



Appendix 4D

**HALF-YEAR ENDED 31 DECEMBER 2015
 INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A.3**

Reporting period

Half-year ended 31 Dec 2015

Comparative period

Half-year ended 31 Dec 2014

Results for announcement to the market **Up / down** **% Movement** **\$'000**

From continuing and discontinued operations

Revenue from ordinary activities	down	7%	to	1,150,009
Profit from ordinary activities after tax attributable to members	up	64%	to	95,869
Net profit/(loss) attributable to members	up	64%	to	95,869

From continuing operations

Revenue from ordinary activities	up	6%	to	1,146,989
Profit from ordinary activities after tax attributable to members	up	52%	to	97,364
Net profit/(loss) attributable to members	up	52%	to	97,364

Dividends

	Amount per security	Franked amount per security
Final dividend – year ended 30 June 2015	3.7¢	nil
Interim dividend – year ending 30 June 2016	3.5¢	nil

Record date for determining entitlements to the dividend:

- final dividend 14 September 2015
- interim dividend 10 March 2016

Dividend payment date

- final dividend 29 September 2015
- interim dividend 24 March 2016

Net tangible assets (NTA backing)

	31 December 2015	31 December 2014
Net tangible assets per ordinary security	\$0.22	\$0.25

Other information regarding the accounts

The information contained in this Appendix 4D is based on financial statements, which have been subject to review. An explanation of the figures presented above can be found in the director's report and the notes to the financial statements.



HEALTHSCOPE LIMITED

CONSOLIDATED FINANCIAL REPORT

ABN: 65 144 840 639

For the half-year ended 31 December 2015

HEALTHSCOPE LIMITED

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HEALTHSCOPE LIMITED

DIRECTORS' REPORT

The directors of Healthscope Limited ('the Company') submit herewith the half-year financial report of the Company and its controlled entities ("the Group") for the half-year ended 31 December 2015. In order to comply with the provisions of the *Corporations Act 2001*, the directors' report is as follows:

DIRECTORS

The names and particulars of the directors in office at any time during or since the end of the half-year are:

<u>Name</u>	<u>Position</u>
Ms P.J. Dwyer	Chairman
Mr R.J. Cooke	Managing Director and Chief Executive Officer
Mr S.C. Moore	Non-executive director (retired 31 December 2015)
Mr A.M. Eng	Non-executive director (retired 31 December 2015)
Mr A.M. Cipa	Non-executive director
Mr R.H. Myer AO	Non-executive director
Mr P. O'Sullivan	Non-executive director (appointed 1 January 2016)

The Company Secretary is Ms Ingrid Player.

REVIEW OF OPERATIONS

Analysis of results

Consolidated net profit after tax attributable to the owners of Healthscope Limited for the half-year ended 31 December 2015 was \$95.9 million (2014: \$58.6 million).

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

	Half-year ended 31 Dec 2015	Half-year ended 31 Dec 2014
	\$'000	\$'000
Operating EBITDA		
Statutory net profit for the year from continuing and discontinued operations	95,869	58,563
<i>Add back</i>		
Income tax expense from continuing operations	38,433	33,017
Net finance costs from continuing operations	19,707	48,475
Depreciation and amortisation from continuing operations	46,606	44,490
Net loss from discontinued operations (Pathology Australia)	1,495	5,451
Earnings before income tax, finance costs, depreciation and amortisation (EBITDA)	202,110	189,996
<i>Add back</i>		
Other income and expense items from continuing operations ⁽ⁱ⁾	4,252	1,091
Corporate costs	13,313	10,783
Operating earnings before income tax, finance costs, depreciation and amortisation (Operating EBITDA)	219,675	201,870

(i) Refer to Note 4 for further details on other income and expense items.

HEALTHSCOPE LIMITED

DIRECTORS' REPORT

The following table provides an analysis of the Operating EBITDA achieved for each reportable segment for the half-year ended 31 December 2015.

