

Sonic Healthcare Limited

ABN 24 004 196 909

APPENDIX 4E - PRELIMINARY FINAL REPORT

For the year ended 30 June 2003

Lodged with the ASX under Listing Rule 4.3A

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SONIC HEALTHCARE LIMITED

APPENDIX 4E – PRELIMINARY FINAL REPORT

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the year ended 30 June 2003

Financial Results

Revenue from ordinary activities	Up 13.4% to \$974,783,000
Earnings before interest, tax and amortisation (EBITA)	Up 18.0% to \$173,112,000
Core (pre intangibles amortisation) profit from ordinary activities after tax attributable to members	Up 19.6% to \$99,474,000
Profit from ordinary activities after tax attributable to members	Up 21.0% to \$40,858,000
Net Profit for the period attributable to members	Up 21.0% to \$40,858,000

Dividends

	Amount per security	Franked amount per security
Final dividend	17¢	17¢
Interim dividend	8¢	8¢

The record date for determining entitlements to the Final dividend will be 17 September, 2003. The final dividend will be paid on 7 October 2003. Dividends declared for the year total 25¢, up 25% on the prior year. The Company's Dividend Reinvestment Plan will apply to the Final dividend with a discount to market of 5%.

Earnings per Share

	Year to 30 June 2003	Year to 30 June 2002
Basic earnings per share	15.7¢	13.8¢
Diluted earnings per share	15.5¢	13.5¢
Core (pre intangibles amortisation) diluted earnings per share	37.8¢	33.3¢

Core diluted earnings per share adjusts the figures in the determination of diluted earnings per share by adding back to net profit the amount of intangibles amortisation expense for the period of \$58,616,000 (2002: \$49,402,000).

An explanation of the figures reported above is provided in section 2 of this report.

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2. SUMMARY AND EXPLANATION OF RESULTS

For the year ended 30 June 2003

2.1 Summary financial results

	Reference	2003 \$'000	2002 \$'000	Movement %
Total Revenue	(2.6.1)	974,783	859,783	13.4%
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) excluding SciGen		215,840	187,581	15.1%
SciGen EBITDA		(1,911)	(3,851)	(50.4%)
Total EBITDA		213,929	183,730	16.4%
Depreciation and Lease Amortisation	(2.6.3)	(40,817)	(36,999)	10.3%
Earnings before Interest, Tax and Intangibles Amortisation (EBITA), excluding SciGen	(2.6.2)	175,048	150,832	16.1%
SciGen EBITA	(2.6.1(b))	(1,936)	(3,907)	(50.4)%
Total EBITA		173,112	146,731	18.0%
Net Interest Expense	(2.6.4)	(36,089)	(31,544)	14.4%
Income Tax attributable to Operating Profit	(2.6.5)	(38,462)	(33,578)	14.5%
Net Loss attributable to Outside Equity Interests	(2.6.6)	913	1,551	(41.1)%
Core Net Profit attributable to shareholders of Sonic Healthcare Limited		99,474	83,160	19.6%
Amortisation of Intangibles	(2.6.7)	(58,616)	(49,402)	18.7%
Net Profit attributable to shareholders of Sonic Healthcare Limited		40,858	33,758	21.0%

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2. SUMMARY AND EXPLANATION OF RESULTS

For the year ended 30 June 2003

2.2 Other relevant information

	Reference	2003 \$'000	2002 \$'000	Movement %
Cash generated from operations	(2.6.8)	137,352	146,717	(6.4)%
Core EPS (pre-intangibles amortisation) diluted earnings per share (cents)	(2.6.9)	37.8	33.3	13.5%

2.3 Margin analysis

	2003	2002
EBITDA as a % of Revenue	21.9%	21.4%
EBITA as a % of Revenue	17.8%	17.1%

Margins have improved substantially against the prior year reflecting:

- Revenue growth and extraction of synergies
- Improved performance at Melbourne Pathology
- Acquisition of the higher margin The Doctors Laboratory Group (TDL) in April 2002
- Demerger of SciGen in November 2002

2.4 Revenue growth

Organic (excluding acquisitions) revenue growth for the year was strong at around 5.9%. Sonic believes this is higher than industry growth rates.

2.5 Final dividend and Dividend Reinvestment Plan (DRP)

The Board has declared a final dividend of 17 cents per share fully franked (at 30%) to be paid on 7 October 2003. The record date will be 17 September 2003.

The total dividend for the year is therefore 25 cents per share, a 25% increase on the prior year.

