

**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 31/12/2005**

**Previous corresponding period**

**Half Year Ended 31/12/2004**

**The Information contained in this report should be read in conjunction with the most recent annual financial report.**

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## 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	up	<b>141.0%</b>	to \$	<b>484,825</b>
Profit before amortisation, depreciation, borrowing costs and income tax (EBITDA)	up	<b>151.80%</b>	to \$	<b>58,404</b>
Net profit for the period	up	<b>98.3%</b>	to \$	<b>19,742</b>
Net profit for the period attributable to members	up	<b>92.3%</b>	to \$	<b>19,178</b>

### Dividends per Share

Interim

Amount per share	Franked amount per share at 30% tax
<b>7.0</b> cents	<b>7.0</b> cents

Record date for determining entitlements to dividends

**14-Mar-06**

Payment Date for Dividend

**4-Apr-06**

OTHER NOTES TO THE CONDENSED FINANCIAL STATEMENTS

2 NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)

Current Period	Previous corresponding period
(0.24)	(0.87)

3 DETAILS OF CONTROLLED ENTITIES

3.1 Control Gained Over Entities During the Period

Name of Entity

"Share Sale" entities were acquired as part of the purchase of the Ex-Affinity hospitals from Ramsay Healthcare Ltd

Date control acquired

1-Nov-05

Profit from ordinary activities after income tax of the group of entities during the current period

A\$'000
1,569

Relevant comparative financial information concerning the previous corresponding reporting period is not available

N/A

The acquisitions of Primary Skin Care Cancer Clinics and Davies Campbell de Lambert were completed during the reporting period. They did not materially contribute to the financial performance of the Group and have not been included in this disclosure

3.2 Control Lost Over Entities During the Period

Name of Entity

Amdel Limited

Date control lost

21-Dec-05

Profit from ordinary activities after income tax of the group of entities during the current period

A\$'000
2,250

Profit from ordinary activities after income tax of the group of entities during the previous corresponding period

186

4 DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

4.1 Equity Accounted Associates and Joint Venture Entities

	%Ownership Interest		Contribution to Net Profit	
	Current Period %	Previous Corresponding Period %	Current Period A\$ '000	Previous Corresponding Period A\$ '000
Darwin Angiography Cardiac Laboratory	50%	50%	130	101
The Mount Joint Venture	50%	N/A	253	N/A

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

Group's Share of Associates and Joint Venture Entities:

Profit from ordinary activities before tax

Current Period A\$ '000	Previous Corresponding Period A\$ '000
547	145

Income tax on ordinary activities

(164)	(44)
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Profit from ordinary activities after tax

383	101
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Net profit

383	101
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Share of net profit of associates and joint venture entities

383	101
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5 DIVIDENDS

5.1 Dividends per Share

Final  
 - current period  
 - previous corresponding period

Amount per share	Franked amount per share at 30% tax	Amount per share of foreign source dividend
6.5 cents	6.5 cents	- cents
5.5 cents	5.5 cents	- cents

5.2 Total Dividends

Final - paid on 26 September 2005

Current Period A\$ '000	Previous Corresponding Period A\$ '000
11,678	4,880

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

5.3 Dividend 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

14-Mar-06
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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
- are in the process of being audited
- have not yet been audited

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**Healthscope Limited**

**ABN 85 006 405 152**

**Financial Report**

**For the Half-Year Ended 31 December 2005**

**HEALTHSCOPE LIMITED**  
**ACN 006 405 152**  
**AND CONTROLLED ENTITIES**

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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 2005.*

**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  
Mr. Paul G Choiselat (resigned 19 January 2006)  
Dr. Ziggy Switkowski (appointed 30 January 2006)

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 of the economic entity for the half-year, after income tax expense, amounted to \$19,178,000 (2004 - \$9,974,000).

**GROUP RESULTS**

The significant increase in revenues and profitability of the Group was largely a result of full period contributions from the acquisitions undertaken during FY 2005 (Gribbles Group Limited, Nova Health Ltd and Quest Laboratories) and also partial period contributions of the acquisitions completed during the half-year ended December 2005. The Company's existing hospitals continued to perform solidly.

The key acquisitions and disposals during the half-year and the effective consolidation/deconsolidation date into Healthscope's accounts are summarised below.

<b>Acquisition</b>	<b>Completion Date</b>
Primary Skin Care Cancer Clinics	23 <sup>rd</sup> October 2005
14 ex- Affinity Hospitals	1 <sup>st</sup> November 2005
Davies Campbell de Lambert Pathology	21 <sup>st</sup> December 2005
<b>Disposal</b>	<b>Completion Date</b>
Amdel Limited	29 <sup>th</sup> December 2005

All acquisitions contributed positively to the Group earnings in the period.

The integration of the ex-Affinity hospitals is well advanced. Legal completion of the acquisition of these hospitals has now been achieved on 11 out of the 14 hospitals. Legal completion on the remaining three hospitals (Prince of Wales Private, The Hills Private and Melbourne Private) is dependent on approvals for licence and/or lease transfers from the relevant State Health Departments. The acquired hospitals have all performed to expectations in the period since acquisition.

