

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 2009

Previous corresponding period

Half Year Ended 31 Dec 2008

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

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Details of controlled entities	3.
Details of associates and joint venture entities	4.
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1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

		%		\$'000
Revenue from ordinary activities	Up	9.4%	to	905,003
Profit before amortisation, depreciation, borrowing costs, non-recurring items and income tax (EBITDA)	Up	8.0%	to	120,411
Net profit for the period	Up	17.5%	to	45,130
Net profit for the period attributable to members	Up	17.5%	to	45,130

Dividends per Share	Amount per share	Franked amount per share - 30% tax
Interim	11.5 cents	11.5 cents

Record date for determining entitlements to dividends 25 February 2010

Payment Date for Dividend 6 April 2010

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

31 Dec 2009 cents per share	31 Dec 2008 cents per share
0.66	0.04

3. DETAILS OF CONTROLLED ENTITIES

3.1 Control Gained Over Entities During the Period

The acquisition of Healthcare of Australia Holdings Pty Ltd 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.

The acquisition of the Kooyong Road Medical Centre 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.

The acquisition of the South Canberra Medical Centre 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.

The acquisition of the remaining 76.34% of the share capital of e-Clinic Pty Ltd not previously held by the Group 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 did not dispose of or lose control over any entities during the current reporting period.

4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

4.1 Equity Accounted Associates and Joint Venture Entities

	Ownership Interest (%)		Contribution to Net Profit (\$'000)	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Darwin Angiography Cardiac Laboratory	50	50	133	158
Mount Hospital Cath Labs Pty Ltd Joint Venture	50	50	720	823

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

Income tax on ordinary activities

Profit from ordinary activities after tax

Net Profit

Share of net profit of associates and joint venture entities

	31 Dec 2009 (\$'000)	31 Dec 2008 (\$'000)
Profit from ordinary activities before tax	1,219	1,402
Income tax on ordinary activities	(366)	(421)
Profit from ordinary activities after tax	853	981
Net Profit	853	981
Share of net profit of associates and joint venture entities	853	981

5. DIVIDENDS

5.1 Dividends per Share

Final

- current period

- previous corresponding period

	Amount per share	Franked amount per share- 30% tax	Amounts per share of foreign source dividend
Final			
- current period	11.0 cents	11.0 cents	0 cents
- previous corresponding period	10.0 cents	10.0 cents	0 cents

5.2 Total Dividends

Final dividend paid on 6 October 2009

	31 Dec 2009 (\$'000)	31 Dec 2008 (\$'000)
Final dividend paid on 6 October 2009	31,932	24,468

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 DRP share price will be calculated by reference to the weighted average market price of all Healthscope Limited ordinary fully paid shares sold on the Australian Stock Exchange during the five trading days commencing on the second trading days after the Record Date for the determination of the dividend.

The last date for receipt of election notices for participation in any Dividend Reinvestment Plan

25 February 2010

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

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Financial Report

For the Half-Year Ended 31 December 2009

HEALTHSCOPE LIMITED
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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 2009.

DIRECTORS

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

Ms. Linda B Nicholls AO (Chairman)	Mr. Philip Bullock
Mr. Richard A F England	Mr. David Evans (resigned 30 Nov 2009)
Dr. Ziggy E Switkowski	Mr. Eric Dodd
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 equity holders of the parent entity for the half-year, after income tax expense, amounted to \$45.13 million (2009 - \$38.42 million).

GROUP RESULTS

The 16% improvement in Net Profit after tax before Non-Recurring Items (NRI's) was due to strong revenue growth across all divisions as a result of Healthscope's investment in new businesses, infrastructure and equipment over the preceding 12 months. This included the commencement of the Labtests contract, the commissioning of Norwest Private, the expansion of Campbelltown Private and the start up of the imaging service. Increased depreciation and amortisation charges were offset by lower interest costs and tax expense.

