

**Sonic Healthcare Limited**  
ABN 24 004 196 909

ASX HALF YEAR INFORMATION – 31 December 2004  
Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 2004 Annual Report.

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
**For the six months ended 31 December 2004**

**Financial Results**

Revenue from ordinary activities	Up 32.0% to \$672,982,000
Earnings before interest, tax and amortisation (EBITA)	Up 33.1% to \$124,544,000
Core (pre intangibles amortisation) profit from ordinary activities after tax attributable to members	Up 24.3% to \$68,804,000
Profit from ordinary activities after tax attributable to members	Up 37.3% to \$35,303,000
Net Profit for the period attributable to members	Up 37.3% to \$35,303,000

**Dividends**

	<u>Amount per security</u>	<u>Franked amount per security</u>
Interim dividend	13¢	13¢
Previous corresponding period	10¢	10¢

The record date for determining entitlements to the interim dividend will be 3 March 2005. The interim dividend will be paid on 17 March 2005. The Company's Dividend Reinvestment Plan remains suspended for this dividend and until further notice.

**Earnings per Share**

	<u>Six months ended 31.12.04</u>	<u>Six months ended 31.12.03</u>
Basic earnings per share	13.1¢	9.8¢
Diluted earnings per share	12.8¢	9.7¢
Core (pre intangibles amortisation) diluted earnings per share	25.0¢	20.8¢

Core diluted earnings per share adjusts the figures used in the determination of diluted earnings per share by adding back to net profit the amount of intangibles amortisation expense for the period of \$33,501,000 (2003: \$29,625,000).

An explanation of the figures reported above is provided in the following pages of this report.

**SUMMARY AND EXPLANATION OF RESULTS**  
For the half year ended 31 December 2004

**1 Summary financial results**

	Reference	Six months ended 31.12.04 \$'000	Six months ended 31.12.03 \$'000	Movement %
<b>Total Revenue</b>	(4)	<b>672,982</b>	<b>509,859</b>	32.0%
Earnings before Interest, Tax, Depreciation and Amortisation ( <b>EBITDA</b> )		<b>149,095</b>	<b>113,719</b>	31.1%
Depreciation and Lease Amortisation	(6.1)	<b>(24,551)</b>	<b>(20,174)</b>	21.7%
Earnings before Interest, Tax and Intangibles Amortisation ( <b>EBITA</b> )	(3)	<b>124,544</b>	<b>93,545</b>	33.1%
Net Interest Expense	(6.2)	<b>(21,229)</b>	<b>(17,093)</b>	24.2%
Income Tax attributable to Operating Profit	(6.3)	<b>(27,634)</b>	<b>(20,955)</b>	31.9%
Net Profit attributable to Outside Equity Interests	(6.4)	<b>(6,877)</b>	<b>(152)</b>	
<b>Core Net Profit attributable to shareholders of Sonic Healthcare Limited</b>		<b>68,804</b>	<b>55,345</b>	24.3%
Amortisation of Intangibles	(6.5)	<b>(33,501)</b>	<b>(29,625)</b>	13.1%
<b>Net Profit attributable to shareholders of Sonic Healthcare Limited</b>		<b>35,303</b>	<b>25,720</b>	37.3%

**2 Other relevant information**

	Reference	Six months ended 31.12.04 \$'000	Six months ended 31.12.03 \$'000	Movement %
Cash generated from operations	(6.6)	<b>96,643</b>	<b>81,508</b>	18.6%
Core EPS (pre intangibles amortisation diluted earnings per share) (cents)	(6.7)	<b>25.0</b>	<b>20.8</b>	20.5%

**SUMMARY AND EXPLANATION OF RESULTS**  
**For the half year ended 31 December 2004**

	Six months ended 31.12.04	Six months ended 31.12.03	Movement
<b>3 Margin analysis</b>			
EBITDA as a % of Revenue	22.2%	22.3%	(10) bps*
EBITA as a % of Revenue	18.5%	18.3%	20 bps*

\*bps = basis points of margin

On a like for like basis, margin expansion was very strong, with greater than 50 bps improvement over the corresponding prior year period due to revenue growth, extraction of synergies and efficiency improvements. This margin expansion has been mitigated by the acquisition of the lower margin businesses, the Schottdorf Group (acquired 29 June 2004) and Independent Practitioner Network Limited (IPN) (acquired 26 August 2004).