The acquisition of the NSW based pathology group, Davies Campbell de Lambert has had minimal impact on the Company's results for the half year due to the timing of the acquisition. This strategic acquisition will provide a platform for consolidating the Company's pathology business in NSW. Sale of the Amdel analytical and testing business was undertaken and completed in December 2005, following a decision that this business was non-core to the Company's longer term positioning. The sale generated a net profit of \$5.573 million. The profit was determined after taking to account

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goodwill attributed to this business from the acquisition of The Gribbles Group. There was no capital gains tax incurred in relation to this gain.

Non-recurring losses of \$1.8 million were recorded in the period. These losses related to redundancy payments associated with restructuring within the pathology business and also losses incurred in the initial start up periods of new laboratories established at the Company's hospitals.

The Company's results for the half-year were impacted by the increase in interest costs resulting from the debt associated with the acquisitions over the past 14 months. The rise in depreciation and amortisation charges also reflects the impact of these acquisitions. It is noted that with the adoption of A-IFRS, no amortisation of goodwill has been made. The carrying value of all assets, including all intangibles has been subject to impairment testing.

In line with the new accounting standards under A-IFRS, the effective tax rate used in determining the Company's results was 30% of pre-tax earnings except for the gain on the sale of Amdel.

The results for each business segment are discussed in the Review of Operations.

### **DIVIDEND**

A fully franked final dividend of 7.0 cents per share will be paid on 4<sup>th</sup> April 2006 to shareholders registered on 14<sup>th</sup> March 2006. The dividend payout is an increase of 1 cent per share (17%) over the previous year's interim dividend reflecting the Board's confidence in the Company's strategy and outlook.

The Dividend Re-Investment Plan will be retained with shares issued under the Plan to be at a 2.5% discount.

### **CASH FLOW**

Cash flow from operating activities increased to \$33.1 million (last year \$12.9 million). Gross Operating Cash inflows (revenue receipts less payments to suppliers and employees) were strong for the half-year at \$56.0 million this being \$36.2 million above the previous corresponding period. Gross Operating Cashflows were equal to 105% of EBITDA (before the one off gain on the sale of Amdel) of \$53.2 million. The increase over the prior year largely reflects the impact of the acquisitions made over the past 12 months. The gain in Gross Operating Cashflows was reduced by the increase in net interest payments (up \$14.9 million) on the increased debt resulting from the acquisitions and also increased tax payments (up \$1.0 Million).

Expenditure on property, plant and equipment of \$19.8 million was significantly up on the expenditure in the corresponding period in the previous year of \$6.9 million. Capital expenditure in the second half (including for the newly acquired hospitals) is expected to be approximately \$20 million. The major areas of expenditure for HY Dec 2005 were:

<b>Capital expenditure</b>	<b>\$ Million</b>
Hospitals – plant & equipment	9.3
Hospitals – developments, major refurbishments	4.0
Pathology	5.6
Analytical	0.9

The cash outflows relating to the acquisitions undertaken during the half-year totalled \$573.5 million.

The net cash proceeds received in the period for the sale of Pathnet (India) and Amdel Limited totalled \$59.9 million.

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**Acquisition Funding**

The acquisitions undertaken during the half year were funded by a combination of debt and equity. The major funding activities during the year were as follows:

**Equity Raisings:**

- A share placement of 20.750 million shares in September 2005 - \$ 120.4 million.
- A 1 for 8 pro-rata rights issue (25.338 million shares) pursuant to a Prospectus dated 13<sup>th</sup> October 2005 – \$129.2 million

**Debt Facilities:**

- A new 3-year syndicated debt facility for \$660 million was established in September 2005 together with a short term bridging facility of \$105 million to finance the acquisition of the 14 ex-Affinity hospitals in November 2005 and refinance the outstandings under the Company's existing syndicated facility. The bridging facility was fully repaid in November 2005 on receipt of funds from the equity issue.

**BALANCE SHEET**

Net Assets at 31 December 2005 of \$697.8 million are 2.3 times higher than the prior December 2004 half -year end level and a 58% increase from 30 June 2005. This highlights the continued growth of the company over the past 12 months. The level of Intangibles on the balance sheet has increased to \$753.3 million from the level of \$492.8 million at 30 June 2005; The increase results from the goodwill and other intangible assets arising from the acquisitions undertaken in the period.

Interest bearing liabilities net of cash (net debt) have increased to \$593.0 million from the level at 30 June 2005 of \$327.8 million. The ratio of net debt to net debt plus equity stands at 45.9% (42.6% - 30 June 2005). The interest cover ratio (EBITDA/interest expense) for half-year period stands at 3.3 times. Despite the significant additional debt associated with the acquisitions undertaken during the half-year period, the Company's debt servicing capability remains strong due to robust cash flows from its operations.

**REVIEW OF OPERATIONS**

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

***Hospitals.***

The result for the hospitals' group was favourably impacted by the acquisition of the Nova Health hospitals in May 2005 and also the ex-Affinity hospitals in November 2005. The hospitals' business now contributes approximately 75% of the Company's revenue.

