

HALF YEAR INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A

Name of entity

Healthscope Limited

ABN

85 006 405 152

Reporting period

Half Year Ended 31 Dec 2006

Previous corresponding period

Half Year Ended 31 Dec 2005

This information contained in this report should be read in conjunction with the most recent annual financial report.

Contents	Item
Results for announcement to the market	1.
Net tangible assets per ordinary share	2.
Details of controlled entities	3.
Details of associates and joint venture entities	4.
Dividends	5.
Accounting standards	6.
Audit disputes or qualifications	7.

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$'000
Revenue from ordinary activities	up	38.1%	to \$	661,917
Profit before amortisation, depreciation, borrowing costs and income tax (EBITDA)	up	74.72%	to \$	102,712
Net profit for the period	up	138.3%	to \$	47,047
Net profit for the period attributable to members	up	143.9%	to \$	46,772

Dividends per Share	Amount per share	Franked amount per share at 30% tax
	Interim	8.5 cents

Record date for determining entitlements to dividends 6-March-07

Payment Date for Dividend 16-April-07

OTHER NOTES TO THE CONDENSED FINANCIAL STATEMENTS

2. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)

Current Period	Previous corresponding period
0.06	(0.24)

3. DETAILS OF CONTROLLED ENTITIES

3.1 Control Gained Over Entities During the Period

The acquisition of Doctorslab Diagnostics Pte Ltd Singapore was completed during the reporting period. It did not materially contribute to the financial performance of the Group and has not been included in this disclosure.

3.2 Control Lost Over Entities During the Period

The company disposed of four hospitals during the reporting period. The profit before tax contribution from these four hospitals was \$17.3m, which included a one off profit on sale of \$16.5m.

4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

4.1 Equity Accounts Associates and Joint Venture Entities

	%Ownership Interest		Contribution to Net Profit	
	Current Period A\$ '000	Previous Corresponding Period A\$ '000	Current Period A\$ '000	Previous Corresponding Period A\$ '000
Darwin Angiography Cardiac Laboratory	50%	50%	112	130
Mount Hospital Cath Labs Pty Ltd Joint Venture	50%	50%	898	253

4.2 Aggregate Share of Profits (Losses) of Associates and Joint Venture Entities

Group's Share of Associates and Joint Venture Entities

	Current Period A\$ '000	Previous Corresponding Period A\$ '000
Profit from ordinary activities before tax	1,010	547
Income Tax on ordinary activities	(303)	(164)
Profit from ordinary activities after tax	707	383
Net Profit	707	383
Share of net profit of associates and joint venture entities	707	383

5. DIVIDENDS

5.1 Dividends per Share

	Amount per share	Franked amount per share at 30% tax	Amounts per share of foreign source dividend
Final			
– current period	7.5 cents	7.5 cents	0 cents
– previous correspondence period	6.5 cents	6.5 cents	0 cents

5.2 Total Dividends

	Current Period A\$ '000	Previous Corresponding Period A\$ '000
	17,430	11,678

All dividends reflected as distributions above were paid during the Period.

5.3 Dividends Reinvestment Plans

The Company operates a Dividend Reinvestment Plan. This will Continue to be available to shareholders at a 2.5% discount.

The last date for receipt of election notices for participation in any Dividend reinvestment plans.

6-Mar-07

6. ACCOUNTING STANDARDS

Australian Accounting Standards have been used in compiling the Information contained in this Appendix 4D.

7. OTHER INFORMATION REGARDING THE ACCOUNTS

7.1 The information contained in this Appendix 4D is based on accounts which have been subject to review.



Healthscope Limited

ABN 85 006 405 152

Financial Report

For the Half-Year Ended 31 December 2006

HEALTHSCOPE LIMITED
ACN 006 405 152
AND CONTROLLED ENTITIES

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HEALTHSCOPE LIMITED
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DIRECTORS' REPORT

Your directors submit the financial report of Healthscope Limited and controlled entities for the half-year ended 31 December 2006.