**4 Revenue growth**

Organic (excluding acquisitions) revenue growth for the period was strong at around 7%, significantly higher than the prior year comparative, reflecting patient volume growth as well as fee increases under the Australian Medicare Benefits Schedule (pathology December 2003, radiology November 2004).

**5 Interim dividend and Dividend Reinvestment Plan (DRP)**

The Board has declared an interim dividend of 13 cents per share fully franked (at 30%) to be paid on 17 March 2005. The record date will be 3 March 2005.

The interim dividend represents a 30% increase on the comparative period.

The Board has determined that the Company's DRP remains suspended for this dividend and until further notice.

**6 Notes to the financial results**

**6.1 Depreciation**

Depreciation and leased asset amortisation has increased 21.7% against the comparative period due mainly to the comparative figure including adjustments to bring the depreciation of certain assets into line with Sonic's policies. The increase also reflects the acquisitions of the Schottdorf Group and IPN. As a percentage of total revenue, depreciation and leased asset amortisation has decreased from 4.0% in the comparative period to 3.6% in the current period.

**6.2 Interest expense**

Net interest expense has increased 24.2% on the comparative period due to increased debt as a consequence of the acquisitions of the Schottdorf Group, IPN and the Endeavour Healthcare businesses, plus the suspension of the company's Dividend Reinvestment Plan for the 2004 dividends. Appropriate interest rate hedging arrangements are in place.

**SUMMARY AND EXPLANATION OF RESULTS**  
**For the half year ended 31 December 2004**

**6.3 Tax rate**

The relatively high effective tax rate of 39.6% (comparative period 44.7%) is essentially a function of non-deductible intangibles amortisation. The reduction in rate versus the comparative period is mainly due to the reducing ratio of intangibles amortisation to profit, as well as deductible goodwill amortisation in the Schottdorf Group (see 6.4 below).

**6.4 Outside equity interests**

The current period outside equity interest figure includes minority interests in the Schottdorf Group and IPN, in addition to minority interests in other (small) entities in the group. The comparative period figure includes only minority interests in the minor entities.

The profit (and therefore the minority interests' profit share) for the Schottdorf Group for the period was significantly increased by tax deductions associated with goodwill amortisation within the Schottdorf Group. This goodwill was fully amortised at 31 December 2004, and therefore no similar tax credits will be available in future periods.

**6.5 Intangibles amortisation**

In line with an accounting policy adopted in 1999, the company amortises identifiable intangibles over 50 years and goodwill over 20 years. Identifiable intangibles are valued at cost and are supported by third party valuations. The expense for the half year period includes \$1,967,000 for identifiable intangibles amortisation and \$31,534,000 for goodwill amortisation. The cost values of identifiable intangibles and goodwill at 31 December 2004 are \$198,039,000 and \$1,311,591,000 respectively. Full year intangibles amortisation expense is expected to be approximately \$68M, assuming no further business acquisitions and constant exchange rates.

**6.6 Cashflow from operations**

Cash generated from operations increased 18.6% compared to the comparative period, broadly in line with cash profit (core net profit plus depreciation and outside equity interests).

**6.7 Earnings per share**

Core diluted earnings per share (pre intangibles amortisation) increased 20.5% due mainly to earnings growth and the positive effect of the Schottdorf Group and other synergistic acquisitions.

## HALF YEAR REPORT

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Sonic Healthcare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## Directors' Report

Your directors present their report on the consolidated entity consisting of Sonic Healthcare Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2004.

