does not cause or authorise the issue of the Prospectus, does not make any offer of Notes II and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

Role	Consenting Party
Structuring Advisers and Joint Lead Managers	Credit Suisse Macquarie Capital UBS
Joint Lead Managers	ANZ Commonwealth Bank National Australia Bank Westpac
Co-manager	Bell Potter
Australian Legal Adviser	Herbert Smith Freehills
Investigating Accountant	Deloitte Touche Tohmatsu
Trustee	The Trust Company (Australia) Limited
Registry	Computershare Investor Services Pty Ltd

Deloitte Touche Tohmatsu has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Investigating Accountant and for the inclusion of its Investigating Accountant's Report on pro forma Historical Financial Information in Section 5 of this Prospectus in the form and context in which it appears.

Computershare Investor Services Pty Ltd has had no involvement in the preparation of any part of the Prospectus other than being named as Registrar to the Issuer.

## **10.8 Privacy Statement**

The Issuer collects personal information from you in order to process your Application, administer your investment and keep in touch with you about your investment.

The Issuer may disclose this information on a confidential basis to the Healthscope Group, as well as agents, contractors and third party service providers that provide services on its behalf (for example, the Registry and a printing firm or mail house engaged to print and mail statements to you).

If you used a financial adviser who recommended your investment in Notes II, then details of your investment may be provided to that adviser. The Issuer will also disclose your information if required to do so by law or if you consent to or request the disclosure.

If you think the Issuer's records of your personal information are incorrect or out of date, it is important that you contact the Issuer so that your records can be corrected. You may (subject to permitted exceptions) access the personal information the Issuer holds on you at any time by contacting the Registry in writing. The Issuer is permitted to charge a fee for such access but does not intend to do so.

You may choose not to give your personal information or to limit the information you provide to the Issuer. Depending on the type of information you withhold, the Issuer may not be able to process your application efficiently (if at all) or make payments to you.

## **10.9 Governing Law**

This Prospectus, the Offer and the contracts that arise from the acceptance of Applications and bids under the Offer are governed by the laws in force in Victoria. The Issuer and each Applicant for Notes II under the Offer and each bidder submits to the non-exclusive jurisdiction of the courts of Victoria.

## **10.10 Statement of Directors**

This Prospectus is authorised by each Director who consents to its lodgement with ASIC and its issue.

## Appendix A

# Healthscope Subordinated Notes II terms



## 1. General

### 1.1 Form

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

### 1.2 Issue price

Each of the Notes to be issued by the Issuer:

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

### 1.3 Ranking and subordination

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

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

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

### 1.4 Security

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

## 2. Interest

### 2.1 Interest

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

### 2.2 Payment of Interest

Subject to clause 6.5, interest is due and payable by the Issuer on the Notes in arrears on each Interest Payment Date and each Redemption Date (in respect of the amount redeemed or exchanged, as the case may be), unless the Suspension Condition is satisfied in respect of an Interest

Payment Date or a Redemption Date, in which case the Issuer's obligation to pay interest will be suspended in accordance with clause 2.3(a).

### 2.3 Suspension of Interest

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

### 2.4 Cumulative Interest

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

### 2.5 Restrictions on distributions

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

- (a) any amount in respect of interest on any Note is due and payable but unpaid;
- (b) any amount in respect of interest on any Note is suspended in accordance with clause 2.3(a);

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

## 2.6 Restrictions on Finance Debt

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

## 2.7 Testing of Financial Covenants

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

## 2.8 Payment of Outstanding Interest

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

## 2.9 Priority of Interest payments

Any payment of interest by the Issuer must be applied:

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

## 2.10 Calculation of Interest

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

# 3. Exchange Right

## 3.1 Grant of Exchange Right

The Issuer grants each Holder resident in Australia the right described in this clause 3 ("Exchange Right") in respect of any IPO. The Issuer may, at its discretion, extend the Exchange Right to Holders with registered addresses in any jurisdiction

outside Australia where the Issuer reasonably believes that it is not prohibited or it is not unduly onerous or impractical to implement the Exchange Right to Holders in that jurisdiction.

## 3.2 Notice to Holders

The Issuer must:

- (a) if a disclosure document in respect of an IPO is lodged with ASIC that is not a supplementary or replacement disclosure document (an "IPO Disclosure Document"), send to each Holder that is on the Notes Register at 7.00pm on the Business Day immediately prior to the lodgement of the IPO Disclosure Document with ASIC (at the Holder's address as it appears in the Notes Register) within three Business Days of lodgment of the IPO Disclosure Document with ASIC, notice of the IPO together with a form of exercise of the Exchange Right ("Exchange Notice"); and
- (b) ensure that:
  - (i) the Application Form in respect of any IPO specifically contemplates and allows for the priority application by Holders for Listed Securities in respect of the IPO Exchange Amount on the basis described in clause 3.4, and otherwise in accordance with these Terms of Issue;
  - (ii) copies of Exchange Notices and the relevant IPO Disclosure Document (including an Application Form) are obtainable by Holders on request from the Issuer or any other person appointed by the Issuer; and
  - (iii) the close of the retail offer of the IPO will be no sooner than 15 Business Days after the lodgement of the relevant IPO Disclosure Document with ASIC.

## 3.3 Exercise of Exchange Right

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

- (a) be listed on the Notes Register on the record date to be determined by the Issuer and advised by the Issuer to Holders in the Issuer's discretion including by way of an announcement to ASX or in a newspaper widely circulated in Australia; and
- (b) at its own expense:
  - (i) complete and execute an Exchange Notice stating the number of Notes in respect of which the Exchange Right is exercised ("Exercised Holding") which number must not be greater than the number of Notes held by the relevant Holder on the Final Deposit Date that the Holder continues to hold on the Exchange Date; and
  - (ii) complete and execute, in accordance with the directions on the form, an Application Form under the IPO applying for Listed Securities in respect of the Exercised Holding ("Application Form"); and
- (c) deposit the Exchange Notice, the Application Form and other documents required under the terms of the IPO to accompany the Application Form, at the address specified in the Exchange Notice (or if no address is specified, the registered office of the Issuer) during normal business hours on or before the date (the "Final Deposit Date")

which is three Business Days prior to the close of the offer period for retail investors for the IPO (or such different date advised by the Issuer to Holders in the Issuer's discretion including by way of an announcement to ASX or in a newspaper widely circulated in Australia).

- (d) The Issuer and the Trustee will have no responsibility for any error or misstatement by a Holder on an Exchange Notice or an Application Form and the Issuer is not bound to act on an Exchange Notice or Application Form which contains an error or misstatement.

### 3.4 Obligations of the Issuer

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

- (a) the Issuer must ensure that the Application Form in respect of the IPO is delivered to the issuer or vendor (as the case may be) of the Listed Securities under the IPO before the closing date of the IPO;
- (b) the Issuer must procure that, subject to clause 3.7, the issuer or vendor (as the case may be) of the Listed Securities under the IPO accepts the Holder's Application in respect of the IPO Exchange Amount;
- (c) the Issuer must apply on behalf of the Holder the IPO Exchange Amount in application for the subscription or purchase, as the case may be, of the Listed Securities in respect of the IPO, on or before the due date for payment under the terms of the IPO;
- (d) upon issue or transfer of the Listed Securities to the Holder under the IPO, the Issuer will redeem the Exercised Holding, and:
- (i) the IPO Exchange Amount shall be deemed to be repaid by way of the application of that amount on behalf of the Holder under clause 3.4(c) (except to the extent that the Holder is not issued or transferred Listed Securities to the full amount of the IPO Exchange Amount, in which case the Notes will not be redeemed to that extent); and
- (ii) any interest accrued under clauses 2.1 or 2.4 from the previous Interest Payment Date to the date of issue or transfer will be due and payable to the Holder (unless the Suspension Condition is then satisfied in which case such accrued interest will be added to the IPO Exchange Amount); and
- (e) in application of the IPO Exchange Amount in accordance with clause 3.4(c) (including through the operation of clause 3.4(d)), the Issuer will not apply any amount in respect of a fraction of a Listed Security. Any amount remaining after the application in accordance with clause 3.4(c) will be disregarded by the Issuer and the Issuer is discharged of its obligations to either apply such amount in accordance with clause 3.4(c) or deliver such amount to the Holder.