DIRECTORS

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

Mr. H Kevin McCann

Mr. Richard A F England

Dr. Ziggy E Switkowski

Ms Linda B Nicholls

Mr. Ron B Evans

Mr. Bruce R Dixon

Directors have been in office since the start of the financial half-year to the date of this report unless otherwise stated.

OPERATING RESULTS

The consolidated operating profit attributable to the consolidated entity for the half-year, after income tax expense, amounted to \$46,772,000 (2005 - \$19,178,000).

GROUP RESULTS

The strong gains in revenues and profitability were largely a result of full period contributions from the 14 ex-Affinity hospitals acquired during FY2006, as well as continued improvements in underlying operating margins in hospital and pathology businesses.

While economic benefit from all of the acquired ex-Affinity hospitals accrued to Healthscope from 1 November 2005, legal transfer was not completed on two key hospitals, namely The Prince of Wales (NSW) and Melbourne Private (Victoria) until October and November 2006. All of these hospitals have now been successfully integrated into the Healthscope hospitals portfolio.

Four hospitals were divested during the half-year, namely The Palm Beach Clinic (Qld), Northwest Private (Tas), Dubbo Private (NSW) and La Trobe Private (Vic). Economic benefit of these hospitals was transferred to the Purchasers effective from 1 October 2006. Legal transfer has been achieved on 3 of these hospitals with the transfer of the final hospital expected prior to end February 2007.

The EBITDA from discontinued operations in the 6 months to December 2006 of \$15.6 million includes the earnings from the sold hospitals to the effective date of sale of 1 October 2006 (\$1.2m), the profit on sale (\$16.5m), offset by one-off restructure cost of \$2.1m. The tax liability on the profit on sale of these hospitals was partly offset by carried forward capital losses, this accounting for the effective tax rate of 24% on total earnings for the half year.

Non-recurring items largely related to restructuring costs associated with acquisitions completed in the past year.

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DIVIDEND

A fully franked interim dividend of 8.5 cents will be paid on 16 April 2007 to shareholders registered on 6 March 2007. This represents an increase of 1.5 cents (21%) over the previous year's interim dividend. The Dividend Re-Investment Plan will be retained at a 2.5% discount.

CASH FLOW

Cashflow from operating activities increased to \$53.8 million (prior corresponding period - \$33.1 million) with this increase over the prior corresponding period largely reflecting the impact of the acquisition of the ex-Affinity hospitals. Gross Operating Cashflows continue to be equal to 100% of EBITDA before the gain on sale of the divested hospitals as detailed below:

Gross Operating Cash to EBITDA	\$ Millions
Cashflow from Operating Activities	53.8
Addback	
- Interest paid	23.2
- Income Tax paid	9.7
Total	<u>86.7</u>
EBITDA	102.7
Less	
Gain on Sale of Hospitals	(16.5)
Net operating EBITDA	<u>86.2</u>
Ratio of Gross Operating Cash to EBITDA	101%

Expenditure on property, plant and equipment of \$30.7 million was significantly up on the prior corresponding period (\$19.8 million). This reflects not only the substantial re-investment in plant and equipment in our businesses, especially the ex-Affinity hospitals, but also capital expenditure on IT systems and hardware associated with integration of the ex-Affinity hospitals and continued expansion of pathology laboratories into hospitals. This figure also includes \$6.2 million in outlays relating to the establishment of the Labtests facility in Auckland to service the Auckland region pathology contract from 1 July 2007.

The cash outlays on new investments in the half-year included the acquisition of the minority interests in the Malaysian pathology operations, the acquisition of the Doctors Lab pathology business in Singapore and finalisation of expenditures relating to the ex-Affinity hospitals (predominantly stamp duty). The proceeds from sales of \$13.0 million largely reflect part receipt of proceeds from the divested hospitals.