The Board has determined that the Company's DRP will operate for this dividend and until further notice. Shares issued under the DRP will have a subscription price 5% below the average price for the five trading days following the record date. DRP election forms must be lodged with Sonic's share registry by the record date. Details of our share registry are: Computershare Investor Services Pty Limited, Level 5, 115 Grenfell Street, Adelaide, SA 5000, Telephone Number: (08) 8236 2300, Fax Number: (08) 8236 2305. New election forms will be dispatched to shareholders by 1 September 2003.

SONIC HEALTHCARE LIMITED

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2. SUMMARY AND EXPLANATION OF RESULTS

For the year ended 30 June 2003

2.6 Notes to the financial results

2.6.1 Revenue

		2003 \$'000	2002 \$'000	Movement %
Medical Diagnostic Revenue	(a)	967,131	850,312	13.7%
SciGen Revenue	(b)	1,233	1,610	(23.4)%
Other Revenue	(c)	6,419	7,861	(18.3)%
Total Revenue		974,783	859,783	13.4%

- (a) Revenue growth of 13.7% was a reflection of organic growth (5.9%) and acquisitions including: SKG Radiology (November 2001), Clinipath Pathology (August 2001) and The Doctors Laboratory (April 2002),
(b) Sonic demerged the majority of its interest in SciGen Pte Ltd, a Singapore based bio-pharmaceutical company in November 2002. The loss at the EBITA line of \$1,963,000 is partially offset by the minorities' share of \$1,182,000.
(c) Other revenue comprises proceeds from sale of fixed assets, interest and rental income.

2.6.2 EBITA

EBITA growth of 18% reflects the acquisitions noted above (Note 2.6.1) and the continued improvement in efficiency throughout the group's operations.

2.6.3 Depreciation

Depreciation and leased asset amortisation expense has grown 10% over the prior year as a result of practice acquisitions and the investment by the company in new equipment and IT systems.

2.6.4 Interest expense

Net interest expense has increased 14.4% as a consequence of the debt funding components of acquisitions and the equity injection of \$30 million into SciGen prior to its demerger. Appropriate interest rate hedging arrangements are in place.

2.6.5 Tax rate

The relatively high effective tax rate (49%) is essentially a function of the non-deductible intangibles amortisation, but has been reduced by prior period adjustments relating to research and development tax concessions and other over provisions.

2.6.6 Outside equity interests

The figure disclosed is largely the adjustment for the SciGen minorities' interest in the SciGen loss.

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2. SUMMARY AND EXPLANATION OF RESULTS

For the year ended 30 June 2003

2.6.7 Intangibles amortisation

In line with an accounting policy adopted in 1999, the company amortises identifiable intangibles over 50 years and goodwill over 20 year. Identifiable intangibles are valued at cost and are supported by third party valuations. The expense for the year includes \$4,287,000 for identifiable intangibles amortisation and \$54,329,000 for goodwill amortisation. The cost values of identifiable intangibles and goodwill at 30 June 2003 are \$198,806,000 and \$1,085,315,000 respectively. Guidance for 2004 intangibles amortisation expense is \$59-60M, assuming no further business acquisitions other than Omnilabs in July 2003.

2.6.8 Cashflow from operations

Cash generated from operations decreased 6.4% compared to the prior year. This is essentially a consequence of the prior year's cashflow being augmented by approximately \$20M due to changes in the Medicare payment system for pathology (28 days → 14 days). Cashflow generation for 2003 was consistent with profitability. Debtor collection continued to improve, however higher tax instalment payments offset this benefit.

2.6.9 Earnings per share

Diluted earnings per share (before amortisation of intangibles) increased 13.5% due mainly to the positive effect of earnings growth and the gearing of acquisitions.

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3. PRELIMINARY CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
Revenue from ordinary activities	6.2	974,783	859,783
Labour and related costs		(476,485)	(425,311)
Consumables used		(125,386)	(112,889)
Amortisation of intangibles	6.3	(58,616)	(49,402)
Depreciation and amortisation of physical assets	6.3	(40,817)	(36,999)
Operating lease rental expense		(39,073)	(34,269)
Borrowing costs expense	6.3	(37,540)	(33,227)
Repairs and maintenance		(26,565)	(24,219)
Other expenses from ordinary activities		(91,894)	(77,682)
Profit from ordinary activities before income tax expense		78,407	65,785
Income tax expense	6.5	(38,462)	(33,578)
Profit from ordinary activities after income tax expense		39,945	32,207
Net (loss) / profit attributable to outside equity interest		(913)	(1,551)
Net profit attributable to members of Sonic Healthcare Limited		40,858	33,758
Net exchange differences on translation of financial report of foreign controlled entities	6.11	360	5,293
Gain on deconsolidation of SciGen Limited		8,549	-
Total revenues, expenses and valuation adjustments attributable to members of Sonic Healthcare Limited recognised directly in equity		8,909	5,293
Total changes in equity other than those resulting from transactions with owners as owners		49,767	39,051
Basic earnings per share (cents per share)	6.7	15.7	13.8
Diluted earnings per share (cents per share)	6.7	15.5	13.5
Core (pre intangibles amortisation) diluted earnings per share (cents per share)	6.7	37.8	33.3