Interest costs were primarily lower in HY Dec 2009 compared to HY Dec 2008 due to reduced average interest rates. There was a further positive impact from two capital raisings undertaken during 2009, with the net proceeds from both the Share Placement of \$140 million and the Share Purchase Plan of \$90 million being used to retire debt.

The lower tax expense for the half year is primarily due to the positive impact of the government's investment allowance. Corporate costs increased in line with the increase in performance based executive remuneration, following achievement of 'stretch' targets for 2009.

The table below provides an analysis of the growth in EBITDA achieved in HY Dec 2009 compared with the previous year. A more detailed analysis is contained in the Review of Operations.

EBITDA	HY Dec 2009 \$ Millions	HY Dec 2008 \$ Millions	Variation %
Hospitals	97.2	91.3	6.5
Pathology Australia	21.0	17.9	17.3
Pathology International	10.8	9.1	18.7
Corporate	(8.6)	(6.8)	(26.5)
Total-before NRI's	120.4	111.5	8.0

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Group Results – after Non-Recurring Items

The Net Profit after tax attributable to shareholders of \$45.1 million (HY Dec 2008 \$38.4 million) was impacted by a small number of NRI's, which cumulatively reduced the Group result by \$1.6 million (net of tax). These items related to post acquisition restructuring costs (\$2.2 million), fair value adjustment on the acquisition of the e-Clinic business (\$1.4 million benefit), and costs relating to completed acquisitions (\$0.8 million). The expensing of the costs related to completed acquisitions is required under the revised Australian Accounting Standard for Business Combinations (AASB 3).

DIVIDEND

An interim dividend of 11.5 cents per share will be paid on 6 April 2010 to shareholders on the register at 25 February 2010. The Dividend Re-Investment Plan ("DRP") will be retained. Shares issued under the DRP will be at a 2.5% discount. The DRP will not be underwritten.

REVIEW OF OPERATIONS

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

Hospitals

	Half Year Dec 2009 \$ Millions	Half Year Dec 2008 \$ Millions	Variation %
Revenue*	587.3	549.0	7.0
EBITDA	97.2	91.3	6.5
EBITDA Margin	16.6%	16.6%	0 bps
EBITDA Margin excluding ACHA Mgt fee	16.0%	15.4%	60 bps

*Excludes prosthetics revenue of \$98.1 million (HY Dec 2008 - \$94.7 million)

The hospitals business contributes approximately 76% of the Company's gross revenue (including prosthetics) and 81% of EBITDA .

The strong growth in revenue for the period was driven by continued underlying demand and the benefits of recent investment in expansion of infrastructure and services.

The completion of the expansion at Campbelltown in May 2009 provided an extra 47 new beds, which have contributed to the increased revenue, with strong demand and occupancy levels ahead of projections.

Norwest Private Hospital was commissioned in early September 2009 and has to date achieved occupancy in excess of the initial expected demand.

EBITDA margins excluding the ACHA Management Fee increased by 60bps on last year as a result of further efficiencies and volume leverage. The Campbelltown Private hospital has continued to improve margins, resulting from the increased capacity provided by the infrastructure expansion.

The management contract with the Adelaide Community Healthcare Alliance (ACHA) delivered a management fee of \$3.3 million for the half year compared to \$7.8 million for the same period last year. The management fee booked last year was at a higher level due to adjustments for higher capital expenditure spent in previous years, with the current year in line with expectations.

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Infrastructure expansions were completed in November 2009 at The Melbourne Clinic, Victorian Rehabilitation Centre and The Hills, adding a further 140 beds to the company's capacity. Construction has commenced at 7 facilities, which will result in an additional 157 beds and 10 theatres.

During the first half a further 3 imaging practices commenced, all based within existing Healthscope Hospitals, bringing the total number of Healthscope Hospitals with imaging practices to 5.

Pathology Australia & Medical Centres

	Half Year Dec 2009 \$ Millions	Half Year Dec 2008 \$ Millions	Variation %
Revenue	154.1	132.5	16.3
EBITDA	21.0	17.9	17.3
EBITDA Margin	13.6%	13.5%	10 bps

The Australian Pathology business recorded strong EBITDA growth for the half of 17.3%, an increase of \$3.1 million from that reported for the previous half year.