BALANCE SHEET

Net Assets at 31 December 2006 of \$776.2 million represents an 11% increase over the December 2005 half year, reflecting the continued growth of the Company over the last 12 months. Net asset backing per share at 31 December 2006 stands at \$3.29 (Dec 2005 - \$3.06 per share)

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Despite the significant investment in capital expenditure and acquisition outlays in the half, interest bearing liabilities, net of cash, (net debt) were reduced by \$20.9 million from the 30 June 2006 level to be \$555.3 million at 31 December 2006. The ratio of net debt to net debt plus equity at half-year end of 41.7% represents a significant reduction from the 30 June 2006 level of 44.1%. The debt levels at 31 December do not fully reflect the cash benefit from of the sale of the divested hospitals as three of these will settle in February 2007. The period end balance sheet includes a receivable of \$28.8 million for this item. Interest cover (EBITDA/interest expense) for the half year stands at 4.4 times, based on total EBITDA earnings for the period and 3.7 times based on EBITDA from continuing operations.

REVIEW OF OPERATIONS

A brief overview of each operating division's performance is as follows:

Hospitals.

The division now represents 81% of Group revenues. Operating margins (excluding prosthetics) continues to improve with current EBITDA margins at 15.0% being a 18% margin improvement on the corresponding period last year. The improved returns reflect the quality of the overall portfolio and the benefits of establishing networks within our Group. The creation of an integrated network of hospitals in major geographic regions enables us to maximise revenues by retaining referrals within our Group. We are able to value-add to our Doctors and patients, whilst improving margins.

With the acquisition of Brisbane Private in February 2007, the Company now has major flagship hospitals in every State and Territory, complemented by a national pathology footprint. After a review of our hospital portfolio during the half it was decided to divest 4 non-core hospitals. Our portfolio of hospitals provides geographical spread, vertically integrated pathology services and a full breadth of service provision ranging from high acute surgery, accident and emergency services to psychiatry and rehabilitation.

Strong revenue growth was recorded in all divisions within hospitals particularly in the large medical/surgical hospitals.

An increased management fee from the ACHA contract of \$4.9M (\$2.6M in corresponding period last year) reflects the continued excellent improvement made in all three Adelaide based ACHA hospitals over the past few years. We will continue to re-invest in the business and plan to develop additional catheterisation laboratories in both Ashford and Flinders during the 2nd half to enable business expansion next year.

On 28th April 2006, Healthscope announced that it had signed a conditional agreement to acquire Newcastle Private Hospital. This acquisition is expected to be finalised within the next few months following satisfaction of the outstanding conditions precedent is achieved. Healthscope has been managing Newcastle Private since 1 May 2006 on behalf of NIB Health Funds.

Negotiations are continuing with the South Australian Government to transfer the Modbury Public Hospital back to public management. Whilst terms have not been finalised, it is anticipated the contract will be terminated in calendar year 2007.

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Pathology

The pathology business recorded EBITDA of \$20.3M (\$14.4M corresponding period last year) with an EBITDA margin of 15.9% (13.3% LY). Revenue of \$128.1M was up 18.1% on corresponding period last year. In contrast to the hospital division, pathology revenues are stronger in the 2nd half-year.

The division is growing at levels above market growth rates as we continue to integrate the pathology work from Healthscope hospitals and Specialists using our hospitals. Laboratories servicing Newcastle Private, The Hills, The Mount and Sunnybank Private hospitals are all scheduled to commence in the March quarter 2007. The commencement of these Laboratories completes our program to establish and service our existing hospital portfolio.

The pathology operations in Singapore were further strengthened with the acquisition of DoctorsLab in December 2006. Our market share in Singapore is now in excess of 50% of all non-hospital pathology.

Malaysia continues to deliver solid growth in revenue and earnings. The acquisition of the minority interest of 42.8% held by Berjaya Group Berhad was completed in November 2006.

The development of a major new Laboratory in Auckland New Zealand under our joint venture, Labtests, to service the Auckland pathology contract is on schedule. The contract commences 1 July 2007 with building works scheduled for completion in March 2007. All senior management appointments have been made and a number of key pathologists appointed. Relationships with stakeholders including the Auckland District Healthcare Regional Boards remain extremely strong with all parties committed to achieving a successful outcome.