The Company's existing hospitals performed solidly during the period and maintained margins despite significant nursing cost increases in most States, which were not fully recovered through Health Fund re-imbursments. In general the medical/surgical hospitals continued to improve revenues and margins. The results from psychiatric hospitals were negatively impacted by the continuing refurbishment of The Sydney Clinic. This work is expected to be completed by end February 2006. The activity levels at the Company's Rehabilitation hospitals have been below previous levels due largely to reluctance by certain Health Funds to support dedicated rehabilitation facilities.

A management fee from the ACHA contract of \$2.6 million was earned in the period. While only marginally above the fee for the prior corresponding period the operations of the ACHA hospitals are now consistently generating positive cash flows.

The activity levels at the Nova group's key hospital, Allamanda, were below forecast due to a slower than anticipated increase in activity following commissioning of two new theatres. In addition

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significant restructuring costs were incurred in addressing issues with the new Brisbane suburban hospital, River City.

The ex-Affinity hospitals have all either met or exceeded expectations in the 2 months since economic completion on the acquisition on 1 November 2005. The 14 hospitals acquired constitute a high quality hospital portfolio with well-established markets. The acquisition increases the Company's in patient private beds by 1,706 beds to now total 4,178 beds, an increase of 69%. The number of beds will be further supplemented by the expansions at The Knox Private (30 beds) and Victorian Rehabilitation Centre East (11 beds), with both projects expected to be completed within the next two months. The ex-Affinity hospitals are expected to drive significant improvements in the Company's earnings and margins over the next 12 months.

***Pathology***

The EBITDA of the Pathology business of \$14.4 million represents a decrease of \$3.1 million from that reported in the previous half year ended June 2004. This reduction in earnings results largely from losses incurred in restructuring the NSW pathology business as well as reduction in revenues in certain core GP markets.

The revenues from Pathology of \$108.5 million represents a 7.4% increase in revenues over that achieved by The Gribbles Group pathology business for the half-year ended 31 December 2004 due largely to the capture of synergy revenues. This gain however was largely offset by losses in revenue incurred as the Company moved to restructure its GP based revenue in certain core markets.

The pathology businesses in both Malaysia and Singapore have continued to grow strongly, in terms of revenues and margins. The performance of the Singapore based operations has been enhanced through the acquisition of Quest Laboratories Pte Limited in May 2005, which has now been integrated with the existing Gribbles pathology business.

The Northland Pathology business in New Zealand is meeting expectations. The group has renewed its contract for community pathology services in the Northland region until June 2007.

The Veterinary Pathology businesses in both Australia and New Zealand are also performing in line with budget expectations.

***Analytical***

The Amdel analytical and testing business reported a further improvement in its business over the previous half year, largely due to strong demand for services from resource based industries. Following a strategic review, this business was deemed to be non-core, with little real synergistic fit with the Company's healthcare businesses. The business was sold to Champ Ventures in December for a gross amount of \$60 million. A profit of \$5.6 million was booked on the sale.

**OUTLOOK**

The continued focus of the Group will be on delivering value to shareholders through the successful integration of the businesses acquired over the past 14 months.

The ex-Affinity hospitals are expected to significantly improve the revenue base and margins in the hospitals' business, which now accounts for approximately 75% of the earnings base of the Company on an annualised basis.

Action has been taken to address the loss of revenue in the pathology business as well as to increase the pace of revenue synergy capture. The Company remains confident in its business model in this regard. The acquisition of Davies Campbell de Lambert forms a part of the strategy for strengthening pathology revenues.

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The Company expects to report a Net Profit after tax for the year to 30 June 2006 (inclusive of the contribution from the sale of Amdel and deductions for non recurring restructure costs) of in excess of \$52.0 million. The improvement over the December half-year result requires the full half-year contribution from the 14 ex-Affinity hospitals and the expected improvement in the performance of Human Pathology.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the independence declaration by the lead auditor under section 307C has been reproduced below:


**DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF HEALTHSCOPE LIMITED**

To the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Act in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

**BDO**

**BDO**  
Chartered Accountants



**C M J Bryan**  
Partner  
Melbourne, 22 February 2006

**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 22<sup>nd</sup> day of February 2006, Melbourne, Victoria.

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**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Note	Economic Entity	
		Half-Year Ended 31 December 2005 \$'000	Half-Year Ended 31 December 2004 \$'000
Revenue	2	484,825	201,189
Expenses	2	(426,421)	(177,992)
<b>Profit before amortisation, depreciation, borrowing costs and income tax (EBITDA)</b>		<b>58,404</b>	<b>23,197</b>
Depreciation and amortisation		(15,289)	(5,495)
<b>Profit before borrowing costs and income tax</b>		<b>43,115</b>	<b>17,702</b>
Borrowing costs expense		(17,926)	(3,526)
Share of net profits of associates and joint ventures accounted for using the equity method		383	101
<b>Profit from ordinary activities before income tax expense</b>		<b>25,572</b>	<b>14,277</b>
Income tax expense		(5,830)	(4,323)
<b>Net profit from ordinary activities after related income tax expense</b>		<b>19,742</b>	<b>9,954</b>
Net profit attributable to outside equity interest		(564)	20
<b>Net profit attributable to members of the parent entity</b>		<b>19,178</b>	<b>9,974</b>
<b>Earnings per share</b>			
Basic (cents per share)		10.1	10.3
Diluted (cents per share)		10.1	10.2

The accompanying notes numbered 1 to 9 form part of this financial report.