Australian Pathology revenue increased 16.3% and 'like for like' growth of 7.4%, which was significantly above market growth. The New South Wales and Queensland operations continue to grow particularly strongly.

The increase in EBITDA margins was achieved in spite of the impact of further government fee changes introduced in November 2009. Margins have been improved by leveraging efficiency gains in volume, with no significant change to the proportion of bulk billing.

The ARL Pathology acquisition completed on 25 August 2009 has been integrated into the Company's existing pathology business ahead of schedule, with expected cost synergies realised earlier than anticipated.

International Operations

	Half Year Dec 2009 \$ Millions	Half Year Dec 2008 \$ Millions	Variation %
Revenue	66.7	52.4	27.3
EBITDA	10.8	9.1	18.7
EBITDA Margin	16.2%	17.4%	(120 bps)

The composition of the revenue for Pathology International is detailed in the table below:

Revenue	Half Year Dec 2009 \$ Millions	Half Year Dec 2008 \$ Millions	Variation %
New Zealand	46.2	30.2	53.0
Malaysia & Singapore	20.5	22.2	(7.7)
Total	66.7	52.4	27.3

The results include \$16.3 million of revenue from the NZ Labtests contract which commenced full pathology services on 7 September 2009. The operations encountered a number of issues in the

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transition phase from the incumbent provider and also in the initial service delivery. These issues resulted in a cut to contract volumes and revenues of 9%. The operations have now settled and are meeting expectations. The margins in this contract are at lower levels than the existing overseas operations, which is the key driver of the overall margin percentage reduction of 120 bps.

The balance of the New Zealand pathology business continued to perform well, however veterinary pathology volumes have been impacted by lower primary industry demand due to lower dairy and meat prices.

The pathology operations in Malaysia have experienced lower volumes due to the impact of the Global Financial Crisis, with results from both Malaysia and Singapore being negatively impacted by the stronger A\$.

SUBSEQUENT EVENTS

There are no material events subsequent to balance date.

OUTLOOK

Earnings for the second half of the year are expected to be stronger than the first half due to:

- Contributions from the hospital infrastructure projects completed in the first half of the year.
- Full 6 months contribution from ARL pathology and NZ Labtests contract.
- Continued focus on growing Pathology market share to compensate for Medicare fee cuts in Pathology.

Proposed legislation to remove the cap on collection centre licences from 1 July 2010 will provide further opportunities to increase Pathology market share in FY2011.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the independence declaration by the lead auditor under section 307C of the Corporations Act 2001 has been reproduced on page 7 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, made pursuant to s.306(3) of the Corporations Act 2001.



B R Dixon
Managing Director

Dated this 14th day of February 2010, Melbourne, Victoria.

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

14 February 2010

Dear Board Members

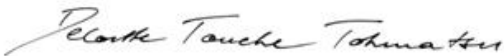
Healthscope Limited

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

As lead audit partner for the review of the financial statements of Healthscope Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G Couttas
Partner
Chartered Accountants