A judgement in Litigation in respect of the tender awarded to Labtests, instituted by the former provider, is expected to be delivered prior to June 2007.

OCCUPATIONAL HEALTH AND SAFETY

The improvement recorded in past years in reducing LTIFR continues to be a focus for the Company. We are again targeting significant improvement on the record of reduction we achieved in 2006.

OUTLOOK

The Company will continue, in the next half to focus on further improvements in revenues and margins in the hospital and pathology divisions. Further pathology revenue synergies from our hospitals will continue this year as services commence in four of our large medical/surgical hospitals during the March quarter.

The quality portfolio of hospitals offers organic growth through a number of potential brownfield developments that are currently being assessed by management. Projects to expand theatre capacity at The Mount Hospital (Perth) and bed capacity at Geelong Private Hospital (Geelong) have been approved and will commence during 2007.

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The greenfield hospital development at Campbelltown, NSW, is due to commence operations in April 2007. The project has been completed on time and on budget.

The strong support we have received from clinicians has led us to expand the planned theatre capacity in the hospital. Further, we have announced in principle plans to develop a new 142-bed medical/surgical facility in the Norwest Business Park servicing the north-west region of Sydney. It is anticipated this development will be completed in 2009. Both the brownfield and greenfield developments provide exciting growth prospects for the company going forward.

The pleasing results achieved in the first half gives the Company confidence that the improvements will continue in the second half. Due to seasonality of hospital operations because of Christmas and Easter vacations, the second half is normally not as strong as the first half, however we expect the second half will show ongoing margin improvement in hospitals and pathology.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the independence declaration by the lead auditor under section 307C has been reproduced on page 8 of the half year report.

ROUNDING OFF OF AMOUNTS

The Company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.



B R Dixon
Managing Director

Dated this 21st day of February 2007, Melbourne, Victoria.

DTT Victoria

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The Board of Directors
Healthscope Limited
407 Royal Parade
PARKEVILLE VIC 3052

21 February 2007

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 financial half-year ended 31 December 2006, 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

DTT Victoria

DTT Victoria
Chartered Accountants



C M J Bryan
Partner

HEALTHSCOPE LIMITED
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CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated Entity	
	Half-Year	Half-Year
	Ended	Ended
	31 December	31 December
	2006	2005
	\$'000	\$'000
Continuing operations		
Revenue	661,917	447,525
Other income	352	2,314
Share of net profits of associates and joint ventures accounted for using the equity method	1,010	383
Employee benefits expense	(321,475)	(233,481)
Medical and consumable supplies	(156,564)	(102,716)
Rent, rates & taxes	(18,257)	(16,496)
Contractors and consultants	(23,689)	(10,147)
Utilities	(9,525)	(7,456)
Insurance premiums	(5,317)	(4,133)
Non-recurring restructuring costs	(2,146)	(1,776)
Other expenses	(41,330)	(25,354)
Profit before depreciation, amortisation, finance costs and income tax (EBITDA)	84,976	48,663
Depreciation and amortisation	(16,783)	(13,292)
Profit before borrowing costs and income tax	68,193	35,371
Finance costs	(23,644)	(17,926)
Profit before income tax expense from continuing operations	44,549	17,445
Discontinued operations		
Profit before tax for the period from discontinued operations	17,352	8,127
Profit before tax	61,901	25,572
Income tax expense	(14,854)	(5,830)
Net profit for the period	47,047	19,742
Attributable to		
Equity holders of the parent	46,772	19,178
Minority interest	275	564
	47,047	19,742
Earnings per share		
Basic (cents per share)	20.1	10.1
Diluted (cents per share)	20.0	10.1

The accompanying notes numbered 1 to 6 form part of this financial report.

