



Healthscope

Healthscope Limited
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APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

HALF YEAR REPORT FOR THE 6 MONTHS ENDED 31 DECEMBER 2016 INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A.3

Reporting period

Half-year ended 31 Dec 2016

Comparative period

Half-year ended 31 Dec 2015

Results ¹	\$'m	% change increase/ (decrease)
Revenue from ordinary activities	1,192.0	4%
Profit from ordinary activities after tax attributable to members	90.5	(6%)
Net profit for the period attributable to members	90.5	(6%)
Operating earnings before finance costs, income tax, depreciation and amortisation (Operating EBITDA) ²	216.8	5%
Operating earnings before finance costs and income tax (Operating EBIT) ²	161.4	1%

¹ The financial results in the comparative period included revenue of \$3.0 million and a net loss of \$1.5 million attributable to the Pathology Australia business which was divested on 6 July 2015.

² "Operating" results represent Statutory results from continuing operations before non-operating expenses of \$5.6 million (net of tax) (1HFY16: \$3.0 million).

Dividend	Record Date	Payment Date	Amount per security	Franked amount per security
Interim dividend	9 March 2017	23 March 2017	3.5¢	Nil

No foreign conduit income is attributable to the interim dividend.

Dividend reinvestment plan

Healthscope's dividend reinvestment plan (DRP) will operate in respect of the interim dividend, with the last date for receipt of election notices being 10 March 2017. No discount is applicable to shares allocated to participants and no brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP. Shares will be allocated on 23 March 2017 and will rank equally in all respects with existing shares. The price at which shares are allocated is the daily volume weighted average market price of Healthscope shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of 7 trading days beginning on the second business day after the dividend record date.

Net tangible assets backing (NTA backing)	31 December 2016	31 December 2015
Net tangible asset per ordinary security	\$0.29	\$0.22

Other information regarding the accounts

The information contained in this Appendix 4D is based on financial statements, which have been subject to review. For additional Appendix 4D disclosures, refer to the accompanying Media Release, Director's Report and the Financial Report for the half year ended 31 December 2016.



HEALTHSCOPE LIMITED

ABN: 65 144 840 639

HALF-YEAR FINANCIAL REPORT

For the half-year ended 31 December 2016

HEALTHSCOPE LIMITED

TABLE OF CONTENTS

	Page
Directors' Report	1-2
Auditor's Independence Declaration	3
Independent Auditor's Review Report	4-5
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Cash Flows	8
Condensed Consolidated Statement of Changes in Equity	9
General Information and Basis of Preparation	10
Notes to the Condensed Consolidated Financial Statements	11-15
Directors' Declaration	16

HEALTHSCOPE LIMITED

DIRECTORS' REPORT

The Directors present their report, together with the half-year financial report of Healthscope Limited ('Healthscope') and its controlled entities ('the Healthscope Group', 'the Group') for the half-year ended 31 December 2016.

DIRECTORS

The Directors of Healthscope any time during or since the end of the half-year are:

Name	Position
Paula Dwyer	Chairman
Robert Cooke	Managing Director and Chief Executive Officer
Antoni (Tony) Cipa	Non Executive Director
Jane McAloon	Non Executive Director
Rupert Myer AO	Non Executive Director
Paul O'Sullivan	Non Executive Director
Zygmunt (Ziggy) Switkowski AO	Non Executive Director

The Company Secretary is Ms Ingrid Player.

REVIEW OF OPERATIONS

Analysis of results

The consolidated profit of the Healthscope Group for the half-year ended 31 December 2016, after income tax expense, was \$90.5 million (31 December 2015: \$95.9 million).

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

	Half-year ended	
	31 Dec 2016	31 Dec 2015
	\$'m	\$'m
Statutory net profit from continuing and discontinued operations	90.5	95.9
Loss from discontinued operations (Pathology Australia)	-	1.5
Statutory net profit from continuing operations	90.5	97.4
<i>Add back</i>		
Income tax expense	36.0	38.4
Net finance cost	26.9	19.7
Depreciation and amortisation	55.4	46.6
Earnings before finance costs, income tax, depreciation, and amortisation (EBITDA) from continuing operations	208.8	202.1
<i>Add back</i>		
Other income and expense items	8.0	4.3
Operating earnings before finance costs, income tax, depreciation and amortisation (Operating EBITDA) from continuing operations	216.8	206.4

HEALTHSCOPE LIMITED

DIRECTORS' REPORT

REVIEW OF OPERATIONS *(continued)*

The following table provides an analysis of the Operating EBITDA achieved for each reportable segment for the half-year ended 31 December 2016.