**HEALTHSCOPE LIMITED**  
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**CONSOLIDATED BALANCE SHEET**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Note	Economic Entity		
		31 Dec	30 June	31 Dec
		2005	2005	2004
		\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>				
Cash assets		14,593	5,685	165,175
Receivables		152,118	78,857	66,320
Prepayments		17,299	9,838	7,532
Inventories		24,787	13,773	10,753
Other		6,475	2,153	4,568
<b>TOTAL CURRENT ASSETS</b>		<b>215,272</b>	<b>110,306</b>	<b>254,348</b>
<b>NON CURRENT ASSETS</b>				
Receivables		5,632	7,639	4,243
Inventories		-	355	-
Other financial assets		1,629	1,005	582
Equity accounted investments		185	1,117	101
Property, plant and equipment		563,005	282,981	257,613
Intangibles		753,304	492,795	423,391
Deferred tax assets		42,567	22,439	20,269
Other		5,828	2,350	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>1,372,150</b>	<b>810,681</b>	<b>706,199</b>
<b>TOTAL ASSETS</b>		<b>1,587,422</b>	<b>920,987</b>	<b>960,547</b>
<b>LESS CURRENT LIABILITIES</b>				
Payables		143,120	65,076	56,473
Deferred purchase consideration		-	3,023	228,266
Non interest bearing liabilities		499	-	-
Interest bearing liabilities		6,686	4,950	3,882
Current tax liabilities		8,071	6,880	7,507
Provisions		75,559	44,421	42,034
Other		-	-	307
<b>TOTAL CURRENT LIABILITIES</b>		<b>233,935</b>	<b>124,350</b>	<b>338,469</b>
<b>NON CURRENT LIABILITIES</b>				
Payables		18	-	195
Interest bearing liabilities		600,941	328,556	298,223
Deferred tax liabilities		35,458	22,240	20,315
Provisions		19,172	5,247	3,844
Other		130	-	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>655,719</b>	<b>356,043</b>	<b>322,577</b>
<b>TOTAL LIABILITES</b>		<b>889,654</b>	<b>480,393</b>	<b>661,046</b>
<b>NET ASSETS</b>		<b>697,768</b>	<b>440,594</b>	<b>299,501</b>
<b>EQUITY</b>				
Contributed equity	6	695,239	437,870	304,781
Reserves		478	(206)	151
Accumulated profits / (losses)	4	(1,273)	201	(7,790)
Parent entity interest		694,444	437,865	297,142
Outside equity interest		3,324	2,729	2,359
<b>TOTAL EQUITY</b>		<b>697,768</b>	<b>440,594</b>	<b>299,501</b>

The accompanying notes numbered 1 to 9 form part of this financial report.

**HEALTHSCOPE LIMITED**  
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**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	<b>Economic Entity</b>	
	<b>Half-Year Ended</b>	<b>Half-Year</b>
	<b>31 December</b>	<b>Ended</b>
	<b>2005</b>	<b>31 December</b>
	<b>\$'000</b>	<b>2004</b>
		<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	480,792	206,942
Management services	795	1,143
Payment to suppliers and employees	(425,586)	(188,305)
Interest received	1,095	341
Interest and costs of finance paid	(17,906)	(2,229)
Income tax paid	(6,041)	(4,974)
<b>Net cash provided by operating activities</b>	<b>33,149</b>	<b>12,918</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	597	2,105
Purchase of property, plant and equipment	(19,817)	(6,949)
Termination of Mersey contract	-	(1,329)
Net advances to related entities	(1,260)	(316)
Net repayments from ACHA	512	1,428
Purchase of investments	(573,503)	(97,274)
Proceeds on sale of investments	59,949	-
<b>Net cash used in investing activities</b>	<b>(533,522)</b>	<b>(102,335)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds / (repayment) of borrowings	273,821	90,891
Receipts from escrow account	-	2,710
Loan facility establishment fee	(3,563)	-
Dividends paid	(11,692)	(4,880)
Net proceeds from the issue of shares	257,369	162,351
<b>Net cash generated by / (used in) financing activities</b>	<b>515,935</b>	<b>251,072</b>
Net increase in cash held	15,562	161,655
Effects of exchange rate changes on cash	41	-
Cash at beginning of the half-year	(1,010)	3,520
<b>Cash at end of the half-year</b>	<b>14,593</b>	<b>165,175</b>

The accompanying notes numbered 1 to 9 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 2005**