	Half-year ended 31 Dec 2015	Half-year ended 31 Dec 2014
	\$'000	\$'000
Operating EBITDA		
Hospitals Australia	182,729	166,125
Pathology New Zealand	23,178	19,747
Other	13,768	15,998
Total all reportable segments	219,675	201,870
Corporate	(13,313)	(10,783)
Total all segments after corporate costs	206,362	191,087

Reportable Segments

As a result of the divestment of Pathology Australia, the reportable segments have been revised to reflect the continuing business. Due to this change, the new reportable segments of Healthscope Limited are as follows:

Hospitals Australia – the operating segment of the Hospitals' operations.

Pathology New Zealand – the operating segment of the New Zealand pathology business.

Other – combination of the operating segments of:

- Medical Centres;
- Pathology Malaysia;
- Pathology Singapore; and
- Pathology Vietnam.

The reportable segments were revised in line with the requirements mentioned in AASB 8 *Operating Segments*.

Operating EBITDA

Operating EBITDA represents profit before income tax expense, net finance costs, depreciation and amortisation 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".

STATE OF AFFAIRS

Divestment of Pathology Australia

On 6 July 2015, Healthscope completed the sale of its Pathology Australia operations to Crescent Capital Partners for \$105.0 million. As part of the sale, Healthscope also transferred six skin clinics from its Medical Centre operations to Crescent. The consideration of \$105.0 million comprised cash proceeds of \$92.5 million and a promissory note of \$12.5 million. No gain or loss was recorded on sale in the current period as the net assets were written down to their recoverable amount in prior year based on the agreed proceeds from sale.

The current period consolidated net profit after tax includes the operations of Australian Pathology for the period 1 July 2015 to 6 July 2015 (loss of \$1.495 million).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 4 of the half-year financial report.

DIVIDENDS

During the reporting period, Healthscope Limited resolved to pay and paid a dividend of \$64.1 million in relation to the financial year ended 30 June 2015.

The interim dividend in respect of the current financial year has not been provided for in this financial report as it was not declared until after 31 December 2015. Since the end of the half-year, the directors resolved to pay an unfranked interim dividend of 3.5 cents (2014: 3.3 cents) that will result in a total dividend payment of \$60.7 million.

HEALTHSCOPE LIMITED

DIRECTORS' REPORT

ROUNDING OFF OF AMOUNTS

Healthscope Limited is a company of the kind referred to in the ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the accompanying half-year financial report have been rounded to the nearest thousand dollars, except where otherwise indicated.

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

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read "Paula J. Dwyer". The signature is written in a cursive style with a large initial 'P'.

Paula J. Dwyer
Chairman

Melbourne
23 February 2016

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

23 February 2016

Dear Directors,

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 half-year financial report of Healthscope Limited for the half-year ended 31 December 2015, 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



T Imbesi
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 2015, 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 7 to 22.

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 2015 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.

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.

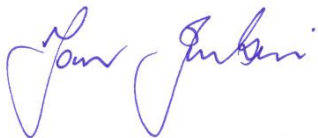
Conclusion

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 2015 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



T Imbesi
Partner
Chartered Accountants
Melbourne, 23 February 2016

HEALTHSCOPE LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Half-year ended	
		31 Dec 2015 \$'000	31 Dec 2014 \$'000
Continuing operations			
Revenue		1,146,989	1,086,813
Share of profits of joint ventures		1,090	741
Employee benefits expense		(498,999)	(477,267)
Medical and consumable supplies		(148,830)	(142,434)
Prosthetics expenses		(145,226)	(137,677)
Occupancy costs		(40,297)	(37,958)
Service costs		(108,365)	(101,131)
Other income and expense items	4	(4,252)	(1,091)
Profit before finance costs, income tax, depreciation and amortisation		202,110	189,996
Depreciation and amortisation		(46,606)	(44,490)
Profit before finance costs and income tax		155,504	145,506
Net finance costs		(19,707)	(48,475)
Profit before income tax		135,797	97,031
Income tax expense		(38,433)	(33,017)
Profit for the period from continuing operations		97,364	64,014
Discontinued operations			
Net loss for the period from discontinued operations		(1,495)	(5,451)
NET PROFIT FOR THE PERIOD		95,869	58,563
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		9,578	9,269
Loss on cash flow hedges taken directly to equity		(4,977)	(5,894)
Income tax benefit relating to other comprehensive income		1,493	1,768
Other comprehensive income for the period, net of tax		6,094	5,143
Total comprehensive income for the period		101,963	63,706
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)	6	5.5	3.7
Diluted (cents per share)	6	5.5	3.7
From continuing operations			
Basic (cents per share)	6	5.6	4.0
Diluted (cents per share)	6	5.6	4.0

The accompanying notes numbered 1 to 17 form part of this half-year financial report.