	Half-year ended	
	31 Dec 2016	31 Dec 2015
	\$'m	\$'m
Operating EBITDA		
Hospitals Australia	186.7	182.7
Pathology New Zealand	30.5	23.2
Other	13.5	13.8
Total all segments	230.7	219.7
Corporate	(13.9)	(13.3)
Operating EBITDA from continuing operations	216.8	206.4
Pathology Australia (Discontinued)	-	(1.7)
Operating EBITDA from continuing and discontinued operations	216.8	204.7

Operating EBITDA

Operating EBITDA represents earnings before income tax expense, net finance costs, depreciation, amortisation and adjusted for certain income and expense items that are unrelated to the underlying performance of the business. The Company believes that presenting Operating EBITDA provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

Operating EBITDA is presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information".

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 3 of the half-year financial report.

DIVIDENDS

Interim dividend

The Directors have resolved to pay an unfranked interim dividend of 3.5 cents per share. The record date is 9 March 2017. This dividend has not been included as a liability in these financial statements as it was not declared until after 31 December 2016.

Dividends paid during the financial period

During the half-year ended 31 December 2016, Healthscope Limited paid a dividend of 3.9 cents per share that resulted in a total dividend payment of \$67.7 million in relation to the financial year ended 30 June 2016.

ROUNDING OFF OF AMOUNTS

Healthscope Limited is an entity to which ASIC Class Order 2016 / 191 applies, and in accordance with that the Directors' report and the financial statements are rounded to the nearest hundred thousand dollars, unless otherwise stated.

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



Paula J Dwyer

Chairman

Melbourne, 22 February 2017

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

22 February 2017

Dear Board Members

Healthscope Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Healthscope Limited.

As lead audit partner for the review of the financial statements of Healthscope Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Andrew Reid
Partner
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Healthscope Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 16.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Healthscope Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Andrew Reid
Partner
Chartered Accountants
Melbourne, 22 February 2017

HEALTHSCOPE LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Half-year ended	
		31 Dec 2016 \$'m	31 Dec 2015 \$'m
Continuing operations			
Revenue		1,192.0	1,147.0
Employee benefits expense		(528.1)	(499.0)
Medical and consumable supplies		(150.1)	(148.8)
Prosthetics expenses		(146.4)	(145.2)
Occupancy costs		(37.4)	(40.3)
Service costs		(113.2)	(107.3)
Other income and expense items	3	(8.0)	(4.3)
Profit before finance costs, income tax, depreciation and amortisation		208.8	202.1
Depreciation and amortisation		(55.4)	(46.6)
Profit before finance costs and income tax		153.4	155.5
Net finance costs		(26.9)	(19.7)
Profit before income tax		126.5	135.8
Income tax expense		(36.0)	(38.4)
Profit for the period from continuing operations		90.5	97.4
Discontinued operations			
Net loss for the period from discontinued operations		-	(1.5)
NET PROFIT FOR THE PERIOD		90.5	95.9
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchanges differences arising on translation of foreign operations		1.3	9.6
Gain / (loss) on cash flow hedges taken directly to equity		10.1	(5.0)
Income tax (expense) / benefit relating to other comprehensive income		(3.4)	1.5
Other comprehensive income for the period, net of tax		8.0	6.1
Total comprehensive income for the period		98.5	102.0
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)	4	5.2	5.5
Diluted (cents per share)	4	5.2	5.5
From continuing operations			
Basic (cents per share)	4	5.2	5.6
Diluted (cents per share)	4	5.2	5.6

The above statement should be read in conjunction with the accompanying notes.

