

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

**ASX FULL YEAR INFORMATION – 30 June 2004**  
Lodged with the ASX under Listing Rule 4.3A

This information should be read in conjunction with the 2003 Annual Report.

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
**For the year ended 30 June 2004**

**Financial Results**

|   |                            |
|---|----------------------------|
| Revenue from ordinary activities  | Up 6.4% to \$1,037,397,000 |
| Earnings before interest, tax and amortisation (EBITA)  | Up 13.5% to \$196,561,000  |
| Core (pre intangibles amortisation) profit from ordinary activities after tax attributable to members | Up 17.6% to \$116,952,000  |
| Profit from ordinary activities after tax attributable to members                                     | Up 41.0% to \$57,628,000   |
| Net Profit for the period attributable to members   | Up 41.0% to \$57,628,000   |

**Dividends**

|                               | <u>Amount per<br/>security</u> | <u>Franked amount<br/>per security</u> |
|-------------------------------|--------------------------------|--|
| Final dividend                | 20¢                            | 20¢                                    |
| Previous corresponding period | 17¢                            | 17¢                                    |

The record date for determining entitlements to the final dividend will be 6 September 2004. The final dividend will be paid on 20 September 2004. The Company's Dividend Reinvestment Plan remains suspended for this dividend and until further notice.

**Earnings per Share**

|  | <u>Year to<br/>30 June 2004</u> | <u>Year to<br/>30 June 2003</u> |
|--|---------------------------------|---------------------------------|
| Basic earnings per share                                       | 21.7¢                           | 15.7¢                           |
| Diluted earnings per share                                     | 21.4¢                           | 15.5¢                           |
| Core (pre intangibles amortisation) diluted earnings per share | 43.4¢                           | 37.8¢                           |

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 year of \$59,324,000 (2003: \$58,616,000).

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

**SUMMARY AND EXPLANATION OF RESULTS**  
For the year ended 30 June 2004

**1 Summary financial results**

|   | Reference | 2004<br>\$'000   | 2003<br>\$'000 | Movement<br>% |
|---|-----------|------------------|----------------|---------------|
| <b>Total Revenue</b>  | (4)       | <b>1,037,397</b> | 974,783        | 6.4%          |
| Earnings before Interest, Tax, Depreciation and Amortisation ( <b>EBITDA</b> )  |           | <b>238,240</b>   | 213,929        | 11.4%         |
| Depreciation and Lease Amortisation   | (6.1)     | <b>(41,679)</b>  | (40,817)       | 2.1%          |
| Earnings before Interest, Tax and Intangibles Amortisation ( <b>EBITA</b> )     | (3)       | <b>196,561</b>   | 173,112        | 13.5%         |
| Net Interest Expense  | (6.2)     | <b>(34,132)</b>  | (36,089)       | (5.4)%        |
| Income Tax attributable to Operating Profit                                     | (6.3)     | <b>(45,222)</b>  | (38,462)       | 17.6%         |
| Net (Profit)/Loss attributable to Outside Equity Interests                      | (6.4)     | <b>(255)</b>     | 913            |               |
| <b>Core Net Profit attributable to shareholders of Sonic Healthcare Limited</b> |           | <b>116,952</b>   | 99,474         | 17.6%         |
| Amortisation of Intangibles   | (6.5)     | <b>(59,324)</b>  | (58,616)       | 1.2%          |
| <b>Net Profit attributable to shareholders of Sonic Healthcare Limited</b>      |           | <b>57,628</b>    | 40,858         | 41.0%         |

**2 Other relevant information**

|  | Reference | 2004<br>\$'000 | 2003<br>\$'000 | Movement<br>% |
|--|-----------|----------------|----------------|---------------|
| Cash generated from operations   | (6.6)     | <b>156,331</b> | 137,352        | 13.8%         |
| Core (pre intangibles amortisation) diluted earnings per share (cents) | (6.7)     | <b>43.4</b>    | 37.8           | 14.8%         |

**SUMMARY AND EXPLANATION OF RESULTS**  
**For the year ended 30 June 2004**

|                          | 2004         | 2003  | Movement |
|--------------------------|--------------|-------|----------|
| <b>3 Margin analysis</b> |              |       |          |
| EBITDA as a % of Revenue | <b>23.0%</b> | 21.9% | 110 bps* |
| EBITA as a % of Revenue  | <b>18.9%</b> | 17.8% | 110 bps* |

\*bps = basis points of margin

Margins have improved substantially against the prior year comparative reflecting:

- Revenue growth, extraction of synergies and efficiency improvements
- Demerger of SciGen in November 2002 (EBITA loss in respect of SciGen included in the comparative period was \$1,936,000).