HEALTHSCOPE LIMITED
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CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Consolidated Entity		
	31 Dec	30 June	31 Dec
	2006	2006	2005
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash assets	731	9,792	14,593
Receivables	172,506	137,741	152,118
Prepayments	11,185	14,728	17,299
Inventories	25,998	25,730	24,787
Other	3,561	5,704	6,475
TOTAL CURRENT ASSETS	213,981	193,695	215,272
NON CURRENT ASSETS			
Other financial assets	7,224	7,425	5,632
Investments accounted for using the equity method	2,510	2,510	1,814
Property, plant and equipment	557,397	566,642	563,005
Intangibles	760,860	747,280	753,304
Deferred tax assets	30,295	29,017	42,567
Other	1,540	1,143	5,828
TOTAL NON CURRENT ASSETS	1,359,826	1,354,017	1,372,150
TOTAL ASSETS	1,573,807	1,547,712	1,587,422
CURRENT LIABILITIES			
Payables	118,987	116,736	143,120
Non interest bearing borrowings	-	-	499
Borrowings	1,542	7,074	6,686
Current tax liabilities	17,574	10,123	8,071
Employee entitlements	59,199	59,468	60,200
Provisions	15,385	14,235	15,359
TOTAL CURRENT LIABILITIES	212,687	207,636	233,935
NON CURRENT LIABILITIES			
Payables	-	-	18
Borrowings	554,532	578,974	600,941
Deferred tax liabilities	21,132	20,914	35,113
Employee entitlements	8,880	8,965	19,138
Provisions	400	-	34
Other	-	-	130
TOTAL NON CURRENT LIABILITIES	584,944	608,853	655,374
TOTAL LIABILITIES	797,631	816,489	889,309
NET ASSETS	776,176	731,223	698,113
EQUITY			
Contributed equity	728,758	711,181	695,239
Reserves	453	(1,560)	478
Accumulated profits / (losses)	46,952	17,610	(942)
Parent entity interest	776,163	727,231	694,775
Minority interest	13	3,992	3,338
TOTAL EQUITY	776,176	731,223	698,113

The accompanying notes numbered 1 to 6 form part of this financial report.

HEALTHSCOPE LIMITED
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated Entity	
	Half-Year Ended	Half-Year Ended
	31 December	31 December
	2006	2005
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	680,409	481,587
Payment to suppliers and employees	(594,062)	(425,586)
Interest received	312	1,095
Interest and costs of finance paid	(23,148)	(17,906)
Income tax paid	(9,682)	(6,041)
Net cash provided by operating activities	53,829	33,149
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	13,042	597
Purchase of property, plant and equipment	(30,716)	(19,817)
Net advances to related entities	(207)	(1,260)
Net repayments from ACHA	201	512
Purchase of investments	(20,851)	(573,503)
Proceeds on sale of investments	-	59,949
Net cash used in investing activities	(38,531)	(533,522)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds / (repayment) of borrowings	(24,477)	273,821
Loan facility establishment fee	-	(3,577)
Dividends paid	(17,430)	(11,678)
Net proceeds from the issue of shares	17,577	257,369
Net cash generated by / (used in) financing activities	(24,330)	515,935
Net increase / (decrease) in cash held	(9,032)	15,562
Effects of exchange rate changes on opening cash	(29)	41
Cash at beginning of the half-year	9,792	(1,010)
Cash at end of the half-year	731	14,593