The above preliminary consolidated statements of financial performance should be read in conjunction with the accompanying notes and the 2002 Annual Report.

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4. PRELIMINARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2003

	Notes	2003 \$'000	2002 \$'000
Current assets			
Cash assets	6.8	26,489	22,939
Receivables		111,399	108,620
Inventories		17,435	15,705
Total current assets		<u>155,323</u>	<u>147,264</u>
Non-current assets			
Receivables		2,695	3,314
Investments		40,185	29,447
Property, plant and equipment		217,763	210,439
Intangible assets		1,111,063	1,189,721
Deferred tax assets		16,360	18,524
Total non-current assets		<u>1,388,066</u>	<u>1,451,445</u>
Total assets		<u>1,543,389</u>	<u>1,598,709</u>
Current liabilities			
Payables		65,404	68,199
Interest bearing liabilities		67,728	57,468
Current tax liabilities		7,683	13,031
Provisions		53,803	94,854
Other		5,086	47,608
Total current liabilities		<u>199,704</u>	<u>281,160</u>
Non-current liabilities			
Payables		-	3,809
Interest bearing liabilities		493,567	457,805
Deferred tax liabilities		2,990	2,201
Provisions		15,836	16,269
Total non-current liabilities		<u>512,393</u>	<u>480,084</u>
Total liabilities		<u>712,097</u>	<u>761,244</u>
Net assets		<u>831,292</u>	<u>837,465</u>
Equity			
Parent entity interest			
Contributed equity	6.9	837,032	867,156
Reserves	6.11	6,071	5,711
Accumulated losses	6.12	(11,978)	(40,505)
Total parent entity interest		<u>831,125</u>	<u>832,362</u>
Outside equity interest in controlled entities		167	5,103
Total equity		<u>831,292</u>	<u>837,465</u>

The above preliminary consolidated statements of financial position should be read in conjunction with the accompanying notes and the 2002 Annual Report.

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5. PRELIMINARY CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,013,436	917,774
Payments to suppliers and employees (inclusive of goods and services tax)		(800,412)	(702,768)
		213,024	215,006
Interest received		1,450	1,683
Borrowing costs		(36,523)	(38,822)
Income taxes paid		(40,599)	(31,150)
Net cash inflow from operating activities		137,352	146,717
Cash flows from investing activities			
Payment for purchase of controlled entities, net of cash acquired		(59,854)	(153,177)
Payments for property, plant and equipment		(36,634)	(29,464)
Proceeds from sale of property, plant and equipment		2,646	3,976
Payments for investments		(7,816)	(271)
Repayment of loans by other entities		9,922	115
Capital injection as part of SciGen demerger		(30,000)	-
Loans to other entities		(3,135)	-
Payment for restructuring activities		(3,546)	(6,582)
Net cash (outflow) from investing activities		(128,417)	(185,403)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		1,416	190,669
Share issue transaction costs		-	(2,780)
Proceeds from borrowings		207,685	558,077
Repayment of borrowings		(151,967)	(680,130)
Dividends paid		(62,322)	(26,208)
Net cash (outflow)/inflow from financing activities		(5,188)	39,628
Net increase in cash held		3,747	942
Cash at the beginning of the financial year		22,939	21,676
Effects of exchange rate changes on cash		(197)	321
Cash at the end of the financial year	6.8	26,489	22,939

The above preliminary consolidated statements of cash flows should be read in conjunction with the accompanying notes and the 2002 Annual Report.