### 3.5 Price of Listed Securities

The Issuer must procure that the subscription or purchase price of any Listed Securities to be issued or transferred to a Holder on exercise of any Exchange Right is 97.5% of the

price of such securities to retail investors pursuant to the general retail offer, or if there is no general retail offer, the broker firm retail offer.

### 3.6 Issue or transfer of securities

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

### 3.7 Limitations on Exchange Right

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

### 3.8 Reduction of Exercised Holding

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

### 3.9 General

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

## 4. Redemption

### 4.1 Subordination

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

### 4.2 Final Redemption

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

### 4.3 Early Redemption by Issuer

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



- (ii) the redemption amount will be 105% of the principal amount outstanding under the Notes.

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

- (b) **(Early Redemption following IPO)** If at any time on or prior to the date that is 24 months after the Issue Date, there is an issue of Listed Securities pursuant to an IPO, then the Issuer may at any time afterwards, by giving not less than 28 days notice to the Holders and the Trustee (which notice will be irrevocable), redeem all or any part of the Notes (after taking into account elections by Holders of the Notes to subscribe in the IPO pursuant to the Exchange Right) at 105% of such part of the principal amount of the Notes as is being redeemed and in such circumstances the redemption will take effect on the date specified in the Issuer's notice. If the Issuer proposes to redeem only part of the Notes in accordance with this clause 4.3(b), the Issuer shall redeem each Note pro rata. For the avoidance of doubt, the Issuer may make more than one redemption in accordance with the provisions of this clause 4.3(b).
- (c) **(Early Redemption Issuer call option)** The Issuer may, on any date falling on or after the date that is 12 months after the Issue Date, redeem all or part (pro rata across Holders) of the Notes at the Early Redemption Amount by giving not less than 28 days notice of the call to the Holders and the Trustee. In such circumstances, the redemption will take effect on the date specified in the Issuer's notice (which may be given before the date that is 12 months after the Issue Date provided the redemption does not take effect before the date that is 12 months after the Issue Date). For the avoidance of doubt, the Issuer may make more than one redemption in accordance with the provisions of this clause 4.3(c).
- (d) **(Early Redemption in connection with IPO)** If on any date falling on or after the date that is 24 months after the Issue Date, a disclosure document for an IPO (not being a supplementary or replacement disclosure document) is lodged with ASIC, the Issuer may, by giving not less than 28 days notice to the Holders and the Trustee (which notice will be irrevocable), redeem all or any part of the Notes in which event:
  - (i) the redemption will take effect on the later of the date specified in the Issuer's notice and the date of issue or transfer (as the case may be) of Listed Securities pursuant to the relevant IPO (or, if the IPO is withdrawn prior to the issue or transfer of Listed Securities, the date of announcement of such withdrawal);
  - (ii) the redemption amount will be 102.5% of such part of the principal amount of the Notes as is being redeemed; and

- (iii) if the proposed redemption relates to part only of the Notes, the Issuer must redeem the Notes pro rata across Holders (after taking into account elections by Holders of the Notes to subscribe in the IPO pursuant to the Exchange Right),

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

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

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

#### 4.4 Early redemption by Holders following a Delisting Event

- (a) **(Early Redemption following Delisting Event)** If a Delisting Event occurs, the Holder of a Note may require the Issuer to redeem all, but not some, of their Notes on the Delisting Redemption Date for the principal amount outstanding plus any Outstanding Interest.
- (b) **(Consultation with Trustee)** Promptly after the occurrence of a Delisting Event, the Issuer must inform the Trustee of the Delisting Event and must consult with the Trustee in good faith in respect of that Delisting Event.
- (c) **(Notice)** As soon as reasonably practicable after the occurrence of a Delisting Event and consultation with the Trustee in accordance with paragraph (b), the Issuer must give notice of the Delisting Event to the Trustee with a copy to the Registry, the Holders and ASX (a **Delisting Notice**). The Delisting Notice will contain a statement informing Holders of their entitlement to exercise their rights to require redemption of the Notes pursuant to this clause 4.4 and will also specify:
- (i) all information material to the Holders concerning the Delisting Event;
  - (ii) the closing price of the Notes on the day that the Notes were trading on ASX immediately prior to the occurrence of the Delisting Event;
  - (iii) the form of the exercise notice (**Delisting Redemption Exercise Notice**);
  - (iv) the last day of the Delisting Redemption Period; and
  - (v) such other information relating to the Delisting Event as the Trustee may reasonably require.
- (d) **(Delisting Redemption Exercise Notice)** To exercise the right under paragraph (a), a holder must deliver to the Registry (as agent for the Issuer) a duly completed and signed Delisting Redemption Exercise Notice, in the form attached to the Delisting Notice at any time in the Delisting Redemption Period.
- (e) **(Redemption)** If a Delisting Redemption Exercise Notice is delivered by a Holder in accordance with paragraph (d), the Issuer must redeem all Notes the subject of the Delisting Redemption Exercise Notice on the relevant Delisting Redemption Date for the principal amount outstanding plus any Outstanding Interest.

#### 4.5 Early redemption by Holders

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

### 5. Events of Default and Enforcement

#### 5.1 Restrictions on actions

The rights of the Trustee and each Holder to take action against the Issuer upon the occurrence of an Event of Default are subject to the restrictions set out in the Security Trust Deed, the Intercreditor Deed and the Trust Deed. For the

avoidance of doubt, in the case of any inconsistency between the Trust Deed and either of the Security Trust Deed or Intercreditor Deed (as applicable), the Security Trust Deed or Intercreditor Deed (as applicable) will prevail.

#### 5.2 Consequences

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

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

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

#### 5.3 Enforcement

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

#### 5.4 Trustee not bound to take action

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

#### 5.5 Holders' right to take action

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

### 6. Payments

#### 6.1 Record Dates

For the purposes of determining a Holder's entitlement to payments of interest on the Notes in respect of any Interest Period, only those persons who are registered as Holders at 7:00 p.m. on the Record Date in respect of such Interest Period shall be entitled to receive the payment.

#### 6.2 Deductions

- (a) The Issuer may deduct from any interest or other amount payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made

and the amount of the deduction accounted for by the Issuer to the relevant revenue authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by the Issuer.

- (b) The Issuer shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and shall, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority without unreasonable delay after it is received by the Issuer.

### **6.3 No Set-off**

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

### **6.4 Payment method**

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

### **6.5 Payment days**

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

## **7. General**

### **7.1 Quotation**

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

### **7.2 Reporting requirements**

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

### **7.3 Notes redeemed**

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

## **8. Holding Statements**

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

## **9. Transfer of Notes**

### **9.1 Forms of transfer**

A Holder may transfer any Notes the Holder holds by:

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

### **9.2 Registration of transfer**

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

### **9.3 Transfers which are not Proper ASTC Transfers**

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

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

### **9.4 Directors to register transfers**

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

### 9.5 Refusal to register transfers other than Proper ASTC Transfer

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

### 9.6 Notice of refusal to register

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

### 9.7 Clearing systems

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

### 9.8 Registrar

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

## 10. Joint Holders

### 10.1 Payment to one Holder effective discharge

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

### 10.2 More than three joint Holders

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

### 10.3 Actions of joint Holders

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

## 11. Non resident Holders

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

## 12. Indemnity to the Issuer

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

## 13. Death or Legal Disability

### 13.1 Death or Legal Disability

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

## 13.2 Transfer, Transmission under clause 13.1

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

## 13.3 Two or More Persons Jointly Entitled

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

## 13.4 Monies Payable in Respect of the Notes

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

## 14. Amendments to these Terms of Issue

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

## 15. Governing Law, Jurisdiction and inconsistency

### 15.1 Governing Law

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

### 15.2 Jurisdiction

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

### 15.3 Inconsistency

Any part of these Terms of Issue which is inconsistent with a provision of the Security Trust Deed or Intercreditor Deed does not operate to the extent of the inconsistency. Any payment of interest or principal which is permitted to be paid, by the Security Trust Deed or the Intercreditor Deed, may be paid or is prevented from being paid (as applicable) notwithstanding anything to the contrary in these Terms of Issue and such payment or non-payment will not constitute a default by the Issuer for any purpose.