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Entity	
	Half-year ended	
	31 Dec 2009	31 Dec 2008
	\$'000	\$'000
Revenue	905,003	827,201
Share of net profits of associates and joint ventures	1,219	1,402
Employee benefits expense	(419,241)	(371,819)
Medical and consumable supplies	(138,640)	(124,141)
Prosthetics expenses	(98,012)	(94,018)
Occupancy costs	(38,963)	(33,908)
Service costs	(90,955)	(93,177)
Profit before depreciation, amortisation, finance costs, non-recurring items and income tax (EBITDA)	120,411	111,540
Depreciation and amortisation	(33,504)	(24,642)
Profit before finance costs, non-recurring items and income tax (EBIT)	86,907	86,898
Finance costs	(24,376)	(29,477)
Profit before non-recurring items and income tax	62,531	57,421
Post acquisition restructuring	(3,207)	(1,873)
Acquisition costs	(801)	(777)
Fair value adjustment on acquisition	1,450	-
Total non-recurring items	(2,558)	(2,650)
Profit before income tax expense	59,973	54,771
Income tax expense	(14,843)	(16,351)
Net profit after income tax expense	45,130	38,420
Other comprehensive income		
Exchange differences arising on translation of foreign operations	83	7,114
Gain / (loss) on cash flow hedges taken directly to equity	9,310	(32,744)
Income tax expense relating to other comprehensive income	(2,793)	9,823
Other comprehensive income for the period (net of tax)	6,600	(15,807)
Total comprehensive income for the period	51,730	22,613
Profit attributable to:		
Owners of the parent	45,130	38,420
Non-controlling interests	-	-
	45,130	38,420
Total comprehensive income attributable to:		
Owners of the parent	51,731	22,615
Non-controlling interests	(1)	(2)
	51,730	22,613
Earnings per share		
Basic (cents per share)	16.5	15.6
Diluted (cents per share)	16.4	15.6

The accompanying notes numbered 1 to 7 form part of this financial report.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Consolidated Entity	
	31 Dec 2009	30 Jun 2009
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	2,409	2,836
Trade and other receivables	106,911	95,594
Prepayments	10,576	12,052
Inventories	44,219	39,852
Other financial assets	5,243	3,360
TOTAL CURRENT ASSETS	169,358	153,694
NON CURRENT ASSETS		
Investments accounted for using the equity method	936	788
Other financial assets	16,238	13,916
Property, plant and equipment	957,883	804,208
Goodwill	829,033	773,946
Other intangibles	127,244	106,153
Deferred tax assets	48,971	42,889
TOTAL NON CURRENT ASSETS	1,980,305	1,741,900
TOTAL ASSETS	2,149,663	1,895,594
CURRENT LIABILITIES		
Trade and other payables	155,141	156,242
Deferred purchase consideration	10,111	2,785
Deferred revenue	2,321	2,337
Borrowings	10,998	9,693
Other financial liabilities	7,643	14,965
Current tax liabilities	4,971	11,313
Provisions	89,514	83,266
TOTAL CURRENT LIABILITIES	280,699	280,601
NON CURRENT LIABILITIES		
Borrowings	635,383	649,823
Deferred revenue	5,340	6,477
Other financial liabilities	3,822	5,810
Deferred tax liabilities	46,214	33,766
Provisions	14,050	13,801
TOTAL NON CURRENT LIABILITIES	704,809	709,677
TOTAL LIABILITIES	985,508	990,278
NET ASSETS	1,164,155	905,316
EQUITY		
Issued capital	1,060,448	820,871
Reserves	(15,357)	(21,422)
Retained earnings	119,108	105,910
Equity attributable to equity holders of the parent	1,164,199	905,359
Non-controlling interest	(44)	(43)
TOTAL EQUITY	1,164,155	905,316

The accompanying notes numbered 1 to 7 form part of this financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Entity	
	Half-year ended	
	31 Dec 2009	31 Dec 2008
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	883,228	800,379
Payment to suppliers and employees	(782,225)	(692,332)
Cash generated from operations	101,003	108,047
Interest received	617	385
Interest and costs of finance paid	(25,789)	(24,229)
Income tax paid	(16,537)	(15,652)
Net cash provided by operating activities	59,294	68,551
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	187	96
Purchase of property, plant and equipment	(75,803)	(46,898)
Greenfield facility developments	(89,242)	(5,293)
Brownfield facility developments	(39,185)	(15,537)
Net repayments from / (advances to) ACHA	4,362	(1,790)
Payments for practice management rights	(3,547)	(1,218)
Payments for business combinations	(49,159)	(9,343)
Payments in respect of prior year acquisitions	(200)	-
Payments for investments	(5,400)	(1,017)
Net cash used in investing activities	(257,987)	(81,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of equity securities	238,809	24,468
Proceeds from borrowings	290,000	47,000
Repayments of borrowings	(300,000)	(32,000)
Proceeds from receivables securitisation	6,186	13,525
Finance leasing	(6,336)	(6,910)
Dividends paid	(31,932)	(24,468)
Net cash provided by financing activities	196,727	21,615
Net (decrease) / increase in cash and cash equivalents	(1,966)	9,166
Cash and cash equivalents at the beginning of the period	(253)	2,108
Cash acquired on acquisition	130	-
Effects of exchange rate changes on the balance of cash held in foreign currencies	(115)	61
Cash and cash equivalents at the end of the period	(2,204)	11,335