HEALTHSCOPE LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Note	31 Dec 2015 \$'000	30 Jun 2015 \$'000
CURRENT ASSETS			
Cash and cash equivalents	7(a)	156,399	217,705
Trade and other receivables		108,982	96,361
Prepayments		15,362	14,839
Inventories		57,675	52,854
Assets classified as held for sale		-	140,363
TOTAL CURRENT ASSETS		338,418	522,122
NON-CURRENT ASSETS			
Other financial assets		8,290	2,570
Other receivable	8	81,130	43,842
Investments in joint ventures		694	1,001
Property, plant and equipment		1,637,338	1,414,726
Intangibles	9	1,853,547	1,803,035
Deferred tax assets		167,392	193,780
TOTAL NON-CURRENT ASSETS		3,748,391	3,458,954
TOTAL ASSETS		4,086,809	3,981,076
CURRENT LIABILITIES			
Trade and other payables		226,355	229,886
Current tax liabilities		3,659	3,982
Deferred revenue		948	949
Borrowings	10	6,868	8,592
Other financial liabilities	11	11,746	10,538
Provisions		122,473	112,730
Liabilities directly associated with assets classified as held for sale		-	40,387
TOTAL CURRENT LIABILITIES		372,049	407,064
NON-CURRENT LIABILITIES			
Borrowings	10	1,270,271	1,167,923
Other financial liabilities	11	8,433	4,252
Deferred tax liabilities		54,954	52,608
Provisions		27,881	43,483
TOTAL NON-CURRENT LIABILITIES		1,361,539	1,268,266
TOTAL LIABILITIES		1,733,588	1,675,330
NET ASSETS		2,353,221	2,305,746
EQUITY			
Issued capital	12	2,706,141	2,697,237
Reserves		(252,796)	(259,609)
Accumulated losses		(100,124)	(131,882)
TOTAL EQUITY		2,353,221	2,305,746

The accompanying notes numbered 1 to 17 form part of this half-year financial report.

HEALTHSCOPE LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Half-year ended	
Note	31 Dec 2015 \$'000	31 Dec 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,135,732	1,099,165
Payment to suppliers and employees	(956,361)	(906,295)
Cash generated from operations	179,371	192,870
Interest received	2,746	1,630
Interest and costs of finance paid	(20,829)	(35,257)
Income tax paid	(7,488)	(6,085)
Other income and expense items	(2,523)	(4,001)
Net cash provided by operating activities	151,277	149,157
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	367	2,025
Proceeds from disposal of operations	92,347	20,605
Payments for property, plant and equipment	(41,722)	(33,426)
Brownfield facility development payments for plant and equipment	(116,290)	(41,624)
Gold Coast facility development payments for plant and equipment	(58,296)	(47,986)
Northern Beaches facility development payments for plant and equipment	(65,084)	(3,971)
Payments for operating rights	(715)	(1,712)
Proceeds from ACHA loan	-	1,000
Net payments for business combinations	(62,031)	(4,410)
Net cash used in investing activities	(251,424)	(109,499)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings due to ownership restructure	-	(1,364,957)
Proceeds from bank borrowings	-	995,000
Repayment of bank borrowings	-	(1,162,405)
Proceeds from issue of new shares	-	1,610,280
Transaction costs relating to issue of new shares	(17)	(72,507)
Proceeds from project finance	104,631	12,352
Net proceeds from receivables securitisation	5,150	9,681
Finance leasing payments	(2,280)	(1,779)
Dividends paid	(64,108)	-
Facility fees paid	(3,064)	(5,254)
Net cash provided by finance activities	40,312	20,411
Net (decrease) / increase in cash and cash equivalents from continuing operations	(59,835)	60,069
Net cash used in discontinued operations	(1,703)	(10,376)
Cash and cash equivalents at the beginning of the period	217,705	138,245
Effects of exchange rate changes on the balance of cash held in foreign currencies	232	1,047
Cash and cash equivalents at the end of the period	156,399	188,985

The accompanying notes numbered 1 to 17 form part of this half-year financial report.