## 16. Notices

### 16.1 Service of Notices

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

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

### 16.2 When Notice Considered to be Received

Any notice is taken to be given:

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

### 16.3 Notice to Transferor Binds Transferee

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

## 16.4 Service on Deceased Holders

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

## 17. Interpretation and defined terms

### 17.1 Interpretation

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

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

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## 17.2 Defined Terms

The following defined terms apply in these Terms of Issue:

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

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## Appendix A

### Healthscope Subordinated Notes II terms

	<p>plus:</p> <p>(n) pro-forma Adjusted EBITDA adjustments for entities acquired by the Security Group during the previous 12 months of the Security Group on a full year run rate basis;</p> <p>(o) pro-forma cost savings for entities acquired by the Security Group during the previous 12 months on a full year run rate basis;</p> <p>(p) pro-forma Adjusted EBITDA adjustments for Growth Capital Expenditure of the Security Group prior to completion of the relevant project (but no pro forma adjustment shall be made for Growth Capital Expenditure on a project more than 9 months before the scheduled completion of that project as set out in the board paper relating to that project) equal to the Relevant Proportion of the expected Adjusted EBITDA for that project for the first 12 months (as set out in the board paper relating to that project based on forecasts prepared with due care and having regard to historical figures for similar brownfields projects), where “<b>Relevant Proportion</b>” means the proportion which that Growth Capital Expenditure represents of the total Growth Capital Expenditure budgeted for that project;</p> <p>(q) pro-forma Adjusted EBITDA adjustments for Growth Capital Expenditure of the Security Group in relation to a project completed during the previous 12 months equal to the expected Adjusted EBITDA for that project for the relevant 12 months (as set out in the board paper relating to that project based on forecasts prepared with due care and having regard to historical figures for similar brownfields projects) less the actual Adjusted EBITDA relating to that Growth Capital Expenditure for the relevant period, provided that the Adjusted EBITDA adjustments under this paragraph are not negative; and</p> <p>(r) dividends received from any entity which have not been consolidated within consolidated operating profit (or loss) during that period.</p>
<b>Application Form</b>	Has the meaning given to it in clause 3.3(b)(ii).
<b>ASIC</b>	The Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the market it operates.
<b>ASX Settlement</b>	ASX Settlement Pty Ltd (ABN 49 008 504 532).
<b>ASX Settlement Operating Rules</b>	The settlement rules of ASX Settlement as amended or replaced from time to time.
<b>Authorisations</b>	<p>(a) any consent, authorisation, registration, filing, lodgement, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a Government Agency or stock exchange; or</p> <p>(b) in relation to anything which will be fully or partly prohibited or restricted by law if a Government Agency or stock exchange intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.</p>
<b>Bookbuild</b>	The process conducted by, or on behalf of, the Issuer prior to the opening of the offer of the Notes whereby certain institutional investors and brokers who wish to obtain a firm allocation of the Notes (whether for themselves or their clients) lodge bids for the Notes and, on the basis of those bids, the Issuer (or another party on its behalf) determines the Interest Rate and announces its determination prior to the opening of such offer.
<b>Business Day</b>	Has the same meaning as in the Listing Rules.
<b>Capital Expenditure</b>	Payment for expenditure on the acquisition, development, maintenance, refurbishment or upgrading (including the purchase of new assets to replace obsolete assets) of equipment, machinery, fixed assets, real property improvements, Authorisations, software and information systems or other capital assets (including any costs incurred in connection with that expenditure) and any other expenditure, in each case, that under Accounting Standards is regarded as capital expenditure.
<b>Clearing System</b>	<p>(a) the Clearing House Electronic Subregister System (CHES) operated by ASTC;</p> <p>(b) the Austraclear system owned and operated by Austraclear Limited (ABN 94 002 060 773); or</p> <p>(c) any other securities trading and/or clearance system.</p>



<b>Completion of the IPO</b>	The issue and/or transfer of securities pursuant to the IPO as contemplated by the IPO Disclosure Document.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth).
<b>Debt Service Cover Ratio</b>	<p>On any date, the ratio of A:B where:</p> <p>A = Adjusted EBITDA of the Security Group in respect of the 12 month period ending on that date:</p> <ul style="list-style-type: none"> <li>(a) minus the amount of Net Capital Expenditure paid in cash;</li> <li>(b) minus all corporate Taxes or other Taxes on income or gains of the Security Group paid by a Security Group Member in cash (net of cash Tax refunds or other Tax receipts received); and</li> <li>(c) plus the amount of any decrease, or minus the amount of any increase, as the case may be, of the Working Capital of the Security Group (excluding changes in Working Capital relating to acquisitions),</li> </ul> <p>in each case, for the same period; and</p> <p>B = the aggregate of:</p> <ul style="list-style-type: none"> <li>(a) Net Interest Expense (excluding capitalised and suspended interest);</li> <li>(b) scheduled repayments of Senior Debt Facilities; and</li> <li>(c) the principal or capital payments on finance leases and hire purchase agreements,</li> </ul> <p>in each case, for the same period.</p>
<b>Delisting Event</b>	<p>Will occur if:</p> <ul style="list-style-type: none"> <li>(a) the Notes cease to be quoted or admitted to trading on ASX; or</li> <li>(b) trading of the Notes on ASX is suspended for a period of more than 15 consecutive Business Days.</li> </ul>
<b>Delisting Redemption Date</b>	The Business Day that is 20 Business Days after the expiry of the Delisting Redemption Period.
<b>Delisting Redemption Period</b>	The period beginning on the date the Issuer provides the notification described in clause 4.4(c) and ending on the Business Day 20 Business Days after that Date.
<b>Director</b>	A Director of the Issuer.
<b>Early Redemption Amount</b>	<p>In respect of any Note:</p> <ul style="list-style-type: none"> <li>(a) in respect of any Early Redemption Date falling from (and including) the date that is 12 months after the Issue Date to (and including) the date that is 24 months after the Issue Date, 105% of the principal amount of such Note on such day;</li> <li>(b) in respect of any Early Redemption Date falling from (but excluding) the date that is 24 months after the Issue Date to (and including) the date that is 36 months after the Issue Date, 104% of the principal amount of such Note on such day;</li> <li>(c) in respect of any Early Redemption Date falling from (but excluding) the date that is 36 months after the Issue Date to (and including) the date that is 48 months after the Issue Date, 103% of the principal amount of such Note on such day; and</li> <li>(d) in respect of any Early Redemption Date falling from (but excluding) the date that is 48 calendar months after the Issue Date to (and including) the Maturity Date, 100% of the principal amount of such Note on such day.</li> </ul>
<b>Early Redemption Date</b>	Any day on which Notes are redeemed prior to the Maturity Date in accordance with clause 4.3 or clause 4.4.

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**Event of Default**

Any of the following:

- (a) the Issuer fails to pay within three Business Days after the due date any principal on any Note;
- (b) the Issuer fails to pay within 14 Business Days after the due date any interest on any Note;
- (c) the Issuer fails to comply with any of its other obligations under these Terms of Issue or the Trust Deed and such failure remains unremedied for a period of 30 Business Days after the Issuer has received written notice from the Trustee in respect of the failure;
- (d) the occurrence of an Insolvency Event with respect to the Issuer or any other Obligor; or
- (e) any Finance Debt greater than A\$15,000,000 (or its equivalent in any other currency) of any Obligor becomes due and payable or can be made due and payable before its stated maturity due to the occurrence of an event of default (however described).