	<b>Issued Capital \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Other Reserves \$'000</b>	<b>Total \$'000</b>	<b>Minority Interest \$'000</b>	<b>Total Equity \$'000</b>
<b>At 1 July 2004</b>	143,060	(12,884)		130,176		130,176
Profit for the period		9,974		9,974	(20)	9,954
Dividends paid		(4,880)		(4,880)		(4,880)
Conversion of executive share options	861			861		861
Dividend reinvestment scheme	1,353			1,353		1,353
Purchase of Gribbles Group Ltd						
Institutional component of entitlement offer	158,229			158,229		158,229
Share placement	9,609			9,609		9,609
Less transaction costs	(8,331)			(8,331)		(8,331)
Minority interest on acquisition					2,379	2,379
Cost of share based payments			154	154		154
Foreign currency translation differences			(3)	(3)		(3)
<b>At 31 December 2004</b>	<b>304,781</b>	<b>(7,790)</b>	<b>151</b>	<b>297,142</b>	<b>2,359</b>	<b>299,501</b>
Profit for the period		8,574		8,574	370	8,944
Dividends paid		(9,557)		(9,557)		(9,557)
Conversion of executive share options	175			175		175
Dividend reinvestment scheme	3,788			3,788		3,788
Underwrite of cash component of dividend	5,767			5,767		5,767
Retail component of share issue	49,792			49,792		49,792
Share placement	77,500			77,500		77,500
Less transaction costs	(3,933)			(3,933)		(3,933)
Cost of share based payments			154	154		154
Foreign currency translation differences			(511)	(511)		(511)
<b>At 30 June 2005</b>	<b>437,870</b>	<b>(8,773)</b>	<b>(206)</b>	<b>428,891</b>	<b>2,729</b>	<b>431,620</b>
Profit for the period		19,178		19,178	595	19,773
Dividends paid		(11,678)		(11,678)		(11,678)
Conversion of executive share options	634			634		634
Dividend reinvestment scheme	5,312			5,312		5,312
Underwrite of cash component of dividend	7,685			7,685		7,685
Purchase of Ex-Affinity hospitals						
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
<b>At 31 December 2005</b>	<b>695,239</b>	<b>(1,273)</b>	<b>478</b>	<b>694,444</b>	<b>3,324</b>	<b>697,768</b>

The accompanying notes numbered 1 to 9 form part of this financial report

**HEALTHSCOPE LIMITED**  
**ACN 006 405 152**  
**AND CONTROLLED ENTITIES**

**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

**(a) Basis of preparation**

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Consensus Views and other mandatory professional reporting requirements.

The half-year financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly this interim financial report should be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by Healthscope Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

**(b) Statement of compliance**

This is the first half-year financial report, which has been prepared using AIFRS and comparatives have been restated accordingly. Reconciliations of equity, retained earnings and profit under the previous accounting standards and AIFRS have been included at note 1(e) below.

A summary of the significant accounting policies of the Group are discussed at Note 1(c) below.

**(c) Summary of significant accounting policies**

**(i) Principles of consolidation**

The consolidated accounts comprise the accounts of Healthscope Limited and all of its controlled entities. A controlled entity is any entity controlled by Healthscope Limited. Control exists where Healthscope Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Healthscope Limited to achieve the objectives of Healthscope Limited.

When control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont)**

**(ii) Income tax**

The amount recognised for current tax is based on the net profit for the year as adjusted for non-assessable income and non-deductible expenses. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In principle, deferred tax liabilities are recognised for all assessable temporary differences and deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities (other than as a result of the acquisition of an entity or operation that is a business combination) which affects neither taxable income nor net profit or loss.

Deferred tax liabilities are recognised for temporary differences arising on investments in controlled entities, branches, associates and joint venture entities, and interests in joint venture operations, except where the consolidated entity is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated at tax rates that are expected to apply to the period when the carrying amount of the asset or liability is recovered or settled. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The company and all its wholly owned subsidiaries have implemented the tax consolidation regime. All wholly owned entities acquired by the company during the half year ended 31 December 2005 joined the Healthscope Limited tax consolidated group.

**(iii) Inventories**

Inventories are measured at the lower of cost, on a first in first out basis, and net realisable value.

**(iv) Receivables**

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

**(v) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Property and prepaid lease

Freehold land and buildings are measured on the cost basis.

Plant and equipment

Plant and equipment are measured on the cost basis.

Depreciation

The depreciation amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land and bed licences, is depreciated over their useful lives to the economic entity, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont)**

**(v) Property, plant and equipment (cont)**

The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax of the economic entity in the year of disposal.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Buildings	2%
Leasehold improvements	2% to 16%
Plant & equipment	13% to 25%
Leased assets	13% to 25%

**(vi) Intangibles**

*Goodwill*

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net asset acquired, is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the profit and loss and is not subsequently reversed.

*Licences*

Licences were independently valued as part of The Gribbles Group Limited as at December 2004, and in the opinion of the directors the licences do not have a finite useful life. Accordingly the licences have not been subject to amortisation.

**(vii) Impairment of assets**

The carrying values of all assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset and include an allowance for terminal value.