HEALTHSCOPE LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Issued capital \$'000	Accumulated losses \$'000	Group reorganisation Reserve \$'000	Foreign currency translation reserve \$'000	Hedge reserve \$'000	Equity Settled Employee Benefits Reserve \$'000	Total equity \$'000
Opening balance at 1 July 2014	1,219,805	(519,939)	(282,174)	32,938	-	-	450,630
Profit for the period	-	58,563	-	-	-	-	58,563
Other comprehensive income/(loss) for the period net of tax	-	-	-	9,269	(4,126)	-	5,143
Total comprehensive income/(loss) for the period	-	58,563	-	9,269	(4,126)	-	63,706
New shares issued	1,781,719	-	-	-	-	-	1,781,719
Equity raising costs net of tax	(653)	-	-	-	-	-	(653)
Recognition of share-based payments	-	-	-	-	-	417	417
Closing balance at 31 December 2014	3,000,871	(461,376)	(282,174)	42,207	(4,126)	417	2,295,819
Opening balance at 1 January 2015	3,000,871	(461,376)	(282,174)	42,207	(4,126)	417	2,295,819
Profit for the period	-	82,285	-	-	-	-	82,285
Other comprehensive loss for the period net of tax	-	-	-	(15,541)	(876)	-	(16,417)
Total comprehensive income/(loss) for the period	-	82,285	-	(15,541)	(876)	-	65,868
Equity raising costs net of tax	758	-	-	-	-	-	758
Reduction of share capital	(304,392)	304,392	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	484	484
Dividends	-	(57,183)	-	-	-	-	(57,183)
Closing balance at 30 June 2015	2,697,237	(131,882)	(282,174)	26,666	(5,002)	901	2,305,746
Opening balance at 1 July 2015	2,697,237	(131,882)	(282,174)	26,666	(5,002)	901	2,305,746
Profit for the period	-	95,869	-	-	-	-	95,869
Other comprehensive income/(loss) for the period net of tax	-	-	-	9,578	(3,484)	-	6,094
Total comprehensive income/(loss) for the period	-	95,869	-	9,578	(3,484)	-	101,963
New shares issued	8,156	-	-	-	-	-	8,156
Equity raising costs/refund net of tax	748	-	-	-	-	-	748
Recognition of share-based payments	-	-	-	-	-	719	719
Dividends	-	(64,111)	-	-	-	-	(64,111)
Closing balance at 31 December 2015	2,706,141	(100,124)	(282,174)	36,244	(8,486)	1,620	2,353,221

The accompanying notes numbered 1 to 17 form part of this half-year financial report.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the half-year ended 31 December 2015 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 2015 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 company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activities of Healthscope Limited during the half-year ended 31 December 2015 were the provision of healthcare services through the ownership and management of hospitals, provision of practice management services and the provision of international pathology diagnostic services.

Basis of preparation

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

Healthscope Limited is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order, amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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 2015, except for the impact of the adoption of the new and revised accounting policies discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

During the current reporting period, no new and revised Standards and amendments thereof and Interpretations were adopted.

Comparative information

The prior period comparatives have been restated to reflect the divestment of Pathology Australia, which occurred on 6th July 2015.

Net Working Capital Position

The working capital position of the Healthscope Group as at 31 December 2015 reflects a net current liability position of \$33.6 million (30 June 2015: \$115.1 million net current asset position).

The factors that contribute to the net current liability position include:

- (i) The Group continued to utilise the accounts receivable securitisation facility of \$140 million. During the year \$116.1 million of eligible receivables were sold to the bank under this facility, reducing the relevant current asset and a related reduction in non-current debt. This reduced the overall cost of debt servicing.
- (ii) Certain liabilities are classified as "current liabilities" according to the requirements of accounting standards however the Group do not anticipate that all of these amounts will be settled in cash within the next 12 months from the date of this financial report. Such liabilities include current employee entitlements of \$102.8 million (31 December 2014: \$111.3 million).