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**Excess Cashflow**

For any period, Adjusted EBITDA for that period (without double counting):

- (a) minus all corporate Taxes or other Taxes on income or gains of the Security Group paid by a Security Group Member in cash during that period (net of cash Tax refunds or other Tax receipts received);
  - (b) minus Net Interest Expense (including capitalised and suspended interest that has been paid) paid in cash during that period;
  - (c) minus any permanent prepayment or repayment of principal (and, if the facility is revolving, where there is a contemporaneous and equal reduction in the commitment in respect of the facility that has been repaid), during that period;
  - (d) minus the amount of Net Capital Expenditure paid in cash during that period;
  - (e) minus unspent Capital Expenditure which can be carried forward to the next year as permitted under the Senior Facility Agreement in relation to that period;
  - (f) plus any amount of Capital Expenditure that was carried forward from a previous period and not spent in the relevant period;
  - (g) plus the amount of any realised (net of applicable Tax) cash gain received (or minus if cash cost incurred) by a Security Group Member in respect of any individually significant (and non-recurring) or extraordinary items or any disposal of assets (not being disposals in the ordinary course of business) during that period, but excluding any cash gain that is:
    - (i) permitted under the Senior Finance Documents to be retained or applied for another purpose within any required time period; or
    - (ii) used to prepay the Senior Debt Facilities;
  - (h) minus distributions, directors' fees and any management fees paid in cash during that period in accordance with the Senior Finance Documents;
  - (i) minus the amount of cash transaction and one-off set-up costs and expenses, and any costs relating to any acquisition (whether or not consummated) by any Security Group Member during that period not exceeding A\$5,000,000 (or its equivalent) in any Financial Year;
  - (j) minus any restructuring costs paid in cash;
  - (k) minus any cash costs related to unrealised exchange gains or losses and any realised or unrealised gains or losses on derivative financial instruments;
  - (l) minus pro-forma Adjusted EBITDA adjustments for entities acquired by the Security Group during the previous 12 months of the Security Group on a full year run rate basis;
  - (m) minus pro-forma cost savings for entities acquired by the Security Group during the previous 12 months on a full year run rate basis;
  - (n) minus pro-forma Adjusted EBITDA adjustments for Growth Capital Expenditure of the Security Group prior to completion of the relevant project (but no pro forma adjustment shall be made for Growth Capital Expenditure on a project more than 9 months before the scheduled completion of that project as set out in the board paper relating to that project based on forecasts prepared with due care and having regard to historical figures for similar brownfields projects) equal to the Relevant Proportion of the expected Adjusted EBITDA for that project for the first 12 months (as set out in the board paper relating to that project), where "**Relevant Proportion**" means the proportion which that Growth Capital Expenditure represents of the total Growth Capital Expenditure budgeted for that project;
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	<p>(o) minus pro-forma Adjusted EBITDA adjustments for Growth Capital Expenditure of the Security Group in relation to a project completed during the previous 12 months equal to the expected Adjusted EBITDA for that project for the relevant 12 months (as set out in the board paper relating to that project based on forecasts prepared with due care and having regard to historical figures for similar brownfields projects) less the actual Adjusted EBITDA relating to that Growth Capital Expenditure for the relevant period, provided that the Adjusted EBITDA adjustments under this paragraph are not negative;</p> <p>(p) plus or minus, as the case may be, the change in Working Capital of the Security Group during that period (excluding changes in Working Capital relating to acquisitions); and</p> <p>(q) minus any non-cash items in Adjusted EBITDA not otherwise adjusted for in paragraphs (a) to (p) above.</p>
<b>Exchange Notice</b>	Has the meaning given to it in clause 3.2(a).
<b>Exchange Right</b>	Has the meaning given to it in clause 3.1.
<b>Exercised Holding</b>	Has the meaning given to it in clause 3.3(b)(i).
<b>Final Deposit Date</b>	Has the meaning given to it in clause 3.3(c).
<b>Finance Debt</b>	Has the meaning given to it in the Intercreditor Deed.
<b>Finance Lease</b>	A lease constituting a finance lease or a capital lease under the Accounting Standards.
<b>Financial Year</b>	Each 12 month period ending on 30 June.
<b>Growth Capital Expenditure</b>	All Capital Expenditure other than Maintenance Capital Expenditure (and, for the avoidance of doubt, includes expenditure on leasehold properties).
<b>Guarantee</b>	Has the meaning given to it in the Security Trust Deed.
<b>Government Agency</b>	Has the meaning given to it in the Security Trust Deed.
<b>Healthscope Group</b>	Each of Healthscope Hospitals Holdings Pty Ltd (ACN 144 840 639), Healthscope Pathology Holdings Pty Ltd (ACN 145 250 157) and CT HSP (Dutch) Coöperatief U.A. and their subsidiaries and the business conducted by them as described in Section 4 of the prospectus under which the Notes are initially offered, as the context requires.
<b>Hedging Agreement</b>	Has the meaning given to it in the Security Trust Deed.
<b>Holder</b>	In relation to any Note, a person whose name is for the time being registered in the Notes Register as the holder of that Note.
<b>Insolvency Event</b>	Has the meaning given in the Intercreditor Deed.
<b>Intercreditor Deed</b>	The Intercreditor Deed dated 22 September 2010 (as amended) made between, among others, Healthscope Finance Pty Ltd (ACN 145 126 067), the Senior Agent and the Security Trustee.
<b>Interest Payment Dates</b>	<p>In relation to a Note:</p> <p>(a) 25 March, 25 June, 25 September and 25 December, commencing on 25 June 2013 and ending on the Maturity Date; and</p> <p>(b) the Maturity Date,</p> <p>unless earlier redeemed or exchanged in accordance with these Terms of Issue.</p>
<b>Interest Period</b>	<p>In respect of a Note:</p> <p>(a) the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date; and</p> <p>(b) thereafter, the period from (and including) each Interest Payment Date to (but excluding) the first to occur of:</p> <p>(i) the next Interest Payment Date; and</p> <p>(ii) the final Redemption Date in respect of that Note.</p>
<b>Interest Rate</b>	10.25% per annum.

## Appendix A

### Healthscope Subordinated Notes II terms

<b>Interest Suspension Financial Covenant</b>	In respect of any period, a Debt Service Cover Ratio of more than 1.10:1 at all times.
<b>IPO</b>	A public offering of: <ul style="list-style-type: none"> <li>(a) shares in the Issuer, or any Related Body Corporate of the Issuer or any other entity in the Healthscope Group, or any special purpose vehicle established by any such entity; and/or</li> <li>(b) units in a trust,</li> </ul> that (in either case, or together) owns or will own directly or indirectly a significant portion of the business currently conducted by the Healthscope Group, for the purposes of the quotation of the relevant shares and/or units on ASX (or any other Australian securities exchange).
<b>IPO Disclosure Document</b>	Has the meaning given to it in clause 3.2(a).
<b>IPO Exchange Amount</b>	In respect of an Exercised Holding, the principal amount outstanding plus any Suspended Interest as at the date of issue or transfer of the relevant Listed Securities.
<b>Issue Date</b>	The date of issue of the Notes.
<b>Issuer</b>	Healthscope Notes Limited (ACN 147 250 780).
<b>Listed Securities</b>	In respect of any IPO, the securities issued or transferred pursuant to such IPO.
<b>Listing Rules</b>	The listing rules of ASX, as amended or replaced from time to time.
<b>Maintenance Capital Expenditure</b>	Payment for non-discretionary expenditure on the maintenance or refurbishment of equipment, machinery, fixed assets, real property, improvements, Authorisations, software and information systems or any other capital assets (including any costs incurred in connection with that expenditure) required to maintain the existing operations and earnings of the Security Group.
<b>Material Disposal</b>	The sale by any Security Group Member of a material business unit of the Security Group or the entry into by a Security Group Member of a sale and leaseback transaction in respect of any real property, the impact of which would be a pro forma decrease, assuming that the sale or sale and leaseback transaction became effective on the first day of the previous 12 months, of at least 20% in the Adjusted EBITDA for the previous 12 months prior to the sale or sale and leaseback transaction becoming effective.
<b>Maturity Date</b>	25 March 2018.
<b>Maximum Leverage Level</b>	At any time: <ul style="list-style-type: none"> <li>(a) prior to Material Disposal, 5.00x; and</li> <li>(b) on or after a Material Disposal, 4.25x.</li> </ul>
<b>Net Capital Expenditure</b>	For any period, Capital Expenditure during that period not funded by: <ul style="list-style-type: none"> <li>(a) a drawdown under Facility C of the Senior Facility Agreement;</li> <li>(b) amounts received which are permitted to be applied towards reinvestment in assets or to fund additional Capital Expenditure in accordance with the mandatory prepayment provisions of the Senior Facility Agreement or any other amounts received or receivable in respect of Permitted Disposals;</li> <li>(c) an equity raising or additional debt that is subordinated to the Senior Facilities;</li> <li>(d) any Excess Cashflow following any voluntary or mandatory prepayments of the Senior Facilities; or</li> <li>(e) any amount under the Additional Leasing Facility or the Additional Capex Facility.</li> </ul>