### 1. Names of Directors

The directors of the company in office during the half year and up to the date of this report are:

Mr B.S. Patterson – Chairman  
Dr C.S. Goldschmidt – Managing Director  
Mr C.D. Wilks – Finance Director  
Mr R.P. Campbell  
Dr P.J. Dubois  
Mr C.J. Jackson  
Dr H.F. Scotton

### 2. Review of Operations

#### Revenue

Revenue for the period increased 32% to \$672,982,000 from \$509,859,000, reflecting the acquisitions of the Schottdorf Group (acquired 29 June 2004), Independent Practitioner Network Limited (IPN) (acquired 26 August 2004), continued organic growth and other synergistic acquisitions.

#### Profit

The net profit (after outside equity interests) for the consolidated entity for the period was \$35,303,000 (2003: \$25,720,000) after deducting income tax expense of \$27,634,000 (2003: \$20,955,000). Net profit attributable to Sonic shareholders before intangibles amortisation increased by 24.3% to \$68,804,000 (2003: \$55,345,000).

Core earnings per share (pre intangibles amortisation) increased 20.5% from 20.8 cents to 25.0 cents mainly due to the positive effect of synergistic acquisitions and earnings growth.

Revenue growth, extraction of synergies and efficiency improvements have continued in the Australian, New Zealand and UK operations, although reported margin growth has been restrained by the acquisition of the lower margin businesses of IPN and the Schottdorf Group.

Net interest expense has increased 24.2% due to increased debt mainly as a consequence of the acquisition of majority stakes in the Schottdorf Group and IPN businesses, the acquisition of the Endeavour Healthcare businesses, and the suspension of the company's Dividend Reinvestment Plan.

In line with an accounting policy adopted in 1999, the consolidated entity amortises identifiable intangibles over 50 years and goodwill over 20 years. Identifiable intangibles are valued at cost and are supported by third party valuations. The amortisation expense for the period includes \$1,967,000 for intangibles amortisation and \$31,534,000 for goodwill amortisation.

The relatively high effective tax rate of 39.6% (2003: 44.7%) is essentially a function of non-deductible intangibles amortisation.

## Directors' Report

### 3. Subsequent Event

Subsequent to period end, the directors declared a dividend of 13 cents per ordinary share payable on 17 March 2005 with a record date of 3 March 2005. The Company's Dividend Reinvestment Plan remains suspended for this dividend and until further notice.

### 4. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to this half year report.


### 5. Rounding of Amounts to Nearest Thousand Dollars

The company is a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors.



Dr C.S. Goldschmidt  
Director



C.D. Wilks  
Director

Sydney  
21 February 2005



**CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE**  
**For the half year ended 31 December 2004**

	Notes	Six months ended 31.12.04 \$'000	Six months ended 31.12.03 \$'000
<b>Revenue from ordinary activities</b>	3	672,982	509,859
Labour and related costs		(296,727)	(250,648)
Consumables used		(104,808)	(65,474)
Amortisation of intangibles	4	(33,501)	(29,625)
Depreciation and amortisation of physical assets	4	(24,551)	(20,174)
Operating lease rental expense		(30,090)	(19,828)
Borrowing costs expense	4	(21,887)	(17,672)
Repairs and maintenance		(16,246)	(13,508)
Utilities		(15,600)	(11,785)
Other expenses from ordinary activities		(59,758)	(34,318)
<b>Profit from ordinary activities before income tax expense</b>		69,814	46,827
Income tax expense	6	(27,634)	(20,955)
<b>Profit from ordinary activities after income tax expense</b>		42,180	25,872
Net profit attributable to outside equity interests		(6,877)	(152)
<b>Net profit attributable to members of Sonic Healthcare Limited</b>		35,303	25,720
Net exchange differences on translation of financial reports of foreign controlled entities		398	(1,120)
<b>Total revenues, expenses and valuation adjustments attributable to members of Sonic Healthcare Limited recognised directly in equity</b>		398	(1,120)
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		35,701	24,600
<b>Basic earnings per share (cents per share)</b>	8	13.1	9.8
<b>Diluted earnings per share (cents per share)</b>	8	12.8	9.7
Core (pre intangibles amortisation) diluted earnings per share (cents per share)	8	25.0	20.8

*The above consolidated statements of financial performance should be read in conjunction with the accompanying notes, the 2004 Annual Report and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As at 31 December 2004**