HEALTHSCOPE LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 Dec 2016 \$'m	30 Jun 2016 \$'m
CURRENT ASSETS			
Cash and cash equivalents	5	274.8	278.8
Trade and other receivables		122.0	145.7
Consumables supplies at cost		55.1	57.4
Prepayments		16.1	16.6
Derivative financial instruments		0.1	1.8
TOTAL CURRENT ASSETS		468.1	500.3
NON-CURRENT ASSETS			
Other financial assets		8.3	8.6
Derivative financial instruments		1.2	16.5
Other receivable	6	213.0	123.0
Investments in joint ventures		0.9	0.9
Property, plant and equipment		1,944.2	1,800.3
Intangibles	7	1,841.8	1,843.6
Deferred tax assets		120.1	151.9
TOTAL NON-CURRENT ASSETS		4,129.5	3,944.8
TOTAL ASSETS		4,597.6	4,445.1
CURRENT LIABILITIES			
Trade and other payables		237.4	246.2
Current tax liabilities		4.1	2.3
Borrowings		4.2	4.9
Derivative financial instruments		7.9	8.8
Other financial liabilities		3.9	4.8
Provisions		124.4	121.9
TOTAL CURRENT LIABILITIES		381.9	388.9
NON-CURRENT LIABILITIES			
Borrowings		1,690.3	1,557.0
Derivative financial instruments		7.6	13.0
Other financial liabilities		0.1	0.1
Other payables		21.3	18.4
Deferred tax liabilities		62.6	63.5
Provisions		27.9	31.5
TOTAL NON-CURRENT LIABILITIES		1,809.8	1,683.5
TOTAL LIABILITIES		2,191.7	2,072.4
NET ASSETS		2,405.9	2,372.7
EQUITY			
Issued capital	8	2,706.1	2,706.1
Reserves		(247.3)	(257.7)
Accumulated losses		(52.9)	(75.7)
TOTAL EQUITY		2,405.9	2,372.7

The above statement should be read in conjunction with the accompanying notes.

HEALTHSCOPE LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Half-year ended	
	31 Dec 2016	31 Dec 2015
	\$'m	\$'m
Continuing and discontinued operations ⁽ⁱ⁾		
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,230.0	1,135.7
Payment to suppliers and employees	(1,005.5)	(956.3)
Cash generated from operations	224.5	179.4
Interest received	2.4	2.7
Interest and costs of finance paid	(27.2)	(20.8)
Income tax paid	(7.9)	(7.5)
Other income and expense items	(14.9)	(2.5)
Net cash provided by operating activities	176.9	151.3
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	3.8	0.4
Proceeds from disposal of operations	-	92.3
Payments for property, plant and equipment	(33.7)	(41.7)
Brownfield facility development payments for plant and equipment	(91.3)	(116.3)
Gold Coast facility development payments for plant and equipment	-	(58.3)
Northern Beaches facility development payments for plant and equipment	(146.2)	(65.1)
Payments for operating rights	(0.6)	(0.7)
Net payments for business combinations	(0.1)	(62.0)
Net cash used in investing activities	(268.1)	(251.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from project finance	151.4	104.6
Net proceeds from receivables securitisation	7.9	5.2
Finance leasing payments	(4.0)	(2.3)
Dividends paid	(67.7)	(64.1)
Facility fees paid	(0.1)	(3.1)
Net cash provided by finance activities	87.5	40.3
Net decrease in cash and cash equivalents from continuing operations	(3.7)	(59.8)
Net cash used in discontinued operations	-	(1.7)
Cash and cash equivalents at the beginning of the period	278.8	217.7
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.3)	0.2
Cash and cash equivalents at the end of the period	274.8	156.4

The above statement should be read in conjunction with the accompanying notes.

(i) The comparatives of the Condensed Consolidated Statement of Cash Flows include cash flows associated with continuing and discontinued operations (Pathology Australia).

HEALTHSCOPE LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued capital	Accumulated losses	reorganisation Reserve	Group Foreign currency translation reserve	Hedge reserve	Equity settled employee benefits reserve	Total equity
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Opening balance at 1 July 2015	2,697.2	(131.9)	(282.2)	26.6	(5.0)	1.0	2,305.7
Profit for the period	-	95.9	-	-	-	-	95.9
Other comprehensive income / (loss) for the period net of tax	-	-	-	9.6	(3.5)	-	6.1
Total comprehensive income / (loss) for the period	-	95.9	-	9.6	(3.5)	-	102.0
New shares issued	8.2	-	-	-	-	-	8.2
Equity raising costs - refund net of tax	0.7	-	-	-	-	-	0.7
Recognition of share based payments	-	-	-	-	-	0.7	0.7
Dividends paid	-	(64.2)	-	-	-	-	(64.2)
Closing balance at 31 December 2015	2,706.1	(100.2)	(282.2)	36.2	(8.5)	1.7	2,353.1
Opening balance at 1 January 2016	2,706.1	(100.2)	(282.2)	36.2	(8.5)	1.7	2,353.1
Profit for the period	-	85.2	-	-	-	-	85.2
Other comprehensive income / (loss) for the period net of tax	-	-	-	5.1	(12.1)	-	(7.0)
Total comprehensive income / (loss) for the period	-	85.2	-	5.1	(12.1)	-	78.2
Recognition of share based payments	-	-	-	-	-	2.1	2.1
Dividends paid	-	(60.7)	-	-	-	-	(60.7)
Closing balance at 30 June 2016	2,706.1	(75.7)	(282.2)	41.3	(20.6)	3.8	2,372.7
Opening balance at 1 July 2016	2,706.1	(75.7)	(282.2)	41.3	(20.6)	3.8	2,372.7
Profit for the period	-	90.5	-	-	-	-	90.5
Other comprehensive income for the period net of tax	-	-	-	1.3	6.7	-	8.0
Total comprehensive income for the period	-	90.5	-	1.3	6.7	-	98.5
Recognition of share based payments	-	-	-	-	-	2.4	2.4
Dividends paid	-	(67.7)	-	-	-	-	(67.7)
Closing balance at 31 December 2016	2,706.1	(52.9)	(282.2)	42.6	(13.9)	6.2	2,405.9