<b>Net Interest Expense</b>	<p>For a period, an amount equal to all interest, margin, discount and other recurring payments of a similar nature paid by a Security Group Member in relation to any Finance Debt and any receivables purchase facility to which a Security Group Member is a party (or any replacement of that facility) (after taking into account the net effect of any difference payments under any Hedging Agreements) including fees payable for any Guarantee or letter of credit and the interest element of Finance Leases but excluding:</p> <ul style="list-style-type: none"> <li>(a) capitalised interest and suspended interest;</li> <li>(b) any distribution (or similar payment) in respect of equity contributions; and</li> <li>(c) any amounts payable to another Security Group Member, net of any interest received by the Security Group for that period.</li> </ul>
<b>Notes</b>	The subordinated notes to be issued by the Issuer on these Terms of Issue.
<b>Notes Register</b>	<p>The register of Holders (established and maintained in accordance with the Trust Deed) and, where appropriate, includes:</p> <ul style="list-style-type: none"> <li>(a) a sub-register conducted by or for the Issuer pursuant to the Corporations Act, the Listing Rules or ASTC Settlement Rules; and</li> <li>(b) any branch register.</li> </ul>
<b>Obligor</b>	Any Security Group Member which grants Security and includes each 'Obligor' as defined in the Intercreditor Deed.
<b>Outstanding Interest</b>	<p>In relation to a Note at any time, the aggregate of:</p> <ul style="list-style-type: none"> <li>(a) any Suspended Interest in respect of that Note at that time; and</li> <li>(b) any other unpaid interest which is due and payable in respect of that Note at that time (including any interest accrued or compounded under clause 2.4).</li> </ul>
<b>Permitted Disposals</b>	Has the meaning given to it in the Intercreditor Deed.
<b>Permitted Finance Debt</b>	<p>The following types of Finance Debt:</p> <ul style="list-style-type: none"> <li>(a) any Finance Debt owed under a Senior Finance Document or a Subordinated Finance Document;</li> <li>(b) any Finance Debt owed by a Security Group Member to an Obligor or, up to in aggregate at any time of A\$10,000,000 (or its equivalent), to a Security Group Member who is not an Obligor;</li> <li>(c) any Finance Debt under interest rate hedging arrangements and foreign exchange dealings entered into in the ordinary course of business or as approved by the Senior Agent;</li> <li>(d) any Finance Debt under transactional banking facilities up to in aggregate at any time of A\$60,000,000 (or its equivalent);</li> <li>(e) any Finance Debt under leasing facilities (including Additional Leasing Facilities) or capital expenditure facilities (including Additional Capex Facilities);</li> <li>(f) any subordinated shareholder debt;</li> <li>(g) any Finance Debt that is subordinated to the Senior Facilities, provided that incurring such Finance Debt does not cause the Total Leverage Ratio on such day to exceed the Maximum Leverage Level;</li> <li>(h) any other Finance Debt in the ordinary course of business where the total amount outstanding does not exceed \$10,000,000 (or its equivalent) in aggregate for the Security Group;</li> <li>(i) any other additional Finance Debt not exceeding A\$10,000,000 (or its equivalent) in aggregate at any time which is incurred if there is no Senior Event of Default (as defined in the Intercreditor Deed) or Senior Potential Event of Default (as defined in the Intercreditor Deed) subsisting;</li> </ul>

## Appendix A

### Healthscope Subordinated Notes II terms

	<p>(j) any Finance Debt for the purposes of refinancing any other Permitted Finance Debt on terms consistent with the Intercreditor Deed;</p> <p>(k) any existing Finance Debt of a Security Group Member agreed by the Senior Agent in writing;</p> <p>(l) a Guarantee pursuant to Part 2M.6 of the Corporations Act or its equivalent; or</p> <p>(m) any Finance Debt incurred with the prior written consent of the Senior Agent, provided that incurring such Finance Debt does not cause the Total Leverage Ratio on such day to exceed the Maximum Leverage Level.</p>
<b>Potential Event of Default</b>	Any event or circumstance which would, with the expiry of a grace period or the giving of notice, or both, be an Event of Default.
<b>Proper ASTC Transfer</b>	Has the meaning given in regulation 1.0.02 of the <i>Corporations Regulations 2001</i> (Cth).
<b>Ratio Testing Date</b>	The last day of each calendar quarter commencing on 31 March 2013 .
<b>Record Date</b>	In relation to an Interest Period, the date that is 7 days (or such other period as determined by the Directors from time to time in accordance with the Listing Rules) before the Interest Payment Date in respect of that Interest Period.
<b>Redemption Date</b>	In respect of any Note, the date for redemption of that Note in accordance with the Terms of Issue, including any Early Redemption Date and any date of exchange determined in accordance with clause 3.
<b>Refinancing Event</b>	The completion of the refinancing of the outstanding indebtedness of the Obligors under the Senior Facilities.
<b>Related Body Corporate</b>	Has the meaning given to it in the Corporations Act.
<b>Security</b>	Has the meaning given to it in the Security Trust Deed.
<b>Security Group</b>	The corporate group comprising: <ul style="list-style-type: none"> <li>(a) Healthscope Hospitals Holdings No. 2 Pty Limited ACN 145 126 094 and each of its subsidiaries;</li> <li>(b) Healthscope Pathology Holdings No.2 Pty Limited ACN 146 342 832 and each of its subsidiaries; and</li> <li>(c) CT HSP Holdings (Dutch) B.V. (company number 34308383) and each of its subsidiaries.</li> </ul>
<b>Security Group Member</b>	A member of the Security Group.
<b>Security Trust Deed</b>	The Security Trust Deed dated 22 September 2010 (as amended) made between, among others, Healthscope Finance Pty Ltd ACN 145 126 067 and the Security Trustee (as amended or restated from time to time).
<b>Security Trustee</b>	The security trustee pursuant to the Security Trust Deed, being initially Westpac Banking Corporation.
<b>Senior Agent</b>	The agent for the senior lenders appointed under the Senior Facility Agreement, being initially Westpac Banking Corporation.
<b>Senior Creditor</b>	Has the meaning given to it in the Security Trust Deed.
<b>Senior Debt</b>	Has the meaning given to it in the Intercreditor Deed.
<b>Senior Debt Facilities</b>	The Senior Facilities, transactional banking facilities permitted to be provided to an Obligor and any leasing (including Additional Leasing Facilities) or Additional Capex Facilities.
<b>Senior Facilities</b>	Facility A, Facility B, Facility C and Facility D referred to in the Senior Facility Agreement.
<b>Senior Facility Agreement</b>	The Senior Syndicated Facility Agreement dated 22 September 2010 (as amended) between, among others, Healthscope Finance Pty Ltd ACN 145 126 067, the Senior Agent and the Security Trustee.
<b>Senior Finance Documents</b>	Has the meaning given to it in the Security Trust Deed.