	Notes	31.12.04 \$'000	30.06.04 \$'000	31.12.03 \$'000
<b>Current assets</b>				
Cash assets		39,151	17,343	20,550
Receivables	9	141,728	145,596	98,115
Inventories		25,440	22,903	17,241
Other		12,154	10,258	8,464
<b>Total current assets</b>		<b>218,473</b>	196,100	144,370
<b>Non-current assets</b>				
Receivables		3,619	4,499	6,494
Investments		10,528	45,763	41,215
Property, plant and equipment		262,615	240,712	225,971
Intangible assets		1,244,914	1,162,162	1,097,295
Deferred tax assets		47,541	43,526	19,663
Other		1,291	1,371	-
<b>Total non-current assets</b>		<b>1,570,508</b>	1,498,033	1,390,638
<b>Total assets</b>		<b>1,788,981</b>	1,694,133	1,535,008
<b>Current liabilities</b>				
Payables		96,910	99,973	66,533
Interest bearing liabilities		33,904	34,746	44,817
Current tax liabilities		3,262	11,800	10,745
Provisions		63,268	55,036	53,060
Other		18,839	21,919	7,415
<b>Total current liabilities</b>		<b>216,183</b>	223,474	182,570
<b>Non-current liabilities</b>				
Interest bearing liabilities		692,776	606,536	493,274
Deferred tax liabilities		2,488	998	1,291
Provisions		20,500	15,338	15,408
<b>Total non-current liabilities</b>		<b>715,764</b>	622,872	509,973
<b>Total liabilities</b>		<b>931,947</b>	846,346	692,543
<b>Net assets</b>		<b>857,034</b>	847,787	842,465
<b>Equity</b>				
Parent entity interest				
Contributed equity	10	898,654	875,248	868,195
Reserves	12	10,902	10,504	4,951
Accumulated losses	13	(44,638)	(25,725)	(30,887)
<b>Total parent entity interest</b>		<b>864,918</b>	860,027	842,259
Outside equity interests in controlled entities		(7,884)	(12,240)	206
<b>Total equity</b>		<b>857,034</b>	847,787	842,465

*The above consolidated statements of financial position should be read in conjunction with the accompanying notes, the 2004 Annual Report and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the half year ended 31 December 2004**

	Six months ended 31.12.04 \$'000	Six months ended 31.12.03 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	712,145	537,530
Payments to suppliers and employees (inclusive of goods and services tax)	<b>(558,850)</b>	(416,591)
	<b>153,295</b>	120,939
Interest received	658	579
Borrowing costs	<b>(23,454)</b>	(18,693)
Income taxes paid	<b>(33,856)</b>	(21,317)
<b>Net cash inflow from operating activities</b>	<b>96,643</b>	81,508
<b>Cash flows from investing activities</b>		
Payment for purchase of controlled entities, net of cash acquired	<b>(109,627)</b>	(25,789)
Payments for property, plant and equipment	<b>(22,439)</b>	(18,771)
Proceeds from sale of property, plant and equipment	1,143	938
Payments for investments	<b>(1,005)</b>	(2,302)
Repayment of loans by other entities	912	3,284
Loans to other entities	<b>(110)</b>	(6,555)
Payment for restructuring activities	<b>(1,514)</b>	(2,189)
<b>Net cash (outflow) from investing activities</b>	<b>(132,640)</b>	(51,384)
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	23,177	3,196
Proceeds from borrowings	<b>148,896</b>	56,433
Repayment of borrowings	<b>(59,904)</b>	(76,061)
Dividends paid	<b>(54,216)</b>	(18,942)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>57,953</b>	(35,374)
<b>Net increase/(decrease) in cash held</b>	<b>21,956</b>	(5,250)
Cash at the beginning of the financial period	<b>17,343</b>	26,489
Effects of exchange rate changes on cash	<b>(148)</b>	(689)
<b>Cash at the end of the financial period</b>	<b>39,151</b>	20,550

*The above consolidated statements of cash flows should be read in conjunction with the accompanying notes, the 2004 Annual Report and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2004

### Note 1 Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Sonic Healthcare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. With the acquisition of a majority interest in Independent Practitioner Network Limited (IPN) and first time consolidation of its financial results, the Group's accounting policies have been expanded to include the following:

#### Revenue Recognition

Revenue is recognised from the rendering of other services when the service has been provided. Rental income is recognised by allocating minimum lease payments on a basis representative of the pattern of services rendered through the provision of the leased asset.