**(viii) Acquisition of assets**

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liabilities for restructuring costs, exceeds the cost of acquisition, the difference representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where after reducing the recorded

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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont)**

**(viii) Acquisition of assets (cont)**

amounts of the non-monetary assets acquired to zero, a discount balance remains, it is recognised as revenue in the income statement.

**(ix) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

**(x) Employee entitlements**

Provision is made for the economic entity's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year, have been measured at their nominal amount using the remuneration rate expected to apply at the time of settlement.

Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

**(xi) Interest in joint ventures**

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the income statement and the balance sheet.

The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements.

**(xii) Investments in associates**

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies.

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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont)**

**(xii) Investments in associates (cont)**

The investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

**(xiii) Cash**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(xiv) Financial instruments issued by the company**

*Transaction costs on the issue of equity instruments*

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

**(xv) Foreign currency**

*Foreign currency transactions*

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are recognised in net profit or loss in the period in which they arise.

*Foreign operations*

Exchange differences relating to foreign currency monetary items forming part of the net investments in self-sustaining foreign operations are transferred on consolidation to the foreign currency translation reserve.

Financial statements of self-sustaining foreign controlled entities are translated at reporting date using the current rate method and exchange differences are taken directly to the foreign currency translation reserve.

*Functional and presentation currency*

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency

**(xvi) Research & development costs**

Research and development costs are recognised as an expense when incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project are expected, beyond any reasonable doubt, to be recoverable.

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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont)**

**(xvii) Provision for HIH insurance claims**

Due to the collapse of the HIH insurance group, a provision was made in 2001 in respect of the economic entity's estimated value of costs in respect of malpractice/public liability claims previously insured with HIH. The provision is based on the schedule of outstanding claims and the costs have been estimated based on currently available data.

The provision is reviewed at each reporting date and updated for additional information.

**(xviii) Trade and other creditors**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(xix) Provisions**

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

**(xx) Interest bearing liabilities**

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of creditors.

**(xxi) Revenue**

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

**(xxii) Derivative financial instruments**

The Group uses interest rate swaps to hedge its risks associated with interest rate changes. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where the hedge exposure to variability in cash flows is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont)**

**(xxii) Derivative financial instruments (cont)**

In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement. Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at a time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

**(xxiii) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

**(xxiv) Share based payments**

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

There are currently two plans in place to provide these benefits:

- (1) the Executive Option Plan, and
- (2) the Executive Performance Rights Plan.

The schemes are only available to eligible executive employees. Executive employees are those who take part in management but exclude non-executive directors.

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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont)**

**(xxiv) Share based payments (cont)**

The cost of these transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing these transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares.

The cost of these transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

**(xxv) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they were incurred.

**(xxvi) 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.

**(d) AASB 1 Transitional exemptions**

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows.

*Business combinations*

AASB 3 Business Combinations was not applied retrospectively to past business combinations.

**(e) Impact of adoption of AIFRS**

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable pre 1 January 2005 are provided below.

**(i) Reconciliation of profit from ordinary activities after tax under previous AGAAP to that under AIFRS**

	<b>Economic Entity</b>	
	<b>30 Jun</b>	<b>31 Dec</b>
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit after tax under previous AGAAP</b>	<b>22,940</b>	<b>11,636</b>
Write-back of goodwill amortisation (1)	8,969	590
Recognition of share based payment expense (2)	(308)	(154)
De-recognition of restructure provision (4)	(1,455)	(1,115)
Income tax expense (movement in deferred tax balances) (3)	(2,624)	(983)
<b>Profit after tax reported under AIFRS</b>	<b>27,522</b>	<b>9,974</b>

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**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont)**

**(ii) Reconciliation of total equity as presented under AGAAP to that under AIFRS**

	Economic Entity		
	30 June 2005 \$'000	31 Dec 2004 \$'000	1 July 2004 \$'000
<b>Total equity under AGAAP</b>	<b>442,513</b>	<b>307,818</b>	<b>136,985</b>
Adjustments to share capital/reserves			
Retained profits - share options/rights (2)	308	154	-
Adjustment to retained profits			
Share capital - share options/rights (2)	(308)	(154)	-
Recognition of deferred tax balance (3)	(9,433)	(7,792)	(6,809)
Write-back of goodwill amortisation (1)	8,969	590	
De-recognition of restructure provision (4)	(1,455)	(1,115)	
<b>Total Equity under AIFRS</b>	<b>440,594</b>	<b>299,501</b>	<b>130,176</b>

**(iii) Notes**

- (1) AASB 3 'Business Combinations' does not require goodwill (being the excess of purchase consideration over net identifiable assets acquired) to be amortised. The standard requires that goodwill be assessed annually for impairment. The directors are of the opinion that the recoverable amount of goodwill exceeds the carrying value.
- (2) Under AASB 2 'Share Based Payments' the company is required to recognise the fair value of share options and share performance rights granted to employees as remuneration as an expense in the income statement on a pro rata basis over the vesting period of the option or right with a corresponding adjustment to equity. Share based payments were previously not recognised under AGAAP.
- (3) AASB 112 'Income Taxes' requires the difference between the accounting cost base and the tax cost base of all assets and liabilities to be recognised as deferred tax assets and liabilities.
- (4) AASB 3 'Business Combinations' requires that provisions for restructuring can only be recognised as part of the acquisition accounting if the acquiree, had, at the acquisition date, recognised an existing liability for the restructuring. This differs from the previous treatment under AGAAP under which a provision is recognised provided the acquirer had developed the main features of the restructuring plan at the date of the acquisition and developed a detailed plan within three months after the date of acquisition.