<b>Subordinated Finance Document</b>	Has the meaning given to it in the Security Trust Deed.
<b>Suspended Interest</b>	At any time, any interest deferred under clause 2.3(a) which has not been paid at that time.
<b>Suspension Condition</b>	In respect of any payment of interest on any Interest Payment Date or any Redemption Date: <ul style="list-style-type: none"> <li>(a) the relevant payment would cause a breach of the Interest Suspension Financial Covenant;</li> <li>(b) an 'event of default' or 'potential event of default' under the Senior Finance Documents subsists; or</li> <li>(c) any other condition referred to in clause 3.2(b) of the Intercreditor Deed is not satisfied.</li> </ul>
<b>Tax</b>	Any charge, deduction, duty (including stamp duty, financial institutions duty, transaction duty and bank account debt tax), fee, impost, levy, tax (including any consumption tax, goods and services tax and value added tax) and withholding (together with any interest, penalties, fines and expenses in connection with any of them).
<b>Tax Event</b>	Occurs where, on or after the Issue Date, the Issuer receives an opinion of a nationally recognised legal counsel or other tax adviser in a relevant tax jurisdiction, experienced in such matters that, as a result of a tax event: <ul style="list-style-type: none"> <li>(a) any payment of interest, the principal amount outstanding or the Early Redemption Amount is, or may be, subject to an amount of withholding or deduction in respect of any Taxes or other governmental charges for which the Issuer must pay an additional amount; or</li> <li>(b) payment of interest is not, or may not, be allowed as a deduction for the purposes of the Issuer's Australian tax purposes or the tax purposes of any other relevant tax jurisdiction.</li> </ul>
<b>Terms of Issue</b>	These terms and conditions of issue.
<b>Total Leverage Ratio</b>	On any date, the ratio calculated as follows: Total Leverage Ratio = A ÷ B, where: A = the aggregate amount outstanding on that date under all Finance Debt of the Security Group on a consolidated basis (other than any contingent Finance Debt, the exposure under any Hedging Agreement, shareholder debt and intra-group liabilities or indebtedness, each in the Australian dollar equivalent where applicable) less cash or cash equivalents of the Security Group on that date; and B = Adjusted EBITDA of the Security Group in respect of the 12 month period ending on that date.
<b>Trust Deed</b>	The Trust Deed dated 4 March 2013 between the Issuer and the Trustee as amended from time to time.
<b>Trustee</b>	The Trust Company (Australia) Limited ACN 000 000 993
<b>Working Capital</b>	(a) The sum of: <ul style="list-style-type: none"> <li>(i) debtors less provision for doubtful debts;</li> <li>(ii) sundry debtors;</li> <li>(iii) prepayments;</li> <li>(iv) other current assets; and</li> <li>(v) inventory less inventory reserve,</li> </ul> (b) minus the sum of: <ul style="list-style-type: none"> <li>(i) accounts payable;</li> <li>(ii) accrued compensation;</li> <li>(iii) other accrued liabilities; and</li> <li>(iv) accrued provisions.</li> </ul>

# Appendix B

## Glossary





This Appendix provides a glossary of key terms and abbreviations used throughout this Prospectus. For defined terms not listed below, refer to clause 17.2 of the Terms of Issue in Appendix A or the Security Trust Deed, the Intercreditor Deed and the Trust Deed which are incorporated into this Prospectus by reference.

<b>\$</b>	Australian Dollar Currency
<b>US\$</b>	United States dollar currency
<b>AASB</b>	Australian Accounting Standards Board
<b>ABN</b>	Australian Business Number
<b>ABS</b>	Australian Bureau of Statistics
<b>ACHA</b>	Adelaide Community Healthcare Alliance
<b>Additional Capex Facility</b>	Has the meaning given to it in Section 1.1.6
<b>Adjusted EBITDA</b>	Has the meaning given to it in the Terms of Issue in Appendix A
<b>AIHW</b>	Australian Institute of Health and Welfare
<b>ANZ</b>	ANZ Securities Limited ABN 16 004 997 111
<b>Applicant</b>	A person who submits an Application Form in accordance with this Prospectus
<b>Application</b>	A valid Application made on the conditions set out in the Prospectus by using an Application Form to apply for a specified number of Notes II
<b>Application Form</b>	Each Application Form attached to or accompanying the electronic or printed version of this Prospectus upon which an offer to subscribe for Notes II may be made
<b>Application Monies</b>	Money received from Applicants in respect of their Applications
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the market it operates
<b>ASX Settlement Operating Rules</b>	The settlement rules of ASX Settlement Pty Limited (ABN 49 008 504 532) as amended or replaced from time to time
<b>Australian Accounting Standards</b>	Accounting principles and practices applying by law or otherwise generally accepted in Australia consistently applied
<b>Bell Potter</b>	Bell Potter Securities Limited (ABN 25 006 390 772)
<b>Board</b>	All or some of the Directors acting as a board for the Issuer
<b>Bookbuild</b>	The process conducted by the Joint Lead Managers before the Opening Date to determine the Interest Rate and firm allocations of Notes II to Syndicate Brokers and Institutional Investors. In this process, the Syndicate Brokers (including the Joint Lead Managers) and Institutional Investors were invited to lodge bids for a number of Notes II. On the basis of those bids, the Issuer and the Joint Lead Managers determined the Interest Rate and the Joint Lead Managers, in consultation with the Issuer, determined the firm allocations to Syndicate Brokers and Institutional Investors
<b>Broker Firm Allocation</b>	An allocation to an Australian or New Zealand resident retail client of a Syndicate Broker under the Broker Firm Offer
<b>Broker Firm Applicant</b>	An Australian or New Zealand resident retail client of a Syndicate Broker who applies for Notes II in response to a Broker Firm Allocation from a Syndicate Broker
<b>Broker Firm Offer</b>	The offer made by the Issuer pursuant to this Prospectus to Australian or New Zealand resident retail investors who have received a Broker Firm Allocation of Notes II from a Syndicate Broker
<b>Business Day</b>	Has the same meaning as in the Listing Rules
<b>CHESS</b>	Clearing House Electronic Subregister System
<b>Closing Date</b>	The last day on which Application Forms will be accepted, expected to be 5.00pm on 19 March 2013 for paper applications or 5.00pm on 25 March 2013 for online applications for the Securityholder Offer and 10.00am on 26 March 2013 for Broker Firm Applicants (in each case, unless extended)
<b>Commonwealth Bank</b>	Commonwealth Bank of Australia (ABN 48 123 123 124)
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)