**4 Revenue growth**

Organic (excluding acquisitions) revenue growth for the year was strong at around 6%. Revenue growth was negatively impacted by unfavourable exchange rate movements (\$8.4M) and the demerger of SciGen (\$1.2M).

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

The Board has declared a final dividend of 20 cents per share fully franked (at 30%) to be paid on 20 September 2004. The record date will be 6 September 2004.

The total dividend for the year is therefore 30 cents per share, a 20% increase on the prior year.

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

**6 Notes to the financial results**

**6.1 Depreciation**

Depreciation and leased asset amortisation has increased marginally on the prior year reflecting growth of the group and the timing of capital expenditure. Depreciation expense in the first half of the year was reduced by adjustments to bring depreciation of certain assets into line with Sonic's policies.

**6.2 Interest expense**

Net interest expense has reduced 5.4% on the prior year due to a reduction in debt (prior to the Schottdorf Group acquisition on 29 June 2004) as a consequence of the strong cashflows of the business and the application of the Company's Dividend Reinvestment Plan for the 2003 final dividend. Appropriate interest rate hedging arrangements are in place.

**SUMMARY AND EXPLANATION OF RESULTS**  
**For the year ended 30 June 2004**

**6.3 Tax rate**

The relatively high effective tax rate of 43.9% (comparative period 49.1%) is essentially a function of non-deductible intangibles amortisation.

**6.4 Outside equity interests**

The credit figure disclosed in the comparative period relates mainly to the SciGen minorities' interest in the SciGen loss for that period. This line also includes minorities' interest in other entities in the Sonic group.

**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 year includes \$3,858,000 for identifiable intangibles amortisation and \$55,466,000 for goodwill amortisation. The cost values of identifiable intangibles and goodwill at 30 June 2004 are \$197,465,000 and \$1,196,555,000 respectively. Guidance for 2005 intangibles amortisation expense is approximately \$64M excluding IPN and any further business acquisitions, however this number is susceptible to currency movements.

**6.6 Cashflow from operations**

Cash generated from operations increased 13.8% compared to the prior year, in line with cash profit (core net profit plus depreciation).

**6.7 Earnings per share**

Core diluted earnings per share (pre intangibles amortisation) increased 14.8% due mainly to the positive effect of earnings growth and synergistic acquisitions.

## FULL YEAR REPORT

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This 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 2003 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 PERFORMANCE**  
**For the year ended 30 June 2004**

|   | Notes | 2004<br>\$'000   | 2003<br>\$'000 |
|---|-------|------------------|----------------|
| <b>Revenue from ordinary activities</b>   | 3     | <b>1,037,397</b> | 974,783        |
| Labour and related costs  |       | <b>(503,309)</b> | (476,485)      |
| Consumables used  |       | <b>(130,300)</b> | (125,386)      |
| Amortisation of intangibles   | 4     | <b>(59,324)</b>  | (58,616)       |
| Depreciation and amortisation of physical assets  | 4     | <b>(41,679)</b>  | (40,817)       |
| Operating lease rental expense  |       | <b>(41,073)</b>  | (39,073)       |
| Borrowing costs expense   | 4     | <b>(35,250)</b>  | (37,540)       |
| Repairs and maintenance   |       | <b>(27,028)</b>  | (26,565)       |
| Other expenses from ordinary activities   |       | <b>(96,329)</b>  | (91,894)       |
| <b>Profit from ordinary activities before income tax expense</b>  |       | <b>103,105</b>   | 78,407         |
| Income tax expense  | 6     | <b>(45,222)</b>  | (38,462)       |
| <b>Profit from ordinary activities after income tax expense</b>   |       | <b>57,883</b>    | 39,945         |
| Net profit / (loss) attributable to outside equity interests  |       | <b>255</b>       | (913)          |
| <b>Net profit attributable to members of Sonic Healthcare Limited</b>   |       | <b>57,628</b>    | 40,858         |
| Net exchange differences on translation of financial reports of foreign controlled entities   |       | <b>4,433</b>     | 360            |
| Gain on deconsolidation of SciGen Limited   |       | <b>-</b>         | 8,549          |
| <b>Total revenues, expenses and valuation adjustments attributable to members of Sonic Healthcare Limited recognised directly in equity</b> |       | <b>4,433</b>     | 8,909          |
| <b>Total changes in equity other than those resulting from transactions with owners as owners</b>   |       | <b>62,061</b>    | 49,767         |
| <b>Basic earnings per share (cents per share)</b>   | 8     | <b>21.7</b>      | 15.7           |
| <b>Diluted earnings per share (cents per share)</b>   | 8     | <b>21.4</b>      | 15.5           |
| Core (pre intangibles amortisation) diluted earnings per share (cents per share)  | 8     | <b>43.4</b>      | 37.8           |