The above statement should be read in conjunction with the accompanying notes.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

GENERAL INFORMATION AND BASIS OF PREPARATION

General information

This general purpose financial report for the half-year ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Healthscope Limited for the year ended 30 June 2016 and any public announcements made by Healthscope Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Healthscope Limited is a public company listed on the Australian Securities Exchange (trading under the code 'HSO'), incorporated and domiciled in Australia with trading operations in Australia, New Zealand and South East Asia.

The principal place of business of the Group is:

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

The principal activities of Healthscope Group during the half-year ended 31 December 2016 were the provision of healthcare services through the ownership and management of hospitals, medical centres and the provision of pathology diagnostic services.

Basis of preparation and consolidation

The condensed consolidated financial statements have been prepared on the historical cost except for certain financial instruments that are measured at revalued amounts or fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial results and financial position of the Group are expressed in Australian dollars, which is the presentation currency for the condensed consolidated financial statements.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report for Healthscope Limited for the financial year ended 30 June 2016.

During the current financial period, all mandatory new and revised standards and amendments hereof and Interpretations were adopted which had no material impact.

Rounding of amounts

Healthscope Limited is an entity to which ASIC Class Order 2016 / 191 applies, and in accordance with that the Directors' report and the financial statements are rounded to the nearest hundred thousand dollars, unless otherwise stated.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: DIVIDENDS

During the current reporting period, Healthscope Limited paid a dividend of \$3.9 cents per share that resulted in a total dividend payment of \$67.7 million in relation to the financial year ended 30 June 2016.

On 22 February 2016, the Directors resolved to pay an unfranked interim dividend of 3.5 cents (31 December 2015: 3.5 cents) that will result in a total dividend payment of \$60.7 million (31 December 2015: 60.7 million). The interim dividend has not been included as a liability in these financial statements, as it was not declared until after 31 December 2016.

NOTE 2: SEGMENT INFORMATION

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of Healthscope Limited that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Under AASB 8, the reportable segments of the Group are as follows:

- Hospitals Australia - the management and provision of surgical and non-surgical private hospitals
- Pathology New Zealand - the provision of pathology services in New Zealand; and
- Other - the provision of pathology services in Malaysia, Singapore and Vietnam and the provision of practice management services in medical centres in Australia

	Segment revenue		Segment operating EBITDA ⁽ⁱ⁾		Segment profit ⁽ⁱⁱ⁾	
	Half-year ended		Half-year ended		Half-year ended	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Hospitals Australia	1,010.6	981.3	186.7	182.7	144.4	147.9
Pathology New Zealand	122.9	106.0	30.5	23.2	23.8	18.2
Other	58.5	59.7	13.5	13.8	9.4	9.3
Total all segments	1,192.0	1,147.0	230.7	219.7	177.6	175.4
Corporate			(13.9)	(13.3)	(16.2)	(15.6)
Total all segments after Corporate			216.8	206.4	161.4	159.8
Other income and expense items (Note 3)					(8.0)	(4.3)
Net finance costs					(26.9)	(19.7)
Profit before income tax					126.5	135.8
Income tax expense					(36.0)	(38.4)
Net profit from continuing operations					90.5	97.4
Net loss from discontinued operations					-	(1.5)
Net profit from continuing and discontinued operations					90.5	95.9

(i) Segment Operating EBITDA represents the profit earned by each segment without the allocation of central administrative costs, depreciation, amortisation, investment revenue, finance costs, income tax expense and other items of income and expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(ii) Segment profit represents Operating EBIT being the profit earned by each segment without the allocation of central administrative costs, investment revenue, finance costs, income tax expense and other items of income and expenses.