## Appendix B

### Glossary

<b>Credit Suisse</b>	Credit Suisse (Australia) Limited (ABN 94 007 016 300)
<b>Current Owners</b>	Funds advised and managed by The Carlyle Group and TPG
<b>DHB</b>	District health boards, as created by the New Zealand Public Health and Disability Act 2000
<b>Director</b>	A director of the Issuer
<b>Early Redemption</b>	A Redemption of Notes II before the Maturity Date, as permitted under the Terms of Issue
<b>Early Redemption Amount</b>	Has the meaning given to it in the Terms of Issue in Appendix A
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation expense and excluding impairment gains or losses
<b>Eligible Securityholder</b>	A person who is: <ul style="list-style-type: none"> <li>– a registered holder of Notes I on 25 February 2013;</li> <li>– shown on the applicable register as having an address in Australia or New Zealand; and</li> <li>– not in the United States or acting as a nominee for a person in the United States</li> </ul>
<b>Exchange</b>	The exchange of up to 100% of Notes II into Listed Securities in the event of an IPO, in accordance with the Terms of Issue
<b>Exchange Right</b>	The right of a Holder resident in Australia to exchange up to 100% of their Notes II for Listed Securities in the event of an IPO, in accordance with the Terms of Issue
<b>Expiry Date</b>	The date of expiry of this Prospectus, which is 13 months from the date of the Original Prospectus
<b>Exposure Period</b>	The seven day period after the date the Original Prospectus was lodged with ASIC during which the Corporations Act prohibits the acceptance of Applications
<b>Facility Agent</b>	Has the meaning given to it in the Terms of Issue in Appendix A
<b>GST</b>	The Goods and Services Tax as defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth)
<b>HIN</b>	Holder Identification Number
<b>Healthscope Group</b>	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. registered number 34308383 and their subsidiaries and the business conducted by them as described in Section 4 of this Prospectus, as the context requires
<b>Healthscope Borrower</b>	Healthscope Finance Pty Ltd (ACN 145 126 067)
<b>Healthscope Limited</b>	Healthscope Limited (ACN 006 405 152)
<b>Healthscope Subordinated Notes II</b>	The subordinated notes offered by the Issuer on the Terms of Issue set out in Appendix B
<b>Holder</b>	In relation to Notes II, a person whose name is for the time being registered in Register as the holder of that Note II
<b>Institutional Investor</b>	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Issuer is willing to comply with), including: <ul style="list-style-type: none"> <li>– in Australia, persons to whom offers or invitations can be made without the need or a lodged prospectus under section 708 of the Corporations Act (disregarding section 708AA); and</li> <li>– outside Australia, persons in jurisdictions determined by the Issuer, to whom an offer of the of Notes II may lawfully be made without need for registration, lodgement or other formality,</li> </ul> <p>provided that such a person is not located in the United States and is not a US Person or acting for the account or benefit of a US Person</p>
<b>Institutional Offer</b>	The Offer open to Australian and certain international Institutional Investors on the terms set out in this Prospectus
<b>Intercreditor Deed</b>	Intercreditor Deed means the intercreditor deed dated 22 September 2010 (as amended) between, amongst others, Healthscope Hospital Holdings Pty Limited, the Facility Agent and the Security Trustee

<b>Interest</b>	The interest payable on Notes II at the rate and on the terms set out in the Terms of Issue
<b>Interest Payment Dates</b>	Dates on which interest is due to be paid to Holders, namely, 25 March, 25 June, 25 September and 25 December in each year up to the date the relevant Notes II are redeemed or exchanged. The first payment is expected to be made on 25 June 2013
<b>Interest Rate</b>	10.25% per annum
<b>Investigating Accountant</b>	Deloitte Touche Tohmatsu
<b>IPO</b>	A public offering of: <ul style="list-style-type: none"> <li>– shares in the Issuer, or any Related Body Corporate of the Issuer or any other entity in the Healthscope Group, or any special purpose vehicle established by any such entity; and/or</li> <li>– units in a trust,</li> </ul> that (in either case, or together) owns or will own directly or indirectly a significant portion of the business currently conducted by the Healthscope Group, for the purposes of the quotation of the relevant shares and/or units on ASX (or any other Australian securities exchange)
<b>Issue Date</b>	The date of issue of Notes II
<b>Issue Price</b>	Price payable for each Notes II under the Offer, being \$100
<b>Issuer</b>	Healthscope Notes Limited ACN 147 250 780
<b>Joint Lead Managers</b>	Credit Suisse, Macquarie Capital, UBS, ANZ, Commonwealth Bank, National Australia Bank and Westpac
<b>Listed Securities</b>	In respect of any IPO, the securities issued or transferred pursuant to such IPO
<b>Listing Rules</b>	The listing rules of ASX, as amended or replaced from time to time
<b>Macquarie Capital</b>	Macquarie Capital (Australia) Limited (ABN: 79 123 199 548)
<b>Material Disposal</b>	Has the meaning given to it in the Terms of Issue in Appendix A
<b>Maturity Date</b>	25 March 2018
<b>NATA</b>	National Association of Testing Authorities
<b>National Australia Bank</b>	National Australia Bank Limited ABN 12 004 044 937
<b>Note Guarantee</b>	The guarantee and indemnity deed poll given by a Group Member in favour of the Trustee and each Holder in respect of the obligations of the Issuer and each other Note Guarantor under the Subordinated Note Funding Documents
<b>Notes I</b>	The subordinated notes issued by the Issuer in 2010 under a prospectus dated 24 November 2010
<b>Notes II</b>	Healthscope Subordinated Notes II
<b>Notes II Offer Information Line</b>	The information line 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia) between the hours of 8:30am to 5:00pm, Monday to Friday
<b>Obligor</b>	Has the meaning given to it in the Security Trust Deed and the Intercreditor Deed
<b>Offer</b>	The invitation made pursuant to this Prospectus for Applicants to subscribe for Notes II
<b>Offer Management Agreement</b>	The offer management agreement dated 4 March 2013 between the Issuer and the Joint Lead Managers, a summary of which is set out in Section 10.4
<b>Offer Period</b>	The period when Applications for the Offer can be lodged
<b>Opening Date</b>	The first date on which Application Forms will be accepted, expected to be 12 March 2013
<b>Original Prospectus</b>	The prospectus lodged with ASIC on 4 March 2013, which was replaced by this Prospectus
<b>Permitted Finance Debt</b>	Has the meaning given to it in the Terms of Issue in Appendix A
<b>PHIAC</b>	Private Health Insurance Administration Council
<b>Prospectus</b>	This prospectus issued by the Issuer in respect of the Offer of Notes II dated and lodged with ASIC on 12 March 2013

## Appendix B

### Glossary

<b>Receivables Purchase Agreement</b>	Means the agreement summarised in Section 10.5
<b>Redemption</b>	The redemption of all or some of Notes II. See the Terms of Issue for the circumstances in which Notes II can be redeemed
<b>Redemption Amount</b>	The amount payable to Holders upon redemption of their Notes II, in accordance with the Terms of Issue
<b>Register</b>	The register of Holders (established and maintained in accordance with the Trust Deed) and, where appropriate, includes: <ul style="list-style-type: none"> <li>– a sub-register conducted by or for the Issuer pursuant to the Corporations Act, the Listing Rules or ASX Settlement Operating Rules; and</li> <li>– any branch register</li> </ul>
<b>Registry</b>	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
<b>Representative Secured Moneys</b>	Has the meaning given to it in the Security Trust Deed
<b>Security</b>	Has the meaning given to it in the Security Trust Deed
<b>Security Group</b>	Each of Healthscope Hospitals Holdings Pty Ltd ACN 145 126 094 and its subsidiaries, each of Healthscope Pathology Holdings No. 2 Pty Ltd ACN 146 342 832 and its subsidiaries and CT HSP Holdings (Dutch) B.V. registered number 34308383 and its subsidiaries (other than certain special purpose companies and holding companies established for the purposes of undertaking the development, construction and operation of the Gold Coast Private Hospital)
<b>Security Trust Deed</b>	The Security Trust Deed dated 22 September 2010 (as amended) between the Security Trustee, each Obligor and others
<b>Security Trustee</b>	The security trustee appointed pursuant to the terms of the Security Trust Deed, being initially Westpac Banking Corporation
<b>Securityholder Applicant</b>	An Eligible Securityholder who submits an Application under the Securityholder Offer
<b>Securityholder Offer</b>	The Offer open to Eligible Securityholders on the terms set out in this Prospectus
<b>Senior Creditors</b>	Has the meaning given to it in the Intercreditor Deed
<b>Senior Debt</b>	Has the meaning given to it in the Intercreditor Deed (and includes the amounts drawn under the Senior Facilities, finance leases and any Additional Capex Facility)
<b>Senior Event of Default</b>	Has the meaning given to it in the Intercreditor Deed, as summarised in Section 6
<b>Senior Facilities</b>	The debt facilities provided under the Senior Facility Agreement, as summarised in Section 6
<b>Senior Facility Agreement</b>	Has the meaning given to it in the Security Trust Deed
<b>Senior Finance Documents</b>	Has the meaning given to it in the Security Trust Deed
<b>Senior Financier</b>	Has the meaning given to it in the Security Trust Deed
<b>Senior Leverage Ratio</b>	Means the Senior Gearing Ratio under the Senior Facility Agreement as described in Section 6.5
<b>Senior Potential Event of Default</b>	Any event or circumstance which, with the giving of notice, lapse of time, satisfaction of a condition or determination (or a combination of these) would be a Senior Event of Default
<b>Shareholder Debt</b>	Has the meaning given to it in the Intercreditor Deed
<b>SRN</b>	Securityholder Reference Number
<b>Subordinated Creditor</b>	Has the meaning given to it in the Intercreditor Deed
<b>Subordinated Debt</b>	Has the meaning given to it in the Intercreditor Deed
<b>Subordinated Note Funding Document</b>	Has the meaning given to it in the Intercreditor Deed, and includes the Terms of Issue and Notes II
<b>Syndicate Broker</b>	The Joint Lead Managers and brokers who are offered a firm allocation of Notes II, by the Joint Lead Managers
<b>Terms of Issue</b>	The terms of issue of Notes II set out in Appendix A