#### Leased Plant and Equipment

Future payments for surplus leased space under non-cancellable operating leases are recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased space will be of no future benefit to the consolidated entity.

#### Australian Tax Consolidation Legislation

Sonic Healthcare Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as at 30 June 2004. The Australian Taxation Office has been notified of this event.

The company is in the process of determining the financial impact of various elections available to it under this regime. The company does not believe there will be any significant financial impact on its financial performance and position as at 31 December 2004 as a result of making these elections.

#### International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) has issued Australian equivalents to International Financial Reporting Standards (AIFRS). The changes resulting from adoption of these new standards will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

The Company is currently reviewing the potential impact of the new financial reporting standards and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, and these are still being analysed to determine the most appropriate accounting policy for the Group.

The following areas have been identified as potentially having a significant impact for Sonic:

#### *AASB 138 "Intangible Assets" and AASB 136 "Impairment"*

Sonic's current accounting policy is to amortise goodwill over the period during which the related benefits are expected to arise. In the half year ended 31 December 2004 this led to a \$31,534,000 charge against reported profits. Under the new standards goodwill will no longer be amortised but instead will be subject to impairment testing at each reporting date or where there is an indication of impairment. This will have the effect of reducing expenses and improving reported profits of the Group, subject to any impairment charges that may be required from time to time.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2004**

**Note 1           Basis of preparation of half-year financial report (cont)**

*AASB 2 "Share-based Payments"*

In accordance with AGAAP, share-based compensation is not recognised in the Statement of Financial Performance. Under AASB 2, such compensation must be recognised at fair value, with the expense recognised over the vesting period.

*AASB 112 "Income taxes"*

A new method of accounting for income taxes known as the "balance sheet liability method" will replace the "tax effect income statement" approach currently used by Australian companies including Sonic. Under the new method, deferred tax balances will be determined by calculating temporary differences based on the differences between the carrying amounts of Sonic's assets and liabilities and their associated cost bases for tax purposes.

The above should not be regarded as a complete list of changes in accounting policies, as not all new standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available.

**Note 2           Segment information**

The "Other" business segment includes the corporate office function and other minor operations. Following its acquisition on 26 August 2004 this segment also includes the consolidated results of IPN.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2004**

**Note 2 Segment information (cont)**

**Primary Reporting – Business Segments**

<b>Half Year ended 31 December 2004</b>	<b>Pathology \$'000</b>	<b>Radiology \$'000</b>	<b>Other \$'000</b>	<b>Eliminations \$'000</b>	<b>Consolidated \$'000</b>
<b>Revenue</b>					
External sales	494,263	146,871	22,798	-	663,932
Inter segment sales	5	169	860	(1,034)	-
Other revenue	2,729	504	5,159	-	8,392
<b>Total segment revenue</b>	<b>496,997</b>	<b>147,544</b>	<b>28,817</b>	<b>(1,034)</b>	<b>672,324</b>
Interest income					658
<b>Total revenue</b>					<b>672,982</b>
<b>Segment result before interest and tax</b>					
	81,048	16,015	(6,020)	-	91,043
Unallocated net interest expense					(21,229)
<b>Profit before tax</b>					<b>69,814</b>
Income tax expense					(27,634)
<b>Profit after income tax expense</b>					<b>42,180</b>