The net working capital position at 30 June 2015 included net assets held for sale of \$100.0 million associated with the divestment of Pathology Australia. This divestment was completed on 6 July 2015.

The Healthscope Group has continued to generate cash flows from operating activities of \$179.4 million (31 December 2014: \$192.9 million) and consistently recorded a cash conversion ratio of greater than 85%, representing cash generated from operations divided by operating EBITDA.

The Directors 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 the date of this financial report.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 2: DIVIDENDS

During the reporting period, Healthscope Limited resolved to pay and paid a dividend of \$64.1 million in relation to the financial year ended 30 June 2015.

In respect of the half-year ended 31 December 2015, the directors resolved to pay an unfranked interim dividend of 3.5 cents per share. The record date is 10 March 2016. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$60.7 million.

NOTE 3: SEGMENT INFORMATION

As a result of the divestment of Pathology Australia, the reportable segments were revised to reflect the continuing business. The comparative period has been restated in order to reflect this change. *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 Healthscope Limited 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
- Other - the provision of pathology services in Malaysia, Singapore and Vietnam and the provision of practice management services

	Segment revenue ⁽ⁱ⁾		Segment operating EBITDA ⁽ⁱⁱ⁾		Segment profit ⁽ⁱⁱⁱ⁾	
	Half-year ended		Half-year ended		Half-year ended	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Hospitals Australia	981,312	938,943	182,729	166,125	147,882	134,342
Pathology New Zealand	106,001	88,003	23,178	19,747	18,153	14,796
Other	59,676	59,867	13,768	15,998	9,311	10,731
Total all segments	1,146,989	1,086,813	219,675	201,870	175,346	159,869
Corporate					(15,590)	(13,271)
Total all segments after Corporate					159,756	146,598
Other income and expense items (Note 4)					(4,252)	(1,091)
Net finance costs					(19,707)	(48,475)
Profit before income tax					135,797	97,032
Income tax expense					(38,433)	(33,017)
Net profit from continuing operations					97,364	64,015

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

(ii) 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.

(iii) 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 continuing segments	Pathology Australia (Discontinued)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
31 Dec 2015							
Total assets	3,568,292	264,241	232,123	22,153	4,086,809	-	4,086,809
Total liabilities	(1,627,792)	(65,845)	(39,951)	-	(1,733,588)	-	(1,733,588)
30 Jun 2015							
Total assets	3,346,396	244,001	236,973	13,343	3,840,713	140,363	3,981,076
Total liabilities	(1,550,497)	(69,487)	(14,959)	-	(1,634,943)	(40,387)	(1,675,330)

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 4: OTHER INCOME AND EXPENSE ITEMS

Continuing operations	Half-year ended	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Restructure and other costs ⁽ⁱ⁾	827	333
Onerous leases and related costs ⁽ⁱⁱ⁾	795	-
Acquisition and tender costs ⁽ⁱⁱⁱ⁾	2,630	758
	4,252	1,091

(i) Restructure and other costs primarily relate to one-off legal costs incurred.

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

(iii) The current year expense refer to professional and transaction costs incurred in relation to the acquisition of Hunter Valley Private Hospital. The prior period expense relates to the tender costs for Northern Beaches Hospital development.

NOTE 5: DISCONTINUED OPERATIONS

On 6 July 2015, the Group completed the divestment of Pathology Australia. As part of the divestment, the Group transferred \$140.4 million of assets and \$40.4 million of liabilities associated to assets held for sale.

The results of the discontinued Pathology Australia operations included in the profit for the half-year are set out below. The comparative figures from discontinued operations has been re-stated to include those operations classified as discontinued in the previous period.