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<b>Economic Entity</b>	
<b>Half Year</b>	<b>Half Year</b>
<b>Ended</b>	<b>Ended</b>
<b>31 December</b>	<b>31 December</b>
<b>2005</b>	<b>2004</b>
<b>\$'000</b>	<b>\$'000</b>

**NOTE 2: INDIVIDUALLY SIGNIFICANT ITEMS**

Profit before income tax expense includes the following revenues and expenses.

**REVENUE**

Revenue from services rendered	467,866	193,884
Rental revenue	4,002	2,035
Interest revenue	1,131	513
Management fees	2,589	2,420
Other	3,664	2,337
	479,252	201,189

**OTHER INCOME**

Profit on disposal of business	5,573	-
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**EXPENSES**

Employee benefits expense	(248,131)	(113,355)
Medical / consumable supplies	(107,013)	(36,648)
Contractors / consultants	(10,147)	(10,039)
Utilities	(7,456)	(4,028)
Insurance premiums	(4,133)	(2,695)
Rent, rates and taxes	(16,496)	(4,545)
Non-recurring expenses	(1,776)	(654)
Other expenses from ordinary activities	(31,269)	(6,028)
	(426,421)	(177,992)

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**NOTE 3: DIVIDENDS PAID ON ORDINARY SHARES**

	<b>Economic Entity</b>	
	<b>Half Year</b>	<b>Half Year</b>
	<b>Ended</b>	<b>Ended</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary dividend of 5.5 cents per share franked at the tax rate of 30%, paid on 27 September 2004.	-	4,880
Ordinary dividend of 6.5 cents per share franked at the tax rate of 30%, paid on 26 September 2005.	11,678	-
Total dividends paid	11,678	4,880

Since the end of the half-year, the directors have recommended payment of an interim dividend amounting to \$15,961,751 representing a fully franked dividend of 7.0 cents per fully paid ordinary share (2005: \$9,556,000 – 6.0 cents). The dividend has not been provided for in the half-year interim financial report.

**NOTE 4: RETAINED PROFITS**

	<b>Economic Entity</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of period	(8,773)	(12,884)
Net profit	19,178	9,974
Dividends	(11,678)	(4,880)
Balance at end of period	(1,273)	(7,790)

**NOTE 5: CONTINGENT LIABILITIES**

Details of changes to the contingent liabilities of the group since 30 June 2005 are as follows:

	<b>Economic Entity</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
The parent entity has given a bank guarantee of \$921,000 (2005 - \$827,000) to the Workcover Corporation of South Australia, in order to satisfy certain statutory agreements.	921	827

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**NOTE 6: CONTRIBUTED EQUITY**

	<b>Economic Entity</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
a) Issued and paid up capital		
Ordinary shares fully paid	695,239	437,870
b) Movements in shares on issue		
	<b>No. of shares</b>	<b>\$'000</b>
	<b>('000)</b>	
Beginning of half year	179,158	437,870
Issued during the year		
- Conversion of executive share options	500	634
- Dividend reinvestment scheme	954	5,312
Purchase of Ex-Affinity hospitals		
- Capital raising	20,750	120,350
- 1 for 8 rights issue	25,338	129,225
Underwrite cash component of dividend	1,325	7,685
Less transaction costs	-	(5,837)
	228,025	695,239
	228,025	695,239

On 9 September 2005, 20,750,000 ordinary shares at \$5.80 per share were issued in a share placement as part consideration in acquiring 14 hospitals from Ramsay Healthcare Limited. A further 25,338,148 ordinary shares at \$5.10 per share were issued via a 1 for 8 rights issue to fund the balance of the purchase of the 14 hospitals from Ramsay Healthcare Limited.

All of the above shares rank equally with all pre-existing fully paid ordinary shares.

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**NOTE 7: CHANGES IN THE COMPOSITION OF THE CONSOLIDATED ENTITY**

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

**Acquisition of Primary Care Skin Cancer Clinics.**

On 23<sup>rd</sup> October 2005, Healthscope Limited acquired 100% of Primary Care Skin Cancer Clinic Group.

**Acquisition of 14 Ex-Affinity Healthcare Ltd hospitals from the Ramsay Healthcare Group.**

On 1<sup>st</sup> November 2005, Healthscope Limited acquired 14 hospitals from Ramsay Health Care Limited.

**Acquisition of Davies Campbell de Lambert.**

On 21<sup>st</sup> December 2005, Healthscope Limited acquired 100% of Davies Campbell de Lambert, a pathology operator in NSW.