**Primary Reporting – Business Segments**

<b>Half Year ended 31 December 2003</b>	<b>Pathology \$'000</b>	<b>Radiology \$'000</b>	<b>Other \$'000</b>	<b>Eliminations \$'000</b>	<b>Consolidated \$'000</b>
<b>Revenue</b>					
External sales	369,084	134,916	-	-	504,000
Inter segment sales	63	141	-	(204)	-
Other revenue	4,516	753	11	-	5,280
<b>Total segment revenue</b>	<b>373,663</b>	<b>135,810</b>	<b>11</b>	<b>(204)</b>	<b>509,280</b>
Interest income					579
<b>Total revenue</b>					<b>509,859</b>
<b>Segment result before interest and tax</b>					
	56,157	13,704	(5,941)	-	63,920
Unallocated net interest expense					(17,093)
<b>Profit before tax</b>					<b>46,827</b>
Income tax expense					(20,955)
<b>Profit after income tax expense</b>					<b>25,872</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2004**

	Six months ended 31.12.04 \$'000	Six months ended 31.12.03 \$'000
<b>Note 3</b>		
<b>Revenue</b>		
<b>Revenue from operating activities</b>		
Medical services revenue	663,932	504,000
<b>Revenue from outside the operating activities</b>		
Interest income	658	579
Proceeds on sale of non current assets	1,143	2,579
Rental income	3,353	1,170
Other income	3,896	1,531
	<u>9,050</u>	<u>5,859</u>
Revenue from ordinary activities	<u>672,982</u>	<u>509,859</u>
<b>Note 4</b>		
<b>Profit from ordinary activities</b>		
The profit from ordinary activities before income tax expense includes the following expenses:		
Borrowing costs		
Finance charges on capitalised leases and hire purchase agreements	2,354	2,356
Other interest and finance charges	19,533	15,316
Total borrowing costs	<u>21,887</u>	<u>17,672</u>
Amortisation of intangibles:		
Goodwill	31,534	27,716
Brand names, licences and authorities	1,967	1,909
Total amortisation of intangibles	<u>33,501</u>	<u>29,625</u>
Amortisation of leased assets:		
Plant and equipment under finance leases	7,844	6,952
Total amortisation of leased assets and intangibles	<u>41,345</u>	<u>36,577</u>
Depreciation of physical assets:		
Plant and equipment	15,805	12,431
Buildings	902	791
Total depreciation	<u>16,707</u>	<u>13,222</u>

**Note 5** **Gain or loss of control over entities**

On 26 August 2004 Independent Practitioner Network Limited (IPN) became a subsidiary of Sonic following a proportional takeover bid which raised Sonic's shareholding from 19.63% as at 30 June 2004 to 72.16%. IPN's results have been consolidated from that date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2004**

	<b>Six months ended 31.12.04 \$'000</b>	<b>Six months ended 31.12.03 \$'000</b>
<b>Note 6            Income tax</b>		
The income tax expense for the half year differs from the amount calculated on the profit. The differences are reconciled as follows:		
Profit from ordinary activities before income tax expense	<u>69,814</u>	46,827
Income tax calculated @ 30%	20,944	14,048
Tax effect of permanent differences:		
Amortisation of intangibles	6,840	8,747
Other items (net)	(873)	240
Deductible expenditure capitalised	(613)	(1,233)
Income tax adjusted for permanent differences	<u>26,298</u>	21,802
Effect of higher tax rates on overseas income	818	95
Under/(over) provision in prior year	<u>518</u>	(942)
Income tax expense	<u><u>27,634</u></u>	<u>20,955</u>

**Note 7            Dividends**

<b>Dividends paid during the half year</b>	<u><u>54,216</u></u>	<u>44,629</u>
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**Dividends not recognised at the end of the half year**

Since the end of the half year the directors have declared a fully franked interim dividend of 13 cents (2003: 10 cents).

The dividend was declared on 21 February 2005 and is payable on 17 March 2005 with a record date of 3 March 2005.

The aggregate amount of the proposed interim dividend to be paid out of retained profits at the end of the half year, but not recognised as a liability is:

<u><u>35,654</u></u>	<u>26,739</u>
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Australian franking credits available for subsequent financial periods based on a tax rate of 30%

<u><u>71,814</u></u>	<u>52,083</u>
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The above balance of the franking accounts as at 31 December 2004 would enable Sonic to pay fully franked dividends of \$167,566,000 in future periods (including the interim dividend noted above).