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Revenue	3,020	146,935
Expenses	(5,156)	(154,476)
Loss before finance costs and income tax	(2,136)	(7,541)
Net finance costs	-	(171)
Loss before income tax	(2,136)	(7,712)
Income tax benefit	641	2,261
Loss for the period from discontinued operations	(1,495)	(5,451)

HEALTHSCOPE LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 6: EARNINGS PER SHARE

	31 Dec 2015 cents per share	31 Dec 2014 cents per share
Basic earnings per share (cents per share)		
From continuing operations	5.6	4.0
From discontinued operations	(0.1)	(0.3)
Total basic earnings per share	5.5	3.7
Diluted earnings per share (cents per share)		
From continuing operations	5.6	4.0
From discontinued operations	(0.1)	(0.3)
Total diluted earnings per share	5.5	3.7

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

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
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Basic and diluted earnings per share

Profit for the period attributable to owners of the Company

- Profit for the period from continuing operations	97,364	64,014
- Loss for the period from discontinuing operations	(1,495)	(5,451)
	95,869	58,563

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

	31 Dec 2015 No.	31 Dec 2014 No.
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Weighted average number of ordinary shares used in calculating basic earnings per share

	1,732,779,309	1,563,299,268
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Adjustments for calculation of diluted earnings per share:

- Performance rights	2,240,306	1,446,758
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Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating diluted earnings per share

	1,735,019,614	1,564,746,026
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(c) Information concerning the classification of securities

Performance rights granted to employees under the Group's executive and employee share option plan 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 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 2015

NOTE 7: CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

For the purposes of the 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 is reconciled to the related items as follows:

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Cash and cash equivalents	102,971	154,594
Restricted cash ⁽ⁱ⁾	53,428	71,235
Cash and cash equivalents transferred to assets held for sale	-	(8,124)
	156,399	217,705

- (i) Restricted cash can only be applied towards expenditure on the Gold Coast Private Hospital development and the Northern Beaches Hospital development which are subject to separate funding arrangements.

	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
(b) Finance facilities		
Unsecured bank overdraft credit facility		
Amount utilised	-	-
Unused credit facility	5,000	5,000
	5,000	5,000
Unsecured credit facility		
Amount utilised	995,000	995,000
Unused credit facility	455,000	300,000
	1,450,000	1,295,000
Secured project finance ⁽ⁱⁱ⁾		
Amount utilised	284,608	12,352
Unused credit facility	561,392	143,648
	846,000	156,000
Receivables securitisation facility ⁽ⁱⁱⁱ⁾		
Amount utilised	116,076	123,121
Unused credit facility	23,924	16,879
	140,000	140,000

- (ii) Project finance relates to a 5-year limited recourse syndicated senior debt facility and senior construction facility totalling \$156.0 million and \$690.0 million which were put in place on 19 September 2013 and 28 January 2015. These debt facilities are in place to fund the development of the Gold Coast Private Hospital and Northern Beaches Private Hospital respectively. These facilities are secured against entities of the Group which are not obligors of the senior syndicated facility.

- (iii) The Group has in place a receivables securitisation facility with its financier. Under the terms of the facility, the Group derecognised \$116.1 million (2014: \$123.1 million) of eligible receivables and used the proceeds to reduce debt. The facility has a schedule commitment termination date of 25th October 2017.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 8: OTHER RECEIVABLE

	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Other receivable		
Receivable from NSW State Government ⁽ⁱ⁾	81,130	43,842

(i) NSW State Government receivable is in relation to the Northern Beaches Hospital. The receivable is due upon the commissioning of Northern Beaches Hospital which is currently planned for December 2018.

NOTE 9: INTANGIBLE ASSETS

	For six months ended		
	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2014 \$'000
Goodwill			
Gross carrying amount			
Balance at the beginning of the reporting period	1,736,573	1,780,382	1,774,183
Acquisitions through business combinations (Note 13)	44,858	353	1,266
Effect of foreign currency exchange differences	9,254	(12,574)	4,933
Transferred to assets held for sale	-	(31,588)	-
Balance at the end of the reporting period	1,790,685	1,736,573	1,780,382
Other intangibles⁽ⁱ⁾			
Balance at the beginning of the reporting period	66,462	75,446	78,054
Fair value adjustment to prior year acquisition	(1,288)	-	-
Additions	718	2,942	1,957
Amortisation of identifiable intangibles	(3,970)	(5,560)	(5,127)
Effect of foreign currency exchange differences	940	(1,367)	562
Transferred to assets held for sale	-	(4,999)	-
Balance at the end of the reporting period	62,862	66,462	75,446
Total intangibles	1,853,547	1,803,035	1,855,828