*The above consolidated statements of financial performance should be read in conjunction with the accompanying notes, the 2003 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 30 June 2004

|  | Notes | 2004<br>\$'000   | 2003<br>\$'000   |
|--|-------|------------------|------------------|
| <b>Current assets</b>                          |       |                  |                  |
| Cash assets                                    |       | 17,343           | 26,489           |
| Receivables                                    | 9     | 145,596          | 104,745          |
| Inventories                                    |       | 22,903           | 17,435           |
| Other  |       | 10,258           | 6,654            |
| Total current assets                           |       | <u>196,100</u>   | <u>155,323</u>   |
| <b>Non-current assets</b>                      |       |                  |                  |
| Receivables                                    |       | 4,499            | 2,695            |
| Investments                                    |       | 45,763           | 40,185           |
| Property, plant and equipment                  |       | 240,712          | 217,763          |
| Intangible assets                              |       | 1,162,162        | 1,111,063        |
| Deferred tax assets                            |       | 43,526           | 16,360           |
| Other  |       | 1,371            | -                |
| Total non-current assets                       |       | <u>1,498,033</u> | <u>1,388,066</u> |
| <b>Total assets</b>                            |       | <u>1,694,133</u> | <u>1,543,389</u> |
| <b>Current liabilities</b>                     |       |                  |                  |
| Payables                                       |       | 99,973           | 65,404           |
| Interest bearing liabilities                   |       | 34,746           | 67,728           |
| Current tax liabilities                        |       | 11,800           | 7,683            |
| Provisions                                     |       | 55,036           | 53,803           |
| Other  |       | 21,919           | 5,086            |
| Total current liabilities                      |       | <u>223,474</u>   | <u>199,704</u>   |
| <b>Non-current liabilities</b>                 |       |                  |                  |
| Interest bearing liabilities                   |       | 606,536          | 493,567          |
| Deferred tax liabilities                       |       | 998              | 2,990            |
| Provisions                                     |       | 15,338           | 15,836           |
| Total non-current liabilities                  |       | <u>622,872</u>   | <u>512,393</u>   |
| <b>Total liabilities</b>                       |       | <u>846,346</u>   | <u>712,097</u>   |
| <b>Net assets</b>                              |       | <u>847,787</u>   | <u>831,292</u>   |
| <b>Equity</b>                                  |       |                  |                  |
| Parent entity interest                         |       |                  |                  |
| Contributed equity                             | 10    | 875,248          | 837,032          |
| Reserves                                       | 12    | 10,504           | 6,071            |
| Accumulated losses                             | 13    | (25,725)         | (11,978)         |
| Total parent entity interest                   |       | <u>860,027</u>   | <u>831,125</u>   |
| Outside equity interest in controlled entities |       | <u>(12,240)</u>  | <u>167</u>       |
| <b>Total equity</b>                            |       | <u>847,787</u>   | <u>831,292</u>   |

*The above consolidated statements of financial position should be read in conjunction with the accompanying notes, the 2003 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 year ended 30 June 2004**