**Dividend Reinvestment Plan (DRP)**

The company's Dividend Reinvestment Plan remains suspended for the 2005 interim dividend and until further notice.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2004**

<b>Note 8</b>	<b>Earnings per share</b>	<b>Six months ended 31.12.04 Cents</b>	<b>Six months ended 31.12.03 Cents</b>
	Basic earnings per share	13.1	9.8
	Diluted earnings per share	12.8	9.7
	Core (pre intangibles amortisation) basic earnings per share	25.5	21.0
	Core (pre intangibles amortisation) diluted earnings per share	25.0	20.8

Core basic and diluted earnings per share adjusts the figures used in the determination of basic and diluted earnings per share by adding back to net profit the amount of intangibles amortisation expense for the period of \$33,501,000 (2003: \$29,625,000).

	<b>Six months ended 31.12.04 Shares</b>	<b>Six months ended 31.12.03 Shares</b>
<b>Weighted average number of ordinary shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and core basic earnings per share	<u>270,099,052</u>	263,085,827
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and core diluted earnings per share	<u>275,035,800</u>	266,619,602

<b>Note 9</b>	<b>Receivables - Current</b>	<b>Six months ended 31.12.04 \$'000</b>	<b>Six months ended 31.12.03 \$'000</b>
	Trade debtors	118,212	85,838
	Less: Provision for doubtful debts	<u>(12,910)</u>	<u>(8,703)</u>
	Accrued revenue	7,516	7,964
	Amounts owing from other entities	1,529	1,815
	Sundry debtors	<u>27,381</u>	<u>11,201</u>
		<u>141,728</u>	<u>98,115</u>

The significant increase in Sundry debtors relates to the Schottdorf Group acquisition on 29 June 2004.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2004**

**Note 10**            **Contributed equity**

	Notes	31.12.04 Shares	31.12.03 Shares	31.12.04 \$'000	31.12.03 \$'000
<b>Share capital</b>					
Fully paid ordinary shares	(a)	<u>271,994,148</u>	267,276,930	894,244	868,195
Share option reserve	(b)			<u>4,410</u>	-
				<u>898,654</u>	868,195

**(a) Movements in ordinary share capital:**

Date	Details	Number of shares	Issue price	\$'000
1/7/04	Opening balance	267,749,480		870,838
26/11/04	Shares issued to executives under remuneration arrangements	30,750	-	-
26/11/04	Shares issued to vendors of TDL	25,218	9.10	229
Various	Shares issued following exercise of employee options	<u>4,188,700</u>	Various	<u>23,177</u>
31/12/04	Closing Balance	<u>271,994,148</u>		<u>894,244</u>

**(b) Share option reserve**

The amount shown relates to options issued on 1 July 2004 in relation to the Schottdorf Group acquisition.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2004**

**Note 11 Unlisted share options**

<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Options at 30.6.04</b>	<b>Options Exercised</b>	<b>Options Forfeited</b>	<b>Options Granted</b>	<b>Options at 31.12.04</b>
5.32	20/04/2010	4,500,000	(3,000,000)	-	-	<b>1,500,000</b>
5.41	20/02/2005	1,484,450	(789,700)	(55,000)	-	<b>639,750</b>
7.38	20/04/2006	3,383,500	(399,000)	(195,000)	-	<b>2,789,500</b>
4.66	16/05/2007	1,674,000	-	(153,000)	-	<b>1,521,000</b>
6.01	07/02/2008	80,000	-	-	-	<b>80,000</b>
6.30	15/02/2008	695,000	-	(25,000)	-	<b>670,000</b>
7.57	19/12/2008	215,000	-	(40,000)	-	<b>175,000</b>
6.75	31/08/2009	-	-	-	3,000,000	<b>3,000,000</b>
7.50	26/11/2009	-	-	-	1,540,000	<b>1,540,000</b>
9.51	23/07/2009	-	-	-	10,000	<b>10,000</b>
9.56	23/07/2009	-	-	-	370,000	<b>370,000</b>
		<b>12,031,950</b>	<b>(4,188,700)</b>	<b>(468,000)</b>	<b>4,920,000</b>	<b>12,295,250</b>