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6. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2003

Note 6.1 Segment information

Primary Reporting – Business Segments

2003 Year	Pathology \$'000	Radiology \$'000	SciGen \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Revenue						
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
Total segment revenue	711,770	260,595	1,233	21	(286)	973,333
Interest income						1,450
Total revenue						974,783
Segment result before interest and tax						
	102,595	23,572	(2,317)	(9,354)	-	114,496
Unallocated net interest expense						(36,089)
Profit before tax						78,407
Income tax expense						(38,462)
Profit after income tax expense						39,945
Segment assets						
	952,151	525,598	-	1,265,763	(1,200,123)	1,543,389
Segment liabilities						
	704,633	412,166	-	5,334	(867,101)	255,032
Unallocated liabilities						457,065
Total liabilities						712,097
Acquisitions of property, plant & equipment*						
	21,889	23,906	46	6,274	-	52,115
Depreciation and amortisation expense						
	54,935	43,288	406	804	-	99,433
Other non cash expenses						
	2,111	1,734	-	86	-	3,931

*Note that this includes property, plant and equipment acquired as part of business acquisitions.

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6. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2003

Note 6.1 Segment information (continued)

Primary Reporting – Business Segments

2002 Year	Pathology \$'000	Radiology \$'000	SciGen \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Revenue						
External sales	619,115	228,875	1,272	-	-	849,262
Inter segment sales	390	142	-	-	(532)	-
Other revenue	5,357	3,245	236	-	-	8,838
Total segment revenue	624,862	232,262	1,508	-	(532)	858,100
Interest income						1,683
Total revenue						859,783
Segment result before interest and tax	87,469	24,552	(4,003)	(10,689)	-	97,329
Unallocated net interest expense						(31,544)
Profit before tax						65,785
Income tax expense						(33,578)
Profit after income tax expense						32,207
Segment assets	918,755	532,286	23,206	924,248	(799,786)	1,598,709
Segment liabilities	481,421	265,002	11,274	64,202	(441,690)	380,209
Unallocated liabilities						381,035
Total liabilities						761,244
Acquisitions of property, plant & equipment*	22,980	70,709	5	2,638	-	96,332
Depreciation and amortisation expense	47,764	37,756	152	729	-	86,401
Other non cash expenses	7,347	3,577	14	-	-	10,938

*Note that this includes property, plant and equipment acquired as part of business acquisitions.

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6. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2003

Note 6.1 Segment information (continued)

Secondary Reporting – Geographic Segments

	Segment revenues from sales to external customers		Segment Assets		Acquisitions of property, plant & equipment	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Australia	780,094	715,249	1,166,796	1,191,944	38,122	84,125
New Zealand*	128,032	113,337	198,391	198,003	13,129	9,516
Other	56,472	20,676	178,202	208,762	864	2,691
Total	964,598	849,262	1,543,389	1,598,709	52,115	96,332

* The growth in New Zealand revenue includes exchange rate movements.

Note 6.2 Revenue

	Consolidated	
	2003 \$'000	2002 \$'000
Revenue from operating activities		
Medical services revenue	964,598	849,262
Revenue from outside the operating activities		
Interest income	1,450	1,683
Proceeds on sale of property, plant & equipment	2,646	3,976
Foreign exchange gains	238	165
Rental income	2,323	2,202
Other income	3,528	2,495
	10,185	10,521
Revenue from ordinary activities	974,783	859,783

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6. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2003

	Consolidated	
	2003	2002
	\$'000	\$'000
Note 6.3		
Profit from ordinary activities		
The profit from ordinary activities before income tax expense includes the following expenses:		
Borrowing costs		
Finance charges on capitalised leases and hire purchase agreements	5,474	5,542
Other interest and finance charges	32,066	27,685
Total borrowing costs	<u>37,540</u>	<u>33,227</u>
Amortisation of:		
Goodwill	54,329	45,461
Brand names, licences and authorities	4,287	3,941
Total amortisation of intangibles	<u>58,616</u>	<u>49,402</u>
Depreciation and amortisation of physical assets:		
Plant and equipment	22,644	18,639
Buildings	1,917	1,803
Leased assets	16,256	16,557
Total depreciation and amortisation of physical assets	<u>40,817</u>	<u>36,999</u>

Note 6.4 **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 current period to the date of loss of control was \$1,736,000*. The consolidated loss from ordinary activities and extraordinary items after tax of the controlled entity while controlled during the whole of the previous corresponding year was \$2,714,000*.

* After outside equity interests.