|   | <b>2004</b>      | <b>2003</b>   |
|---|------------------|---------------|
|   | <b>\$'000</b>    | <b>\$'000</b> |
| <b>Cash flows from operating activities</b>                               |                  |               |
| Receipts from customers (inclusive of goods and services tax)             | 1,073,155        | 1,013,436     |
| Payments to suppliers and employees (inclusive of goods and services tax) | <b>(835,552)</b> | (800,412)     |
|   | <b>237,603</b>   | 213,024       |
| Interest received   | 1,118            | 1,450         |
| Borrowing costs   | <b>(36,079)</b>  | (36,523)      |
| Income taxes paid   | <b>(46,311)</b>  | (40,599)      |
| <b>Net cash inflow from operating activities</b>                          | <b>156,331</b>   | 137,352       |
| <b>Cash flows from investing activities</b>                               |                  |               |
| Payment for purchase of controlled entities, net of cash acquired         | <b>(45,367)</b>  | (59,854)      |
| Payments for property, plant and equipment                                | <b>(38,568)</b>  | (36,634)      |
| Proceeds from sale of property, plant and equipment                       | 5,022            | 2,646         |
| Payments for investments  | <b>(19,405)</b>  | (7,816)       |
| Repayment of loans by other entities                                      | 5,723            | 9,922         |
| Capital injection as part of SciGen demerger                              | -                | (30,000)      |
| Loans to other entities   | <b>(3,625)</b>   | (3,135)       |
| Payment for restructuring activities                                      | <b>(5,611)</b>   | (3,546)       |
| <b>Net cash (outflow) from investing activities</b>                       | <b>(101,831)</b> | (128,417)     |
| <b>Cash flows from financing activities</b>                               |                  |               |
| Proceeds from issues of shares and other equity securities                | 5,839            | 1,416         |
| Proceeds from borrowings  | 297,755          | 207,685       |
| Repayment of borrowings   | <b>(322,615)</b> | (151,967)     |
| Dividends paid  | <b>(45,688)</b>  | (62,322)      |
| <b>Net cash (outflow) from financing activities</b>                       | <b>(64,709)</b>  | (5,188)       |
| <b>Net (decrease)/increase in cash held</b>                               | <b>(10,209)</b>  | 3,747         |
| Cash at the beginning of the financial year                               | 26,489           | 22,939        |
| Effects of exchange rate changes on cash                                  | 1,063            | (197)         |
| <b>Cash at the end of the financial year</b>                              | <b>17,343</b>    | 26,489        |

*The above consolidated statements of cash flows should be read in conjunction with the accompanying notes, the 2003 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 year ended 30 June 2004

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

This financial report for the full year ending 30 June 2004 has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, and the *Corporations Act 2001*.

This 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 2003 and any public announcements made by Sonic Healthcare Limited during the 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 unless otherwise stated.

### Australian Tax Consolidation Legislation

Sonic Healthcare Limited and its wholly owned Australian controlled entities currently intend to implement the tax consolidation legislation as of 30 June 2004, although no final decisions have been made. The Australian Taxation Office has not been notified of these intentions.

Deferred tax balances relating to assets that would have their tax values reset on joining the tax consolidated group have been remeasured based on the carrying amount of those assets at the tax-consolidated group level and their reset tax values, using reasonable assumptions including that the legislation is implemented as of 30 June 2004. The financial impact of these remeasurements has been deemed not material to the financial statements and hence has not been recognised.

### International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005 and will issue AASB equivalents to the IFRS. This change 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. 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.

#### *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.

Further information regarding the impact of the new standards will be included in Sonic's 2004 Annual Report.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2004

**Note 2 Segment information**

**Primary Reporting – Business Segments**

| <b>Year ended<br/>30 June 2004</b>                                     | <b>Pathology<br/>\$'000</b> | <b>Radiology<br/>\$'000</b> | <b>SciGen<br/>\$'000</b> | <b>Other<br/>\$'000</b> | <b>Eliminations<br/>\$'000</b> | <b>Consolidated<br/>\$'000</b> |
|--|-----------------------------|-----------------------------|--------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Revenue</b>   |                             |                             |                          |                         |                                |                                |
| External sales   | 755,405                     | 270,490                     | -                        | -                       | -                              | 1,025,895                      |
| Inter segment sales  | 130                         | 296                         | -                        | -                       | (426)                          | -                              |
| Other revenue  | 7,478                       | 1,551                       | -                        | 1,355                   | -                              | 10,384                         |
| <b>Total segment revenue</b>   | <b>763,013</b>              | <b>272,337</b>              | <b>-</b>                 | <b>1,355</b>            | <b>(426)</b>                   | <b>1,036,279</b>               |
| Interest income  |                             |                             |                          |                         |                                | 1,118                          |
| <b>Total revenue</b>   |                             |                             |                          |                         |                                | <b>1,037,397</b>               |
| <b>Segment result before interest and tax</b>                          |                             |                             |                          |                         |                                |                                |
|  | 124,317                     | 25,716                      | -                        | (12,796)                | -                              | 137,237                        |
| Unallocated net interest expense                                       |                             |                             |                          |                         |                                | (34,132)                       |
| <b>Profit before tax</b>   |                             |                             |                          |                         |                                | <b>103,105</b>                 |
| Income tax expense   |                             |                             |                          |                         |                                | (45,222)                       |
| <b>Profit after income tax expense before outside equity interests</b> |                             |                             |                          |                         |                                | <b>57,883</b>                  |