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

Impairment of goodwill and indefinite life intangible assets

As required under accounting standard AASB 136 *Impairment of Assets*, Healthscope Limited performs an impairment assessment annually and when there is an indication or trigger of a possible impairment of its non-current assets. The annual review was performed at 30 June 2015.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 10: BORROWINGS

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
CURRENT		
Secured - at amortised cost		
Finance lease liabilities ⁽ⁱ⁾	4,761	4,491
Hire purchase facilities	2,107	4,101
	6,868	8,592
NON-CURRENT		
Unsecured - at amortised cost		
Bank loans ⁽ⁱⁱ⁾	995,000	995,000
Capitalised borrowing costs	(5,779)	(3,558)
	989,221	991,442
Secured - at amortised cost		
Finance lease liabilities ⁽ⁱ⁾	7,302	9,238
Project finance ⁽ⁱⁱⁱ⁾	284,608	179,977
Capitalised borrowing costs	(10,860)	(12,734)
	281,050	176,481
	1,270,271	1,167,923

Summary of borrowing arrangements

- (i) The finance lease liabilities are secured by way of fixed charges over the leased assets to which they relate and have lease terms ranging from 1 to 7 years.
- (ii) The unsecured senior syndicated revolving debt facility was put in place on 1 July 2014 for an initial three year term. The facility was amended on 30 October 2015 to increase the limit by \$155 million to \$1,450 million through additional tranches of varying maturities of up to 5 years. The purpose was to provide additional capacity and extended tenor over a range of years to reduce the financial risk at any point of refinance.
- (iii) Project finance relates to a 5-year limited recourse syndicated senior debt facility and senior construction facility totalling \$156.0 million and \$690.0 million which were put in place on 29 September 2013 and 28 January 2015. These debt facilities are in place to fund the development of the Gold Coast Private Hospital and Northern Beaches Hospital respectively. These facilities are secured against entities of the Group which are not obligors of the senior syndicated facility.
- (iv) The Group has in place a receivables securitisation facility with its financier. Under the terms of the facility, the Group derecognised \$116.1 million (2014: \$123.1 million) of eligible receivables and used the proceeds to reduce debt. The facility has a schedule commitment termination date of 25th October 2017.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 11: OTHER FINANCIAL LIABILITIES

	31 Dec 2015 \$'000	30 Jun 2015 \$'000
CURRENT		
Interest rate swaps ⁽ⁱ⁾	3,789	3,320
Accrued interest ⁽ⁱⁱ⁾	7,592	6,813
Deferred purchase consideration ⁽ⁱⁱⁱ⁾	365	405
	11,746	10,538
NON-CURRENT		
Interest rate swaps ⁽ⁱ⁾	8,333	3,827
Deferred purchase consideration ⁽ⁱⁱⁱ⁾	100	425
	8,433	4,252

⁽ⁱ⁾ The interest rate swaps relate to the hedging of the borrowings under the project finance facilities.

⁽ⁱⁱ⁾ Represents interest accrued on bank loans.

⁽ⁱⁱⁱ⁾ Relates to the consideration payable on business acquisitions.

NOTE 12: ISSUED CAPITAL

	31 Dec 2015		31 Dec 2014	
	Number	\$'000	Number	\$'000
Fully paid ordinary shares – Healthscope Limited	1,735,093,472	2,747,324	1,732,094,838	3,043,560
Equity raising costs net of tax		(41,183)		(42,689)
	1,735,093,472	2,706,141	1,732,094,838	3,000,871
Fully paid ordinary shares				
At the start of the period	1,732,094,838	2,739,168	883,561,760	1,261,841
New shares issued ^{(i) (ii)}	2,998,634	8,156	848,533,078	1,781,719
	1,735,093,472	2,747,324	1,732,094,838	3,043,560

⁽ⁱ⁾ On 19 November 2015, the Group issued 2,998,634 fully paid ordinary shares at an issue price of \$2.72 per share as part of the consideration for the acquisition of 100% of the Hunter Valley Private Hospital. Total consideration for the acquisition of Hunter Valley Private Hospital is \$71.6 million, comprising \$63.4 million in cash proceeds and \$8.2 million in the form of shares (refer to Note 13).