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6. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2003

	Consolidated	
	2003	2002
	\$'000	\$'000
Note 6.5		
Income tax		
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:		
Profit from ordinary activities before income tax expense	78,407	65,785
Income tax calculated @ 30%	23,522	19,736
Tax effect of permanent differences:		
Amortisation of intangibles	17,585	14,821
Other items (net)	82	610
Quarantined losses of foreign subsidiary	761	1,438
Deductible expenditure capitalised	(2,219)	(3,362)
Income tax adjusted for permanent differences	39,731	33,243
Effect of higher / (lower) tax rates on overseas income	315	125
Under/ (over) provision in prior year	(1,584)	210
Income tax expense	38,462	33,578

Note 6.6 Dividends declared

Final dividend of 17 cents (2002: 16 cents) per fully paid share franked @ 30%	44,854	41,987
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The final dividend on ordinary shares in relation to the year ended 30 June 2003 is payable on 7 October 2003 with a record date of 17 September 2003. The dividend was declared on 22 August 2003. In accordance with the new accounting standard AASB1044 the amount of this dividend has not been recognised as a liability at 30 June 2003 (see Note 6.17).

Interim dividend per fully paid share franked @ 30%	8¢	4¢
Final dividend per fully paid share franked @ 30%	17¢	16¢
	25¢	20¢

Australian franking credits available for the subsequent financial year based on a tax rate of 30%	\$'000	\$'000
	50,141	39,925

The Australian Government enacted legislation on 29 June 2002 which required companies to convert their existing Class C franking account balances from an after tax basis to a tax paid basis on 1 July 2002. The balance of the Class C franking accounts at 30 June 2002 after adopting the tax paid basis was \$39,925,000 for the consolidated entity and the comparative above has been amended accordingly. This comparative balance is net of a \$17,998,000 reduction arising from the Final dividend provision in the 30 June 2002 accounts (30 June 2003: Nil).

The balance of the franking accounts as at 30 June 2003 would enable Sonic to pay fully franked dividends of \$116,995,000 in future periods (including the 2003 Final dividend).

Dividend Reinvestment Plan (DRP)

The company operates a dividend reinvestment plan (DRP) under which shares can be allotted at a discount to market price (based on the weighted average price for the 5 trading days following the dividend record date). The discount applicable to the 2003 Final dividend is 5%. The last date for the receipt of an election notice for participation in the DRP for 2003 Final dividend is 17 September 2003.

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6. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2003

Note 6.7 Earnings per share

	Consolidated	
	2003	2002
	Cents	Cents
Basic earnings per share	15.7	13.8
Diluted earnings per share	15.5	13.5
Core (pre intangibles amortisation) basic earnings per share	38.3	33.9
Core (pre intangibles amortisation) diluted earnings per share	37.8	33.3

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 \$58,616,000 (2002: \$49,402,000).

	Consolidated	
	2003	2002
	Shares	Shares
Weighted average number of ordinary shares used as the denominator		
Weighted average of ordinary shares used as the denominator in calculating basic earnings per share and core basic earnings per share	259,419,469	245,473,690
Weighted average number of ordinary shares and potential ordinary shares in calculating diluted earnings per share and core diluted earnings per share	263,238,845	249,459,397

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6. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2003

Note 6.8 Reconciliation of cash

	2003 \$'000	2002 \$'000
Cash on hand and at bank	26,489	22,939
Total cash	<u>26,489</u>	<u>22,939</u>

Note 6.9 Contributed equity

	Notes	2003 Shares	2002 Shares	2003 \$'000	2002 \$'000
Share capital					
Fully paid ordinary shares	(a)	<u>259,763,911</u>	<u>257,529,679</u>	823,386	852,204
Other equity	(b)			<u>13,646</u>	<u>14,952</u>
				<u>837,032</u>	<u>867,156</u>

(a) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
01/07/02	Opening balance	257,529,679		852,204
30/07/02	Shares issued as deferred consideration for TDL acquisition	217,323	6.01	1,306
12/08/02	Shares issued as deferred consideration for SKG acquisition	1,507,409	4.8172	7,262
Various	Shares issued under employee option plan	509,500	Various	1,416
27/11/02	Reduction of capital upon demerger of SciGen	-	-	(38,802)
30/06/03	Closing Balance	<u>259,763,911</u>		<u>823,386</u>

(b) Other equity

The amount shown is the value of shares to be issued as deferred acquisition consideration for The Doctors Laboratory Group. The maximum value of the shares to be issued is fixed and the purchase agreement specifies that the deferred issue of shares carries with it the right to participate in future dividends from the date of acquisition.