Other segment information

	Hospitals Australia	Pathology New Zealand	Other	Corporate	Total
	\$'m	\$'m	\$'m	\$'m	\$'m
December 2016					
Total assets	4,074.2	273.2	229.7	20.5	4,597.6
Total liabilities	(2,100.9)	(40.7)	(50.1)	-	(2,191.7)
June 2016					
Total assets	3,929.7	267.2	232.4	15.8	4,445.1
Total liabilities	(1,995.0)	(53.5)	(23.9)	-	(2,072.4)

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 3: OTHER INCOME AND EXPENSE ITEMS

	Half-year ended	
	31 Dec 2016	31 Dec 2015
	\$'m	\$'m
Continuing operations		
Hospital commissioning costs ⁽ⁱ⁾	0.8	-
Restructuring and other costs ⁽ⁱⁱ⁾	1.7	0.8
Loss relating to appointment of liquidators for a supplier group ⁽ⁱⁱⁱ⁾	5.5	-
Onerous leases and related costs ^(iv)	-	0.8
Acquisition and tender costs ^(v)	-	2.7
	8.0	4.3

(i) Hospital commissioning costs primarily relate to the commissioning of Holmesglen Private Hospital.

(ii) Restructure and other costs primarily relate to a general reorganisation within the Hospital and Medical Centres divisions.

(iii) During the financial period, liquidators were appointed for a supplier group. These costs represent write-offs in relation to stock in transit and deposits paid for the purchase of theatre equipment.

(iv) The prior year expense relates to the early exit of Allamanda Private Hospital lease and Allamanda Surgicentre leases.

(v) The prior year expense refers to professional and transaction costs incurred in relation to the acquisition of Hunter Valley Private Hospital.

NOTE 4: EARNINGS PER SHARE

	Half-year ended	
	31 Dec 2016	31 Dec 2015
Basic earnings / (loss) per share (cents per share)		
From continuing operations	5.2	5.6
From discontinued operations	-	(0.1)
Total basic earnings per share	5.2	5.5
Diluted earnings / (loss) per share (cents per share)		
From continuing operations	5.2	5.6
From discontinued operations	-	(0.1)
Total diluted earnings per share	5.2	5.5

(a) Reconciliation of earnings used in calculating earnings per share

	Half-year ended	
	31 Dec 2016	31 Dec 2015
	\$'m	\$'m
<i>Basic and diluted earnings / (loss) per share</i>		
Profit / (loss) for the period attributable to owners of the Company		
- Profit for the period from continuing operations	90.5	97.4
- Loss for the period from discontinuing operations	-	(1.5)
	90.5	95.9

(b) Weighted average number of shares used as the denominator in calculation of statutory earnings per share

	Half-year ended	
	31 Dec 2016	31 Dec 2015
	Number 'm	Number 'm
Weighted average number of ordinary shares used in calculating basic earnings per share	1,735.1	1,732.8
Adjustments for calculation of diluted earnings per share:		
- LTI Performance rights	4.2	2.2
- STI Performance rights	2.0	-
	6.2	2.2
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	1,741.3	1,735.0

(c) Information concerning the classification of securities

Performance rights and share rights granted to participants are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The performance rights and the share rights have not been included in the determination of basic earnings per share.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 5: CASH AND CASH EQUIVALENTS

Reconciliation of cash and cash equivalents

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

	31 Dec 2016 \$'m	30 Jun 2016 \$'m
Cash and cash equivalents	191.0	200.6
Restricted cash ⁽ⁱ⁾	83.8	78.2
	274.8	278.8

(i) Restricted cash can only be applied towards the development of Northern Beaches Hospital which is subject to separate funding arrangements.

NOTE 6: OTHER RECEIVABLE

	31 Dec 2016 \$'m	30 Jun 2016 \$'m
Receivable from NSW State Government ⁽ⁱ⁾	213.0	123.0

(i) The receivable is due upon the commissioning of Northern Beaches Hospital which is currently scheduled to open in December 2018.