⁽ⁱⁱ⁾ The new shares issued in the comparative period represent the ordinary shares issued as part of the IPO process, which completed on 28 July 2015.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 13: CHANGES IN THE COMPOSITION OF THE HEALTHSCOPE GROUP

During the half-year ended 31 December 2015, the following changes to the consolidated group were completed:

Acquisitions	Date of acquisition	Proportion of ownership acquired %	Cost of acquisition \$'000
Half year ended 31 December 2015			
Hunter Valley Private Hospital	19-Nov-15	100%	63,441
Cash Consideration			63,441
Equity consideration			8,156
Total			71,597
Half year ended 31 December 2014			
Frankston Private Day Surgery	01-Jul-14	100%	
Peninsula Oncology Centre	01-Jul-14	100%	
Croydon Health Clinic	01-Aug-14	100%	
Total Consideration			5,160
Assets acquired and liabilities assumed at the date of acquisition			
2015 acquisitions			
Current assets			
Cash and cash equivalents			1,576
Trade and other receivables			2,738
Inventories			636
Current liabilities			
Trade and other payables			(2,105)
Provisions			(1,703)
Tax liabilities			(453)
Finance lease liabilities			(268)
Non-current assets			
Property, plant and equipment			26,350
Intangible assets			42
Deferred tax assets			755
Non-current liabilities			
Finance lease liabilities			(208)
Tax liabilities			(344)
Provisions			(277)
Net assets			26,739
Goodwill arising on acquisition			
Cash consideration			63,441
Equity consideration			8,156
Less: fair value of identifiable net assets acquired			(26,739)
			44,858

The acquisition accounting for Hunter Valley Private Hospital remains provisional as at 31 December 2015.

Disposals

On 6 July 2015, Healthscope completed the sale of its Australian Pathology operations to Crescent Capital Partners ("Crescent"). As part of the sale Healthscope also transferred six skin clinics from its Medical Centre operations to Crescent. The consideration of \$105.0 million comprised cash proceeds of \$92.5 million, less working capital adjustment of \$0.2 million and a promissory note of \$12.5 million. No gain or loss was recorded on sale as the net assets were written down to their recoverable amount in the prior year based on the agreed proceeds from sale.

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 14: FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
	31 Dec 2015 \$'000	31 Dec 2014 \$'000			
Interest rate swaps	12,122	5,894	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the various counterparties.	N/A
Promissory note received as part of the sale of Pathology Australia	8,230	-	Level 3	Option pricing methodology. The "profit profile" of the promissory note is consistent with that of a "bull call spread" option strategy. As such, the promissory note has been valued using an option pricing methodology that involves valuing 2 call options with staggered exercise prices.	(i) Time to expiry - estimated based on average private equity holding periods. (ii) Value 'today' - estimated based on the transaction background.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Board considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

	31 Dec 2015		31 Dec 2014	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
Financial assets				
Trade receivables	105,403	105,403	73,069	73,069
Other financial assets	8,290	8,290	6,334	6,334
Financial liabilities				
Trade and other payables	226,355	226,355	222,859	222,859
Loans and lease liabilities	1,277,139	1,277,139	1,014,660	1,014,660
Other financial liabilities	20,179	20,179	13,979	13,979

HEALTHSCOPE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 15: COMMITMENTS FOR EXPENDITURE

	Half-year ended	
	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Capital expenditure commitments:		
Capital expenditure projects		
Property, plant and equipment		
- Not longer than 1 year	498,532	291,584
- Longer than 1 year but not longer than 5 years	389,601	151,367
- Longer than 5 years	-	-
	888,133	442,951

NOTE 16: CONTINGENT LIABILITIES

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Estimates of material amounts of contingent liabilities, not provided for in the financial report:		
Bank guarantee to various Workcover authorities	8,479	4,614
Bank guarantee in respect of the Northern Beaches development	161,809	161,809
Bank guarantees in respect of property leases	12,276	13,146

NOTE 17: EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial period which 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.

HEALTHSCOPE LIMITED
DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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 J. Cooke
Managing Director and Chief Executive Officer

Melbourne, 23 February 2016