**Primary Reporting – Business Segments**

| <b>Year ended<br/>30 June 2003</b>                                     | <b>Pathology<br/>\$'000</b> | <b>Radiology<br/>\$'000</b> | <b>SciGen<br/>\$'000</b> | <b>Other<br/>\$'000</b> | <b>Eliminations<br/>\$'000</b> | <b>Consolidated<br/>\$'000</b> |
|--|-----------------------------|-----------------------------|--------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Revenue</b>   |                             |                             |                          |                         |                                |                                |
| External sales   | 705,504                     | 258,107                     | 987                      | -                       | -                              | 964,598                        |
| Inter segment sales  | 129                         | 157                         | -                        | -                       | (286)                          | -                              |
| Other revenue  | 6,137                       | 2,331                       | 246                      | 21                      | -                              | 8,735                          |
| <b>Total segment revenue</b>   | <b>711,770</b>              | <b>260,595</b>              | <b>1,233</b>             | <b>21</b>               | <b>(286)</b>                   | <b>973,333</b>                 |
| Interest income  |                             |                             |                          |                         |                                | 1,450                          |
| <b>Total revenue</b>   |                             |                             |                          |                         |                                | <b>974,783</b>                 |
| <b>Segment result before interest and tax</b>                          |                             |                             |                          |                         |                                |                                |
|  | 102,595                     | 23,572                      | (2,317)                  | (9,354)                 | -                              | 114,496                        |
| Unallocated net interest expense                                       |                             |                             |                          |                         |                                | (36,089)                       |
| <b>Profit before tax</b>   |                             |                             |                          |                         |                                | <b>78,407</b>                  |
| Income tax expense   |                             |                             |                          |                         |                                | (38,462)                       |
| <b>Profit after income tax expense before outside equity interests</b> |                             |                             |                          |                         |                                | <b>39,945</b>                  |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

|  | <b>2004</b>      | <b>2003</b>    |
|--|------------------|----------------|
|  | <b>\$'000</b>    | <b>\$'000</b>  |
| <b>Note 3</b>  |                  |                |
| <b>Revenue</b>   |                  |                |
| <b>Revenue from operating activities</b>   |                  |                |
| Medical services revenue   | <u>1,025,895</u> | <u>964,598</u> |
| <b>Revenue from outside the operating activities</b>   |                  |                |
| Interest income  | 1,118            | 1,450          |
| Proceeds on sale of non current assets   | 5,022            | 2,646          |
| Foreign exchange gains   | 12               | 238            |
| Rental income  | 2,401            | 2,323          |
| Other income   | 2,949            | 3,528          |
|  | <u>11,502</u>    | <u>10,185</u>  |
| Revenue from ordinary activities   | <u>1,037,397</u> | <u>974,783</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                             | 4,745            | 5,474          |
| Other interest and finance charges   | 30,505           | 32,066         |
| Total borrowing costs  | <u>35,250</u>    | <u>37,540</u>  |
| Amortisation of intangibles:   |                  |                |
| Goodwill   | 55,466           | 54,329         |
| Brand names, licences and authorities  | 3,858            | 4,287          |
| Total amortisation of intangibles  | <u>59,324</u>    | <u>58,616</u>  |
| Amortisation of leased assets:   |                  |                |
| Plant and equipment under finance leases   | 14,208           | 16,256         |
|  | <u>14,208</u>    | <u>16,256</u>  |
| Total amortisation of leased assets and intangibles  | <u>73,532</u>    | <u>74,872</u>  |
| Depreciation of physical assets:   |                  |                |
| Plant and equipment  | 26,093           | 22,644         |
| Buildings  | 1,378            | 1,917          |
| Total depreciation   | <u>27,471</u>    | <u>24,561</u>  |

**Note 5** **Gain or Loss of control of entities**

Sonic completed the demerger of its SciGen subsidiary on 27 November 2002. The consolidated loss from ordinary activities and extraordinary items after tax of the controlled entity for the previous corresponding period to the date of loss of control was \$1,736,000 (after outside equity interests).