The accompanying notes numbered 1 to 7 form part of this financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Consolidated	Issued capital	Retained earnings	Foreign currency translation reserve	Employee benefits reserve	Hedging reserve	Attributable to owners of the parent	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2008	768,832	84,375	(10,181)	2,655	2,357	848,038	44	848,082
Profit for the period	-	38,420	-	-	-	38,420	-	38,420
Exchange differences arising on translation of foreign operations	-	-	7,116	-	-	7,116	(2)	7,114
(Loss) on cash flow hedges	-	-	-	-	(32,744)	(32,744)	-	(32,744)
Income tax relating to components of other comprehensive income	-	-	-	-	9,823	9,823	-	9,823
Total comprehensive income for the period	-	38,420	7,116	-	(22,921)	22,615	(2)	22,613
Dividends paid	-	(24,468)	-	-	-	(24,468)	-	(24,468)
Conversion of executive share options	1,538	-	-	-	-	1,538	-	1,538
Dividend Reinvestment Plan	12,264	-	-	-	-	12,264	-	12,264
Underwritten cash component of dividend	12,204	-	-	-	-	12,204	-	12,204
Vesting of performance rights	-	-	-	(1,538)	-	(1,538)	-	(1,538)
Transaction costs	(93)	-	-	-	-	(93)	-	(93)
Cost of share based payments	-	-	-	524	-	524	-	524
Closing balance at 31 December 2008	794,745	98,327	(3,065)	1,641	(20,564)	871,084	42	871,126
Opening balance at 1 July 2009	820,871	105,910	(8,997)	2,117	(14,542)	905,359	(43)	905,316
Profit for the period	-	45,130	-	-	-	45,130	-	45,130
Exchange differences arising on translation of foreign operations	-	-	84	-	-	84	(1)	83
Gain on cash flow hedges	-	-	-	-	9,310	9,310	-	9,310
Income tax relating to components of other comprehensive income	-	-	-	-	(2,793)	(2,793)	-	(2,793)
Total comprehensive income for the period	-	45,130	84	-	6,517	51,731	(1)	51,730
Share Purchase Plan	90,330	-	-	-	-	90,330	-	90,330
Share Placement	137,541	-	-	-	-	137,541	-	137,541
Dividends paid	-	(31,932)	-	-	-	(31,932)	-	(31,932)
Conversion of executive share options	1,090	-	-	-	-	1,090	-	1,090
Dividend Reinvestment Plan	10,938	-	-	-	-	10,938	-	10,938
Vesting of performance rights	-	-	-	(1,090)	-	(1,090)	-	(1,090)
Transaction costs	(322)	-	-	-	-	(322)	-	(322)
Cost of share based payments	-	-	-	554	-	554	-	554
Closing balance at 31 December 2009	1,060,448	119,108	(8,913)	1,581	(8,025)	1,164,199	(44)	1,164,155

The accompanying notes numbered 1 to 7 form part of this financial report.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of Preparation

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

The Company is a company of the kind referred to in ASIC Class Order 98/010, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and the methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 3 Business Combinations
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements
- AASB 127 Consolidated and Separate Financial Statements

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current period.