The accompanying notes numbered 1 to 6 form part of this financial report

HEALTHSCOPE LIMITED
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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Issued Capital	Retained Earnings	Foreign Currency Reserve	Employee Benefits Reserves	Total	Minority Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2005	437,870	(8,442)	(514)	308	429,222	2,774	431,996
Profit for the period		19,178			19,178	564	19,742
Dividends paid		(11,678)			(11,678)		(11,678)
Conversion of executive share options	634				634		634
Dividend reinvestment plan (DRP)	5,312				5,312		5,312
Underwritten portion of DRP	7,685				7,685		7,685
Capital raising	120,350				120,350		120,350
1 for 8 rights issue	129,225				129,225		129,225
Less transaction costs	(5,837)				(5,837)		(5,837)
Cost of share based payments				415	415		415
Foreign currency translation differences			269		269		269
At 31 December 2005	695,239	(942)	(245)	723	694,775	3,338	698,113
Profit for the period		34,524			34,524	654	35,178
Dividends paid		(15,972)			(15,972)		(15,972)
Dividend reinvestment plan (DRP)	6,395				6,395		6,395
Underwritten portion of DRP	9,752				9,752		9,752
Less transaction costs	(205)				(205)		(205)
Cost of share based payments				389	389		389
Foreign currency translation differences			(2,427)		(2,427)		(2,427)
At 30 June 2006	711,181	17,610	(2,672)	1,112	727,231	3,992	731,223
Profit for the period		46,772			46,772	275	47,047
Dividends paid		(17,430)			(17,430)		(17,430)
Acquisition of minority interest						(4,254)	(4,254)
Conversion of executive share options	209				209		209
Dividend reinvestment plan (DRP)	8,193				8,193		8,193
Underwritten portion of DRP	9,237				9,237		9,237
Less transaction costs	(62)				(62)		(62)
Cost of share based payments				570	570		570
Foreign currency translation differences			1,443		1,443		1,443
At 31 December 2006	728,758	46,952	(1,229)	1,682	776,163	13	776,176

The accompanying notes numbered 1 to 6 form part of this financial report

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NOTE 1: SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation of half year financial report

This general purpose consolidated financial report the half year ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting*, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group interpretations corresponding to the interpretations approved by the International Accounting Standards Board ('IASB') and the *Corporations Act 2001*. The financial report for the half-year ended 31 December 2006 does not include all of the notes normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual report for the financial year ended 30 June 2006 and any public announcements made by Healthscope Limited and its controlled entities ('the consolidated entity') during the half year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The accounting policies adopted in the preparation of this report are consistent with those adopted and disclosed in the 2006 annual report.

NOTE 2: DIVIDENDS PAID ON ORDINARY SHARES

	Consolidated Entity	
	Half Year Ended 31 December 2006 \$'000	Half Year Ended 31 December 2005 \$'000
Ordinary dividend of 6.5 cents per share franked at the tax rate of 30%, paid on 26 September 2005.	-	11,678
Ordinary dividend of 7.5 cents per share franked at the tax rate of 30%, paid on 18 September 2006.	17,430	-
Total dividends paid	17,430	11,678

Since the end of the half-year, the directors have recommended payment of an interim dividend amounting to \$20,064,420 representing a fully franked dividend of 8.5 cents per fully paid ordinary share (2006: \$15,961,751 – 7.0 cents). The dividend has not been provided for in the half-year interim financial report.

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NOTE 3: CONTINGENT LIABILITIES

Details of the contingent liabilities of the group are as follows:

	Consolidated Entity	
	31 December	30 June
	2006	2006
	\$'000	\$'000
The parent entity has given a bank guarantee of \$987,000 (2005 - \$921,000) to the Workcover Corporation of South Australia, in order to satisfy certain statutory agreements.	<u>987</u>	<u>921</u>

NOTE 4: CHANGES IN THE COMPOSITION OF THE CONSOLIDATED ENTITY

During the half-year the following changes to the consolidated entity were completed by the company.

1) Acquisition of minority interest in Gribbles (Pathology) Malaysia Sdn Bhd.

On 21st August 2006, Healthscope Limited acquired the remaining 42.77% minority interest shareholding in Gribbles (Pathology) Malaysia Sdn Bhd from Berjaya Group Berhad. The purchase consideration was RM23,000,000. Details of the acquisition of the minority interest is as follows

	\$'000
Fair value of minority interest acquired	4,254
Goodwill arising on acquisition	<u>4,048</u>
	<u>8,302</u>
Consideration	
Cash	(8,250)
Costs associated with acquisition	<u>(52)</u>
Total net consideration paid	<u>(8,302)</u>

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NOTE 4: CHANGES IN THE COMPOSITION OF THE CONSOLIDATED ENTITY (cont)

2) Acquisition of DoctorsLab Diagnostics Pte Ltd Singapore.