Sonic acquired the Omnilabs pathology group on 8 July 2003. This acquisition did not materially impact profit for the 2004 year.

Sonic acquired the SDSG radiology group on 1 December 2003. This acquisition did not materially impact profit for the 2004 year.

Sonic acquired a majority interest (55.9%) in the Schottdorf Group on 29 June 2004. This acquisition did not materially impact profit for the 2004 year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

|  | <b>2004</b>          | <b>2003</b>   |
|--|----------------------|---------------|
|  | <b>\$'000</b>        | <b>\$'000</b> |
| <b>Note 6</b>  |                      |               |
| <b>Income tax</b>  |                      |               |
| The income tax expense for the year differs from the amount calculated on the profit. The differences are reconciled as follows: |                      |               |
| Profit from ordinary activities before income tax expense  | <u>103,105</u>       | 78,407        |
| Income tax calculated @ 30%  | <b>30,931</b>        | 23,522        |
| Tax effect of permanent differences:   |                      |               |
| Amortisation of intangibles  | <b>17,657</b>        | 17,585        |
| Other items (net)  | <b>413</b>           | 82            |
| Quarantined losses of foreign subsidiary   | <b>-</b>             | 761           |
| Deductible expenditure capitalised   | <b>(2,927)</b>       | (2,219)       |
| Tax losses utilised, not previously booked   | <b>(430)</b>         | -             |
| Income tax adjusted for permanent differences  | <u>45,644</u>        | 39,731        |
| Effect of higher tax rates on overseas income  | <b>203</b>           | 315           |
| Over provision in prior year   | <b>(625)</b>         | (1,584)       |
| Income tax expense attributable to profit from ordinary activities   | <u><u>45,222</u></u> | <u>38,462</u> |

**Note 7**                      **Dividends**

|                                       |                      |               |
|---------------------------------------|----------------------|---------------|
| <b>Dividends paid during the year</b> | <u><u>71,375</u></u> | <u>62,867</u> |
|---------------------------------------|----------------------|---------------|

**Dividends not recognised at the end of the year**

Since the end of the year the directors have declared a fully franked final dividend of 20 cents per share (2003: 17 cents).

The dividend was declared on 20 August 2004 and is payable on 20 September 2004 with a record date of 6 September 2004.

|  |                      |               |
|--|----------------------|---------------|
| The aggregate amount of the proposed final dividend to be paid out of retained profits at the end of the year, but not recognised as a liability is: | <u><u>53,594</u></u> | <u>44,630</u> |
|--|----------------------|---------------|

|  |                      |               |
|--|----------------------|---------------|
| Australian franking credits available for the subsequent financial year based on a tax rate of 30% | <u><u>64,311</u></u> | <u>50,141</u> |
|--|----------------------|---------------|

The balance of the franking accounts as at 30 June 2004 would enable Sonic to pay fully franked dividends of \$150,059,000 in future periods (including the final dividend noted above).

**Dividend Reinvestment Plan (DRP)**

The company's Dividend Reinvestment Plan remains suspended for the 2004 final dividend and until further notice.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

| <b>Note 8</b> | <b>Earnings per share</b>                                      | <b>2004</b><br><b>Cents</b> | <b>2003</b><br><b>Cents</b> |
|---------------|--|-----------------------------|-----------------------------|
|               | Basic earnings per share                                       | 21.7                        | 15.7                        |
|               | Diluted earnings per share                                     | 21.4                        | 15.5                        |
|               | Core (pre intangibles amortisation) basic earnings per share   | 44.0                        | 38.3                        |
|               | Core (pre intangibles amortisation) diluted earnings per share | 43.4                        | 37.8                        |

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 \$59,324,000 (2003: \$58,616,000).

|  | <b>2004</b><br><b>Shares</b> | <b>2003</b><br><b>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                                   | <b>266,018,205</b>           | 259,419,469                  |
| 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 | <b>269,429,507</b>           | 263,238,845                  |

| <b>Note 9</b> | <b>Receivables - current</b>       | <b>2004</b><br><b>\$'000</b> | <b>2003</b><br><b>\$'000</b> |
|---------------|------------------------------------|------------------------------|------------------------------|
|               | Trade Debtors                      | 115,053                      | 85,933                       |
|               | Less: Provision for doubtful debts | <b>(9,683)</b>               | (5,632)                      |
|               |                                    | <b>105,370</b>               | 80,301                       |
|               | Accrued revenue                    | 9,706                        | 10,487                       |
|               | Amounts owing from other entities  | -                            | 3,332                        |
|               | Sundry debtors                     | <b>30,520</b>                | 10,625                       |
|               |                                    | <b>145,596</b>               | 104,745                      |