Business combinations

The impact of adopting AASB 3 Business Combinations has required that acquisition related costs be accounted for separately from the business combination, leading to these costs being expensed as incurred. Previously these costs were accounted for as a part of the cost of the acquisition of the business. As a result, the current half-year profit has therefore been decreased by \$801 thousand.

Changes in ownership interests of associates

In a business combination achieved in stages, the acquirer shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. As a result of the change in the accounting standard, an after tax gain of \$1,450 thousand was recorded as a non-recurring item in the current half-year statement of comprehensive income.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd).

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Working Capital Position

The working capital position as at 31 December 2009 for the consolidated entity results in a surplus of current liabilities over current assets of \$111.3 million (2008:\$100.7 million).

The contributing factor to this deficiency is the continued use of an accounts receivable securitisation facility of \$110 million. The value of receivables sold under this facility at 31 December 2009 was \$101.2 million (2008: \$104.6 million). The proceeds from the sale were used to retire non-current debt and reduce the overall cost of debt servicing.

The directors continually monitor the group's working capital position including forecast working capital requirements in light of the group's existing debt facility. The Company has in place committed long term financing facilities to cover the excess of current liabilities over current assets.

NOTE 2: DIVIDENDS PAID ON ORDINARY SHARES

	Consolidated Entity	
	Half-year ended	
	31 Dec 2009	31 Dec 2008
	\$'000	\$'000
Ordinary dividend of 10.0 cents per share fully franked at the tax rate of 30%, paid on 6 October 2008.	-	24,468
Ordinary dividend of 11.0 cents per share fully franked at the tax rate of 30%, paid on 12 October 2009.	31,932	-
Total dividends paid	31,932	24,468

Since the end of the half-year, the directors have recommended payment of an interim dividend amounting to \$39,214,021 representing a fully franked dividend of 11.5 cents per fully paid ordinary share (2008: \$26,280,104 – 10.5 cents). The dividend has not been provided for in the half-year financial report.

NOTE 3: CONTINGENT LIABILITIES

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

	Consolidated Entity	
	Half-year ended	
	31 Dec 2009	31 Dec 2008
	\$'000	\$'000
Retirement and termination benefits payable in certain circumstances to executive officers under service agreement.	2,355	1,316
The consolidated entity has given bank guarantees in respect of property leases.	8,545	8,356
The parent entity has given a bank guarantee to the Workcover Corporation of South Australia, in order to satisfy certain statutory agreements.	720	670

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd).

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.

Business Acquired	Acquisition cost \$'000
1) Healthcare of Australia Holdings Pty Ltd	50,530
On 25 th August 2009, the Group acquired 100% of the share capital of the Company. The acquisition comprised the trading businesses of ARL pathology, Molescan skin cancer clinics and Healthcare of Australia medical centres, all of which complement the Group's existing businesses.	
2) Other acquisitions	6,129
- Kooyong Rd Medical Centre. 100% of the business was acquired on 12 th October 2009.	
- South Canberra Medical Centre. 100% of the business was acquired on 23 rd November 2009.	
- e-Clinic Pty Ltd.(i) 76.34% of the share capital was acquired on 21 st December 2009.	
	56,659

Details of the composition of the above acquisitions are as follows:

	Book Value \$'000	Fair Value Adjustments \$'000	Revised Net Assets \$'000
Net assets acquired			
Cash	130	-	130
Receivables	1,489	(65)	1,424
Inventory	570	-	570
Prepayments	399	-	399
Other current liabilities	(62)	-	(62)
Plant and equipment	3,943	(62)	3,881
Collection centre licences	1,645	-	1,645
Payables	(3,200)	(300)	(3,500)
Employee provisions	(579)	(123)	(702)
Borrowings	(623)	-	(623)
	3,712	(550)	3,162
Fair value of net assets acquired			3,162
Goodwill arising on acquisition			53,497
			56,659
Consideration			
Cash			49,159
Deferred settlement			7,500
Total consideration paid			56,659

(i) The Group acquired the controlling interest in e-Clinic Pty Ltd on 21st December 2009. On acquisition date, the Group held an investment of 23.66% of the share capital with an equity accounted carrying value of \$132 thousand. In accordance with accounting standard AASB 3 Business Combinations, this investment was re-measured on acquisition to a fair value of \$1,582 thousand. The revaluation gave rise to an after-tax gain of \$1,450 thousand dollars. This gain was recorded as a non-recurring gain in the profit and loss of the Group in the period ended 31 December 2009.