**Disposal of Amdel Ltd.**

On 19 December 2005, Healthscope Ltd publicly announced the sale of Amdel Ltd, the company's analytical and testing services business

Details of the composition of the acquisition of the 14 Ex-Affinity hospitals is as follows:

Net assets acquired	<b>\$'000</b>
Cash and cash equivalents	(81)
Trade receivables	76,237
Inventories	10,237
Other receivables	2,296
Property, plant & equipment	291,465
Trade payables	(54,772)
Provisions	(51,525)
Intercompany loans	(161,948)
Fair value of net assets acquired	<u>111,909</u>
Goodwill arising on acquisition	<u>251,893</u>
	<u>363,802</u>
Consideration	
Cash	476,500
Transitional services agreement	
- Paid	8,833
- Unpaid	4,667
Cash - working capital	9,366
Costs associated with acquisition	26,604
Total net consideration	<u>525,970</u>
Less loan accounts settled	<u>(162,168)</u>
Total net consideration	<u><u>363,802</u></u>

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**NOTE 7: CHANGES IN THE COMPOSITION OF THE CONSOLIDATED ENTITY (cont)**

Details of the composition of the acquisitions of the Skin Care Clinics and Davies Campbell de Lambert is as follows:

Net assets acquired	<b>\$'000</b>
Cash and cash equivalents	203
Trade receivables	1,420
Inventories	227
Other receivables	152
Property, plant & equipment	1,432
Intangibles	9,814
Trade payables	(669)
Provisions	(1,313)
Lease liabilities	(482)
Loans	(252)
Fair value of net assets acquired	<u>10,532</u>
Goodwill arising on acquisition	<u>46,734</u>
	<u>57,266</u>
Consideration	
Cash	56,924
Costs associated with acquisition	342
Total net consideration	<u>57,266</u>

Details of the composition of the disposal of Amdel Ltd is as follows:

Contribution to the group	<b>\$'000</b>
Revenue from ordinary activities	29,033
Expenses incurred	(24,481)
Depreciation & amortization	(2,002)
Profit before tax from disposed entity	<u>2,550</u>
Proceeds on sale of business	60,000
Costs incurred in disposal	(3,384)
Net investment in subsidiary disposed	(11,878)
Net intangible assets disposed	(33,069)
Post acquisition net asset movement	(6,096)
Profit on disposal of Amdel Ltd.	<u>5,573</u>

**HEALTHSCOPE LIMITED**  
**ACN 006 405 152**  
**AND CONTROLLED ENTITIES**

**NOTE 8: SEGMENT INFORMATION**

**Primary reporting – business segments**

<b>SEGMENT REVENUES</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from ordinary activities		
Hospital operations	339,448	194,304
Pathology	108,457	5,207
Analytical	29,033	1,165
Proceeds on sale of business	5,573	-
Other	2,314	513
Total of all segments	<u>484,825</u>	<u>201,189</u>

**SEGMENT RESULTS**

Earnings before depreciation, interest & tax		
Hospital operations	37,694	24,638
Pathology	14,371	1,211
Analytical	4,551	186
Corporate	(3,249)	(1,069)
Other	1,623	101
Non-recurring expenditure	(1,776)	(1,769)
Profit on sale of discontinued operations	5,573	-
Total of all segments	<u>58,787</u>	<u>23,298</u>
Depreciation	(15,289)	(5,495)
Borrowing costs	(17,926)	(3,526)
Profit before income tax	<u>25,572</u>	<u>14,277</u>
Income tax expense	(5,830)	(4,323)
Net profit after tax	<u>19,742</u>	<u>9,954</u>
Net profit attributable to outside equity interest	(564)	20
Net profit attributable to member of parent entity	<u><u>19,178</u></u>	<u><u>9,974</u></u>

**NOTE 9: EVENTS SUBSEQUENT TO BALANCE DATE**

On 19<sup>th</sup> January 2006, Mr Paul Choiselat resigned as a director of Healthscope Limited. On 30<sup>th</sup> January 2006, Dr Ziggy Switkowski was appointed as a director of Healthscope Limited.

**HEALTHSCOPE LIMITED**  
**ACN 006 405 152**  
**AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

The Directors of Healthscope Limited declare that:

1. The financial statements and notes, as set out on pages 8 to 26:
  - (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 2005 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 22<sup>nd</sup> day of February 2006, Melbourne, Victoria.



**Chartered  
Accountants  
and Advisers**

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## **INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HEALTHSCOPE LIMITED**

### **Scope**

We have reviewed the financial report of Healthscope Limited for the half-year ended 31 December 2005 comprising the Condensed Consolidated Statement of Financial Performance, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Condensed Statement of Changes in Equity and the notes to the financial report. The financial report includes the financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. The independence provided to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

### **Statement**

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:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance and cash flows for the half-year ended on that date; and



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- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**BDO**

**BDO**  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'CMJ Bryan', with a long horizontal flourish extending to the right.

**CMJ Bryan**  
Partner

Melbourne: 22 February 2006