**Note 12 Reserves**

	<b>31.12.04 \$'000</b>	<b>31.12.03 \$'000</b>
Asset revaluation	<b>982</b>	982
Foreign currency translation reserve	<b>9,920</b>	3,969
	<b>10,902</b>	4,951

**Movements**

Foreign currency translation reserve at the beginning of the half year	<b>9,522</b>	5,089
Net exchange difference on translation of foreign controlled entities	<b>398</b>	(1,120)
Foreign currency translation reserve at the end of the half year	<b>9,920</b>	3,969

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2004**

**Note 13            Accumulated losses**

	<b>31.12.04</b>	<b>31.12.03</b>
	<b>\$'000</b>	<b>\$'000</b>
Accumulated losses at the beginning of the half year	<b>(25,725)</b>	(11,978)
Net profit attributable to members of Sonic Healthcare Limited	<b>35,303</b>	25,720
Dividends paid	<b>(54,216)</b>	(44,629)
Accumulated losses at the end of the half year	<b>(44,638)</b>	(30,887)

**Note 14            Net tangible asset backing**

	<b>31.12.04</b>	31.12.03
Net tangible asset backing per ordinary security	<b>(\$1.43)</b>	(\$0.95)

**Note 15            Non cash financing and investing activities**

Plant and equipment with an aggregate fair value of \$15,076,000 (2003: \$10,417,000) was acquired by means of finance leases and hire purchase agreements and is therefore not reflected in the Statement of Cash Flows.

During the period 3,000,000 options were issued relating to the Schottdorf Group acquisition. The value of these options was included as part of the consideration paid for the acquisition of the Schottdorf Group and is recorded as a Share Option Reserve in Contributed equity (Note 10).

Following approval by shareholders at Sonic's 2004 Annual General Meeting 1,540,000 options and 30,750 fully paid up ordinary shares were issued to Dr C.S. Goldschmidt and C.D. Wilks under the terms of a new executive incentive scheme.

**Note 16            Ratios**

	<b>Six months</b>	<b>Six months</b>
	<b>ended</b>	<b>ended</b>
	<b>31.12.04</b>	<b>31.12.03</b>
<b>Profit before tax/revenue</b>		
Consolidated profit from ordinary activities before tax as a percentage of revenue	<b>10.4%</b>	9.2%
<b>Profit after tax/equity interests</b>		
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the half year	<b>4.1%</b>	3.1%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2004**

**Note 17**            **Events occurring after reporting date**

Since the end of the financial period, the directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years other than as follows:

On 21 February 2005 Sonic's Directors declared an interim dividend of 13 cents per ordinary share payable on 17 March 2005. Sonic's Dividend Reinvestment Plan remains suspended for this dividend and until further notice.

**Note 18**            **Change in accounting policies**

The accounting policies applied in the preparation of the financial statements of the group for the half year ended 31 December 2004 are consistent with those applied in the prior financial year, as set out in the 2004 Annual Report, and expanded as per Note 1.

## Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 16 are in accordance with the *Corporation Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Sonic Healthcare Limited 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 directors.



Dr C.S. Goldschmidt  
Director



C.D. Wilks  
Director

Sydney  
21 February 2005

## Independent review report to the members of Sonic Healthcare Limited

### Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Sonic Healthcare Limited (the Company) for the half-year ended included on Sonic Healthcare Limited web site. The Company's directors are responsible for the integrity of the Sonic Healthcare Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Sonic Healthcare Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Sonic Healthcare Group as at 31 December 2004 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Sonic Healthcare Group (the consolidated entity), for the half-year ended 31 December 2004. The consolidated entity comprises both Sonic Healthcare Limited and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

## Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures 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 does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel/the responsible entity's personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

## Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



Stephen Humphries  
Partner

Sydney  
21 February 2005



## Auditors' Independence Declaration

As lead auditor for the review of Sonic Healthcare Limited for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sonic Healthcare Limited and the entities it controlled during the period.



Stephen Humphries  
Partner  
PricewaterhouseCoopers

Sydney  
21 February 2005