The initial accounting for these acquisitions has only been provisionally determined at reporting date. For tax purposes, the tax values of the acquired operations assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations have not been finalised and the adjustment to deferred tax liabilities and goodwill noted above has therefore only been provisionally determined based on directors' best estimate of the likely tax values. The market value for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd).

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire these operations. In addition the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of the above operations. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

NOTE 5: SEGMENT INFORMATION

The Group has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating (and reporting) segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Accordingly the Group has determined the following operating segments

- Hospitals - the management and provision of surgical and non-surgical private hospitals
- Pathology Australia - the provision of pathology services
- Other - the provision of pathology services overseas
- Corporate - provision of central administrative costs

	Revenue (i)		EBITDA		Depreciation and amortisation		Profit before finance costs, non-recurring items and income tax (ii)	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Hospitals	684,139	642,321	97,212	91,352	(22,592)	(17,658)	74,620	73,694
Pathology Australia	154,093	132,502	21,030	17,859	(8,110)	(5,884)	12,920	11,975
Other	66,680	52,378	10,779	9,147	(2,802)	(1,100)	7,977	8,047
Corporate	91	-	(8,610)	(6,818)	-	-	(8,610)	(6,818)
Total all segments before non-recurring items	905,003	827,201	120,411	111,540	(33,504)	(24,642)	86,907	86,898
Post acquisition restructure costs							(3,207)	(1,873)
Acquisition costs written off and provided against							(801)	(777)
Fair value adjustment on acquisition							1,450	-
Finance costs							(24,376)	(29,477)
Profit before income tax							59,973	54,771
Income tax expense							(14,843)	(16,351)
Profit after income tax							45,130	38,420

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

(ii) Segment profit represents the profit earned by each segment without the allocation of central administrative costs and directors' salaries, investment revenue and finance costs, income tax expense, non-recurring items and gains or losses on the disposal of associates or discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Total assets by reportable segment

	Consolidated Entity	
	31 Dec 2009 \$'000	30 Jun 2009 \$'000
Hospitals	2,016,838	1,770,781
Pathology	299,891	297,982
Other	53,648	47,899
Eliminations	(220,714)	(221,068)
Total all segments	2,149,663	1,895,594

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd).

NOTE 6: GOODWILL

	Consolidated Entity	
	Half-year ended	
	31 Dec 2009	31 Dec 2008
	\$'000	\$'000
Gross carrying amount		
Balance at the beginning of the half year	773,946	749,605
Additional amounts recognised from business combinations occurring during the period	53,497	9,126
Gain on re-measurement to fair value of e-Clinic Pty Ltd investment	1,450	-
Fair value adjustments relating to prior year acquisitions	396	-
Effect of foreign currency exchange differences	(256)	1,510
Balance at the end of the half-year	<u>829,033</u>	<u>760,241</u>

NOTE 7: EVENTS SUBSEQUENT TO BALANCE DATE

There are no material events subsequent to balance date.

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DIRECTORS' DECLARATION

The Directors of Healthscope Limited declare that:

1. In the director's opinion, the financial statements set out on pages 8 to 16 are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



B R Dixon
Managing Director

Dated this 14th day of February 2010, Melbourne, Victoria.

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

We have reviewed the accompanying half-year financial report of Healthscope Limited, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed 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 8 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 establishing 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 Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Healthscope Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

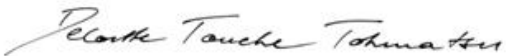
Auditor's Independence Declaration

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

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 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



G Couttas
Partner
Chartered Accountants
Melbourne, 14 February 2010