The significant increases in Trade debtors and Sundry debtors relate to the Schottdorf Group acquisition on 29 June 2004.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

**Note 10 Contributed equity**

|                            | Notes | 2004<br>Shares     | 2003<br>Shares     | 2004<br>\$'000        | 2003<br>\$'000 |
|----------------------------|-------|--------------------|--------------------|-----------------------|----------------|
| <b>Share capital</b>       |       |                    |                    |                       |                |
| Fully paid ordinary shares | (a)   | <u>267,749,480</u> | <u>259,763,911</u> | <b>870,838</b>        | 823,386        |
| Other equity               | (b)   |                    |                    | -                     | 13,646         |
| Share option reserve       | (c)   |                    |                    | <u>4,410</u>          | -              |
|                            |       |                    |                    | <u><b>875,248</b></u> | <u>837,032</u> |

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

| Date    | Details   | Number of<br>shares       | Issue<br>price | \$'000                |
|---------|---|---------------------------|----------------|-----------------------|
| 1/7/03  | Opening balance   | 259,763,911               |                | 823,386               |
|         | Shares issued under the Dividend Reinvestment Plan  | 4,065,583                 | 6.45           | 26,223                |
|         | Shares issued as deferred consideration for TDL acquisition<br>(previously recorded as "Other equity", see below) | 2,270,385                 | 6.01           | 13,646                |
|         | Shares issued to vendors of TDL   | 35,374                    | 6.89           | 244                   |
|         | Shares issued as partial consideration for SDSG acquisition   | 258,177                   | 5.81           | 1,500                 |
|         | Shares issued following exercise of employee options  | <u>1,356,050</u>          | various        | <u>5,839</u>          |
| 30/6/04 | Closing Balance   | <u><b>267,749,480</b></u> |                | <u><b>870,838</b></u> |

**(b) Other equity**

The amount shown in the prior period was the value of shares to be issued as deferred acquisition consideration for The Doctors Laboratory group. These shares were issued on 14 October 2003.

**(c) Share option reserve**

The amount shown in the current year relates to options required to be issued in relation to the Schottdorf Group acquisition.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

**Note 11 Unlisted share options**

| <b>Exercise Price</b> | <b>Expiry Date</b> | <b>Options at 30.6.03</b> | <b>Options issued</b> | <b>Options Exercised</b> | <b>Options Forfeited</b> | <b>Options at 30.6.04</b> |
|-----------------------|--------------------|---------------------------|-----------------------|--------------------------|--------------------------|---------------------------|
| 3.26                  | 15/12/2003         | 778,000                   | -                     | (736,500)                | (41,500)                 | -                         |
| 5.32                  | 20/04/2010         | 4,500,000                 | -                     | -                        | -                        | <b>4,500,000</b>          |
| 5.41                  | 20/02/2005         | 2,065,500                 | -                     | (576,050)                | (5,000)                  | <b>1,484,450</b>          |
| 7.38                  | 20/04/2006         | 3,434,400                 | -                     | (43,500)                 | (7,400)                  | <b>3,383,500</b>          |
| 4.66                  | 16/05/2007         | 1,690,000                 | -                     | -                        | (16,000)                 | <b>1,674,000</b>          |
| 6.01                  | 07/02/2008         | 80,000                    | -                     | -                        | -                        | <b>80,000</b>             |
| 6.30                  | 15/02/2008         | 695,000                   | -                     | -                        | -                        | <b>695,000</b>            |
| 7.57                  | 19/12/2008         | -                         | 215,000               | -                        | -                        | <b>215,000</b>            |
|                       |                    | <b>13,242,900</b>         | <b>215,000</b>        | <b>(1,356,050)</b>       | <b>(69,900)</b>          | <b>12,031,950</b>         |

**Note 12 Reserves**

|                                      | <b>2004<br/>\$'000</b> | <b>2003<br/>\$'000</b> |
|--------------------------------------|------------------------|------------------------|
| Asset revaluation                    | <b>982</b>             | 982                    |
| Foreign currency translation reserve | <b>9,522</b>           | 5,089                  |
|                                      | <b>10,504</b>          | 6,071                  |