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6. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2003

Note 6.10 Unlisted share options

Exercise Price	Expiry Date	Options at 1 July 2002	Options Issued	Options Exercised	Options Forfeited	Options at 30 June 2003
1.47	18/09/2002	265,000	-	(265,000)	-	-
3.26	15/12/2003	922,500	-	(144,500)	-	778,000
5.32	20/04/2005	4,500,000	-	-	-	4,500,000
5.41	20/02/2005	2,328,000	-	(100,000)	(162,500)	2,065,500
7.38	20/04/2006	3,503,700	-	-	(69,300)	3,434,400
4.66	16/05/2007	-	1,790,000	-	(100,000)	1,690,000
6.01	07/02/2008	-	80,000	-	-	80,000
6.30	15/02/2008	-	695,000	-	-	695,000
		11,519,200	2,565,000	(509,500)	(331,800)	13,242,900

During the period options were repriced as a consequence of the SciGen demerger. The repricing was as follows:

Price pre demerger \$ per option	Price post demerger \$ per option
3.37	3.26
5.50	5.32
5.59	5.41
7.63	7.38
4.81	4.66

Note 6.11 Reserves

	Consolidated	
	2003 \$'000	2002 \$'000
Asset revaluation	982	982
Foreign currency translation reserve	5,089	4,729
	6,071	5,711
Movements		
Foreign currency translation reserve at the beginning of the financial year	4,729	(564)
Movement on demerger of SciGen Limited	(2,567)	-
Net exchange difference on translation of foreign controlled entities	2,927	5,293
Foreign currency translation reserve at the end of the financial year	5,089	4,729

SONIC HEALTHCARE LIMITED

APPENDIX 4E – PRELIMINARY FINAL REPORT

6. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2003

	Consolidated	
	2003	2002
	\$'000	\$'000
Note 6.12		
Accumulated losses		
Accumulated losses at the beginning of the financial year	(40,505)	(22,062)
Net profit attributable to members of Sonic Healthcare Limited	40,858	33,758
Gain on deconsolidation of SciGen Limited	8,549	-
Dividends provided for or paid	(20,880)	(52,201)
Accumulated losses at the end of the financial year	<u>(11,978)</u>	<u>(40,505)</u>

	2003	2002
Note 6.13		
Net tangible asset backing		
Net tangible asset backing per ordinary security	<u>(\$1.08)</u>	<u>(\$1.37)</u>

Note 6.14 Non cash financing and investing activities

Plant and equipment with an aggregate fair value of \$15,393,000 (2001: \$26,872,000) was acquired by means of finance leases and is therefore not reflected in the Statement of Cash Flows.

During the year fully paid ordinary shares to the value of \$8,567,000 were issued as deferred consideration for the acquisitions of the SKG Radiology Group and The Doctors Laboratory Group. At the reporting date further shares with a total value of \$13,646,000 are issuable representing deferred consideration on The Doctors Laboratory Group acquisition.

During the previous corresponding period 1,986,411 fully paid ordinary shares to the value of \$13,688,000 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. The Dividend Reinvestment Plan was suspended during the current financial year.

Note 6.15 Ratios

	2003	2002
Profit before tax/revenue		
Consolidated profit from ordinary activities before tax as a percentage of revenue	8.0	7.7
Profit after tax/equity interests		
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	<u>4.9</u>	<u>4.1</u>

SONIC HEALTHCARE LIMITED

APPENDIX 4E – PRELIMINARY FINAL REPORT

6. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2003

Note 6.16 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 8 July 2003 Sonic completed the acquisition of Omnilabs, a pathology group in the United Kingdom. The consideration consisted of an initial cash payment of £6.34 million with the potential for further consideration through earn-outs.
- On 22 August 2003 Sonic's directors declared a final dividend for 2003 of 17 cents per ordinary share payable on 7 October 2003.

Note 6.17 Change in accounting policies

The accounting policies applied in the preparation of the financial statements of the group for the year ended 30 June 2003 are consistent with those applied in the prior year, except as noted below.

The consolidated entity has adopted the new Accounting Standard AASB 1044: Provisions, Contingent Liabilities and Contingent Assets, which has resulted in a change in accounting for dividend provisions. Previously, the consolidated entity recognised a provision based on the amount that was proposed or declared after the reporting date. In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30 June 2003. The change in accounting policy has had no effect on basic and fully diluted earnings per share.

SONIC HEALTHCARE LIMITED

APPENDIX 4E – PRELIMINARY FINAL REPORT

7. COMPLIANCE STATEMENT

For the year ended 30 June 2003

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: Date: 25 August 2003
(Company Secretary)

Print name: PAUL ALEXANDER