On 12th December 2006, Healthscope Limited acquired 100% of DoctorsLab Diagnostics Pte Ltd Singapore. The purchase consideration was S\$5,800,000. Details of the composition of the acquisition is as follows,

	\$'000
Net assets acquired	
Cash and cash equivalents	1
Trade receivables	2,143
Inventories	223
Other receivables	35
Property, plant & equipment	65
Trade payables	(357)
Provisions	(1,084)
Fair value of net assets acquired	1,026
Goodwill arising on acquisition	3,822
	4,848
Consideration	
Total net consideration paid	(4,848)

3) Disposal of four hospitals to Healthe Care Australia Pty Ltd.

On 1st October 2006, Healthscope Limited completed the disposal of Dubbo Private Hospital, La Trobe Private Hospital, North West Private Hospital and The Palm Beach Clinic. The consideration on disposal was \$38,349,676. Details of the disposal of is as follows.

	\$'000
Contribution to the group	
Revenue from ordinary activities	10,176
Expenses incurred	(8,953)
EBITDA from operations	1,223
Proceeds on sale of business	38,350
Costs incurred in disposal	(1,000)
Net assets disposed	
Cash and cash equivalents	(3)
Trade receivables	(4,986)
Inventories	(1,085)
Other receivables	(1,736)
Property, plant & equipment	(18,619)
Trade payables	2,991
Provisions	2,601
Net assets disposed	(20,837)
Profit on disposal	16,513
EBITDA from discontinued operations	17,736
Depreciation & amortisation	(384)
Profit before tax from discontinued operations	17,352

HEALTHSCOPE LIMITED
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NOTE 5: SEGMENT INFORMATION

Primary reporting – business segments

SEGMENT REVENUES

	2006	2005
	\$'000	\$'000
Continuing operations		
Hospitals	534,857	339,448
Pathology	128,070	108,457
Corporate	-	-
Other	352	2,314
	<u>663,279</u>	<u>450,219</u>
Discontinued operations		
Hospitals	26,689	-
Analytical	-	34,606
	<u>26,689</u>	<u>34,606</u>
Total of all segments	<u>689,968</u>	<u>484,825</u>

SEGMENT RESULTS

Earnings before depreciation, interest & tax

Continuing operations

Hospitals	70,115	37,694
Pathology	20,347	14,371
Corporate	(3,692)	(3,249)
Other	352	1,623
	<u>87,122</u>	<u>50,439</u>

Discontinued operations

Hospitals	17,736	-
Analytical	-	10,124
	<u>17,736</u>	<u>10,124</u>

Non-recurring restructure costs

	<u>(2,146)</u>	<u>(1,776)</u>
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Total of all segments

Depreciation	(17,167)	(15,289)
Finance costs	<u>(23,644)</u>	<u>(17,926)</u>
Profit before income tax	61,901	25,572
Income tax expense	<u>(14,854)</u>	<u>(5,830)</u>
Profit after income tax	<u>47,047</u>	<u>19,742</u>

NOTE 6: EVENTS SUBSEQUENT TO BALANCE DATE

On 6th February 2007, the Company entered into a conditional agreement to acquire Brisbane Private Hospital and the associated medical centre for a total of \$72.5million. The acquisition comprises two transactions, namely the acquisition of 100% of the equity of Brisbane Private Hospital Pty Ltd, the operator of the hospital, and purchase of the land and buildings.

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DIRECTORS' DECLARATION

The Directors of Healthscope Limited declare that:

1. The financial statements and notes, as set out on pages 9 to 16:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors



B R Dixon
Managing Director

Dated this 21st day of February 2007, Melbourne, Victoria.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Healthscope Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes 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 9 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 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 2006 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.

DTT Victoria

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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 2006 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*.

DTT Victoria

DTT Victoria
Chartered Accountants



C M J Bryon
Partner
Melbourne, 21 February 2007