NOTE 7: INTANGIBLES

	For six months ended		
	31 Dec 2016 \$'m	30 Jun 2016 \$'m	31 Dec 2015 \$'m
Goodwill			
Gross carrying amount			
Balance at the beginning of the reporting period	1,784.2	1,780.8	1,736.6
Acquisitions through business combinations ⁽ⁱ⁾	-	-	34.9
Effect of foreign currency exchange differences	1.7	3.4	9.3
Balance at the end of the reporting period	1,785.9	1,784.2	1,780.8
Other intangibles⁽ⁱⁱ⁾			
Balance at the beginning of the reporting period	59.4	62.7	66.4
Fair value adjustment to prior year acquisition	-	-	(1.3)
Additions	0.4	0.5	0.7
Amortisation of identifiable intangibles	(4.8)	(4.2)	(4.0)
Effect of foreign currency exchange differences	0.9	0.4	0.9
Balance at the end of the reporting period	55.9	59.4	62.7
Total intangibles	1,841.8	1,843.6	1,843.5

(i) Goodwill related to the acquisition of the Hunter Valley Private Hospital has been restated to reflect the finalisation of the accounting for the business combination. The fair value adjustments recognised principally related to an uplift in the fair value of property, plant and equipment.

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

Impairment of goodwill and indefinite life intangible assets

The Healthscope Group performs an impairment assessment when there is an indication or trigger of a possible impairment of its non-current assets. In addition, at least annually, the Healthscope Group performs an impairment review of goodwill and indefinite life intangible assets, regardless of whether an impairment indicator has been identified. The annual review of goodwill and indefinite life intangible assets for impairment was performed at 30 June 2016.

Medical Centres

After considering the trading performance of each of the Healthscope Group's CGU's for the six months ended 31 December 2016, an impairment indicator was identified for the Medical Centres CGU. Using value-in-use model for the purpose of Medical Centres' impairment testing, management estimates the recoverable amount to exceed the carrying amount of the Medical Centres CGU.

The headroom for the medical centres CGU continues to be marginal and sensitive to movements in business performance and the general economic and regulatory conditions. Strategies are in place to mitigate impacts of the Medicare funding changes and general market conditions.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 8: ISSUED CAPITAL

	Number of shares	Share Capital \$'m
Balance at 1 July 2016	1,735,093,472	2,706.1
New shares issued	-	-
Balance at 31 December 2016	1,735,093,472	2,706.1

NOTE 9: FAIR VALUE MEASUREMENT

The financial instruments included on the consolidated statement of financial position are measured at either fair value or amortised cost. The measurement of this fair value may in some cases be subjective and may depend on the inputs used in the calculations.

The Group generally uses external valuations based on market inputs or market values. The different valuation methods are called 'hierarchies' and are described below.

- Level 1: calculated using quoted prices in active markets.
- Level 2: estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: estimated using inputs for the asset or liability that are not based on observable market data.

All financial instruments recognised on the consolidated statement of financial position are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following borrowings:

	31 Dec 2016		30 Jun 2016	
	Carrying amount \$'m	Fair value \$'m	Carrying amount \$'m	Fair value \$'m
Borrowings				
US Private Placement (AUD)	396.9	406.8	419.1	410.8

The fair values of the Group's financial instruments are estimated as follows:

Borrowings

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date, in combination with remeasurement to foreign exchange rates at balance date (level 2 in fair value hierarchy).

Derivative financial instruments

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date (level 2 in fair value hierarchy).

Other financial assets (promissory note)

The fair value of the promissory note is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty from market based information (level 3 in fair value hierarchy).

There were no transfers between Level 1 and Level 2 during the year.

NOTE 10: COMMITMENTS

	31 Dec 2016 \$'m	30 Jun 2016 \$'m
<i>Capital expenditure committed but not provided for and payable:</i>		
- Not longer than 1 year	460.8	593.6
- Longer than 1 year but not longer than 5 years	440.7	600.3
- Longer than 5 years	-	-
	901.5	1,193.9

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 11: CONTINGENT LIABILITIES

	31 Dec 2016 \$'m	30 Jun 2016 \$'m
Estimates of material amounts of contingent liabilities not provided for:		
Bank guarantee to various Workcover authorities	12.3	8.5
Bank guarantee in respect of the Northern Beaches development	161.8	161.8
Bank guarantees in respect of property leases	12.1	12.0

NOTE 12: EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods other than the dividend declared in Note 1.

HEALTHSCOPE LIMITED
DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) The financial statements and notes are in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debt as and when they become due and payable

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

On behalf of the Directors



Paula J Dwyer
Chairman



Robert Cooke
Managing Director and Chief Executive Officer

Melbourne, 22 February 2017