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<b>TFN</b>	Tax File Number
<b>The Carlyle Group</b>	Carlyle Asia Partners III, L.P. and its affiliates and Carlyle Partners V, L.P. and its affiliates
<b>TPG</b>	TPG Capital Management, L.P. and its affiliates
<b>Trust Deed</b>	The Trust Deed dated on or about 4 March 2013 between the Issuer and the Trustee
<b>Trustee</b>	The Trust Company (Australia) Limited (ACN 000 000 993)
<b>UBS</b>	UBS AG, Australia Branch (ABN 47 088 129 613)
<b>US</b>	The United States of America
<b>US Person</b>	The meaning given to “US Person” in Regulation S of the US Securities Act
<b>US Securities Act</b>	The US Securities Act of 1933
<b>Westpac</b>	Westpac in its capacity as a Joint Lead Manager: Westpac Institutional Bank – a division of Westpac Banking Corporation (ABN 33 007 457 141) Westpac in its capacity as a party to the Receivables Purchase Agreement – Westpac Banking Corporation (ABN 33 007 457 141)

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# Healthscope Notes Limited

ACN 147 250 780

## Securityholder Offer Application Form

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



If you are an eligible holder of Healthscope Listed Notes (Healthscope Notes I) and would like to apply for Healthscope Subordinated Notes II (Healthscope Notes II) under the Securityholder Offer, please complete this Application Form and indicate you are a holder of Healthscope Notes I by marking X in the box.

### A I/we apply for

### B I/we lodge full Application Money

A\$

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

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

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

Joint Applicant 2 or Account Designation
<input type="text"/>

Joint Applicant 3 or Account Designation
<input type="text"/>

### D Enter your postal address - Include State and Postcode

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

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

### E Enter your contact details

Contact Name
<input type="text"/>

Telephone Number - Business Hours / After Hours
( <input type="text"/> ) <input type="text"/>

### F CHESS Participant

Holder Identification Number (HIN)
<input checked="" type="checkbox"/> <input type="text"/>

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

### Cheque details - Make your cheque or money order payable to "Healthscope Notes II Offer"

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

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application Form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the constitution of the Issuer, the trust deed and terms of issue relating to Healthscope Notes II and the Security Trust Deed and Intercreditor Deed as defined in the Prospectus.

See back of form for completion guidelines

# How to complete this form

## A Healthscope Notes II Applied for

Enter the number of Healthscope Notes II you wish to apply for. The application must be for a minimum of 50 Healthscope Notes II (\$5,000). Applications for greater than 50 Healthscope Notes II must be in multiples of 10 Healthscope Notes II (\$1,000).

## B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Healthscope Notes II by the issue price of \$100 per Healthscope Note II.

## C Applicant Name(s)

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

If you are an Eligible Securityholder, mark an "X" as indicated on the front of this Form to apply under the Securityholder Offer.

## D Postal Address

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

## E Contact Details

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

## F CHES

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

## G Payment

Make your cheque or money order payable to "Healthscope Notes II Offer" in Australian currency and cross it "Not Negotiable". Your cheque or money order must be drawn on an Australian branch of a financial institution.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

**Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form. Cash will not be accepted. Receipt for payment will not be forwarded.**

Before completing the Application Form the applicant(s) should read the Prospectus. By lodging the Application Form, the applicant agrees that this application for Healthscope Notes II to be issued by Healthscope Notes Limited is upon and subject to the terms of the Prospectus, agrees to take any number of Healthscope Notes II that may be allotted to the Applicant(s) pursuant to the Prospectus, agrees that Healthscope Notes II will be issued pursuant to the terms and conditions set out in the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

## Lodgement of Application

### Broker Firm Applicant

If you are a Broker Firm Applicant or you have received a firm allocation from your Syndicate Broker, your Application must be received by your Syndicate Broker in time for them to arrange settlement on your behalf by the Closing Date of the Broker Firm Offer, Tuesday 26 March 2013 (see Section 8 of the Prospectus). You must contact your Syndicate Broker for their instructions on how to submit your Broker Firm Offer Application. Do not return your Application to the Registry.

### Securityholder Applicant

Application Forms must be received by Computershare Investor Services Pty Limited (CIS) Melbourne by no later than 5:00pm AEDT on Tuesday 19 March 2013. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited  
GPO Box 52  
MELBOURNE VIC 3001

Neither CIS nor Healthscope Notes Limited (or any other member of the Healthscope Group) accepts any responsibility if you lodge the Application Form at any other address or by any other means.

## Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au).

If you have any enquiries concerning your application, please contact the Healthscope Notes II Offer Information Line on 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia).

## Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Healthscope Notes II. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act 2001. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund



## Corporate directory

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### ISSUER'S REGISTERED OFFICE

#### Healthscope Notes Limited

Level 1  
312 St Kilda Road  
Melbourne VIC 3004

### STRUCTURING ADVISERS & JOINT LEAD MANAGERS

#### Credit Suisse (Australia) Limited

Level 31, Gateway  
1 Macquarie Place  
Sydney NSW 2000

#### Macquarie Capital (Australia) Limited

No. 1 Martin Place  
Sydney NSW 2000

#### UBS AG, Australia Branch

Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

### JOINT LEAD MANAGERS

#### ANZ Securities

Level 9  
833 Collins Street  
Docklands, VIC 3008

#### Commonwealth Bank of Australia

Ground Floor, Tower 1  
201 Sussex Street  
Sydney NSW 2000

#### National Australia Bank Limited

Level 25  
255 George Street  
Sydney NSW 2000

#### Westpac Institutional Bank

Level 3  
Westpac Place  
275 Kent Street  
Sydney NSW 2000

### CO-MANAGER

#### Bell Potter

Level 29  
101 Collins Street  
Melbourne VIC 3000

### AUSTRALIAN LEGAL ADVISER

#### Herbert Smith Freehills

Level 42  
101 Collins Street  
Melbourne VIC 3000

### INVESTIGATING ACCOUNTANT

#### Deloitte Touche Tohmatsu

550 Bourke Street  
Melbourne VIC 3000

### REGISTRY

#### Computershare Investor Services Pty Limited

Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

### TRUSTEE

#### The Trust Company (Australia) Limited

Level 3  
530 Collins Street  
Melbourne VIC 3000

### NOTES II OFFER INFORMATION LINE

1300 387 249 (within Australia) or  
+61 3 9415 4061 (outside Australia)  
Monday to Friday – 8.30am to 5.30pm

### NOTES II OFFER WEBSITE

[www.HealthscopeNotesIIOffer.com](http://www.HealthscopeNotesIIOffer.com)

### CORPORATE WEBSITE

[www.healthscope.com.au](http://www.healthscope.com.au)

### How to contact us

Notes II Offer Information Line on 1300 387 249 (within Australia) or +61 3 9415 4061 (outside Australia)  
(Monday to Friday – 8.30am to 5.30pm)

### Website

Notes II Offer  
[www.HealthscopeNotesIIOffer.com](http://www.HealthscopeNotesIIOffer.com)