**Movements**

|   |              |         |
|---|--------------|---------|
| Foreign currency translation reserve at the beginning of the year     | <b>5,089</b> | 4,729   |
| Movement on demerger of SciGen Limited                                | -            | (2,567) |
| Net exchange difference on translation of foreign controlled entities | <b>4,433</b> | 2,927   |
| Foreign currency translation reserve at the end of the year           | <b>9,522</b> | 5,089   |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

| <b>Note 13</b> | <b>Accumulated losses</b>   | <b>2004</b>     | <b>2003</b>     |
|----------------|---|-----------------|-----------------|
|                |   | <b>\$'000</b>   | <b>\$'000</b>   |
|                | Accumulated losses at the beginning of the year                                   | (11,978)        | (40,505)        |
|                | Adjustment resulting from change in accounting policy for providing for dividends | -               | 41,987          |
|                | Net profit attributable to members of Sonic Healthcare Limited                    | 57,628          | 40,858          |
|                | Gain on deconsolidation of SciGen Limited   | -               | 8,549           |
|                | Dividends paid  | (71,375)        | (62,867)        |
|                | Accumulated losses at the end of the year   | <u>(25,725)</u> | <u>(11,978)</u> |

| <b>Note 14</b> | <b>Net tangible asset backing</b>                | <b>2004</b>     | <b>2003</b>     |
|----------------|--|-----------------|-----------------|
|                | Net tangible asset backing per ordinary security | <u>(\$1.17)</u> | <u>(\$1.08)</u> |

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

The following non cash financing and investing activities occurred during the year:

- Plant and equipment with an aggregate fair value of \$19,013,000 (2003: \$15,393,000) was acquired by means of finance leases and hire purchase agreements and is therefore not reflected in the Statement of Cash Flows.
- Fully paid ordinary shares to the value of \$1,500,000 were issued as partial consideration for the acquisition of the Southside Diagnostic Services Group (SDSG).
- Fully paid ordinary shares to the value of \$13,646,000 were issued in relation to the TDL acquisition. This amount was previously disclosed as Other Equity within Share Capital.
- 4,065,583 fully paid ordinary shares to the value of \$26,223,000 were issued pursuant to the company's Dividend Reinvestment Plan in lieu of dividend payments. This component of the dividends has therefore not been reflected in the Statement of Cash Flows.
- An obligation to issue options with a value of \$4,410,000 arose in relation to the Schottdorf acquisition. The value of these options has been included as part of the consideration paid for the acquisition of the Schottdorf business and recorded as a Share Option Reserve in Share Capital (refer Note 10).

| <b>Note 16</b> | <b>Ratios</b>  | <b>2004</b> | <b>2003</b> |
|----------------|--|-------------|-------------|
|                | <b>Profit before tax/revenue</b>   |             |             |
|                | Consolidated profit from ordinary activities before tax as a percentage of revenue   | 9.9         | 8.0         |
|                | <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 year | <u>6.7</u>  | <u>4.9</u>  |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

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

Since the end of the financial year, 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 20 August 2004 Sonic's Directors declared a final dividend of 20 cents per ordinary share payable on 20 September 2004. Sonic's Dividend Reinvestment Plan remains suspended for this dividend and until further notice.

On 12 July 2004 Sonic made a proportional takeover bid to acquire 2 of every 3 shares in Independent Practitioner Network Limited (IPN). Prior to the bid Sonic held 19.63% of IPN. The bid closed on 16 August 2004, with Sonic having reached 71.6% with acceptances for 504,647,252 shares, requiring total consideration of \$42,895,000, which will be paid by 26 August 2004. IPN will therefore become a subsidiary of Sonic and its results will be consolidated into Sonic's from this date.

Pursuant to an obligation arising prior to year end in relation to the Schottdorf Group acquisition, on 1 July 2004 3,000,000 options over unissued ordinary Sonic shares with an exercise price of \$6.75 each were granted to Sonic's partners in the Schottdorf business.

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

The accounting policies applied in the preparation of the financial statements of the group for the year ended 30 June 2004 are consistent with those applied in the prior financial year, as set out in the 2003 Annual Report.

**COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2004**

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

NIL

This report, and the accounts upon which the report is based use the same accounting policies.

This report does give a true and fair view of the matters disclosed.

This report is based on accounts which are in the process of being audited.

The entity has a formally constituted audit committee.

Signed:   
.....  
(Company Secretary)

Date: 23 August 2004

Print name: PAUL ALEXANDER