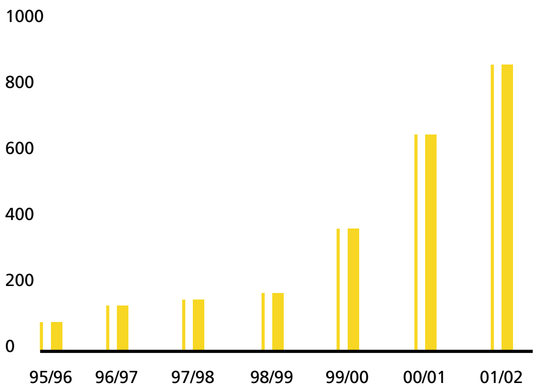
Sonic Healthcare

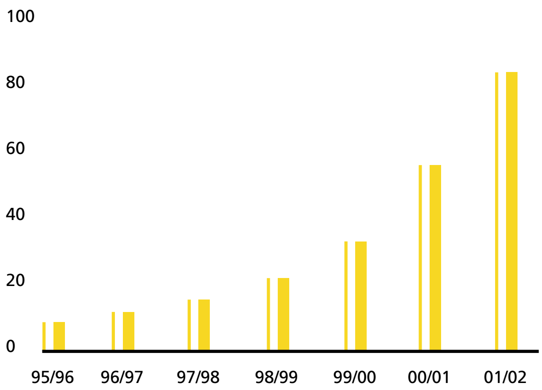
Annual
Report
2002

Financial highlights

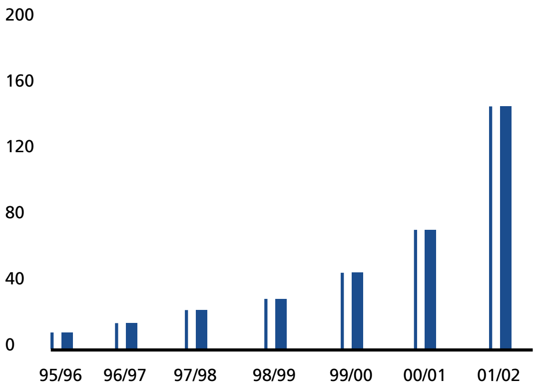
Gross Revenue ($Million)



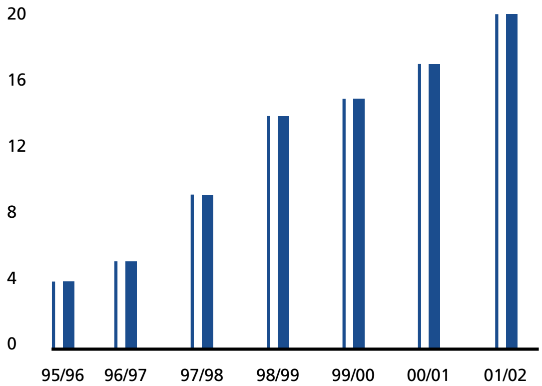
Normalised Net Profit After Tax ($Million)
(before intangibles amortisation)



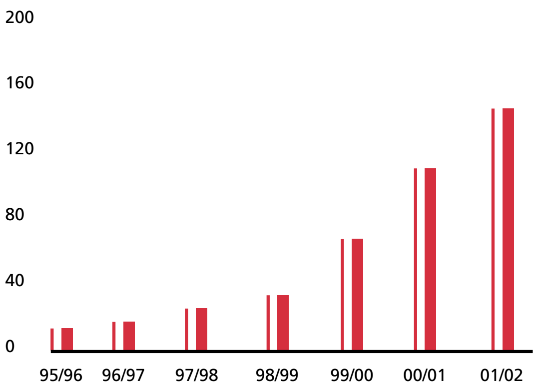
Net Operating Cashflow ($Million)



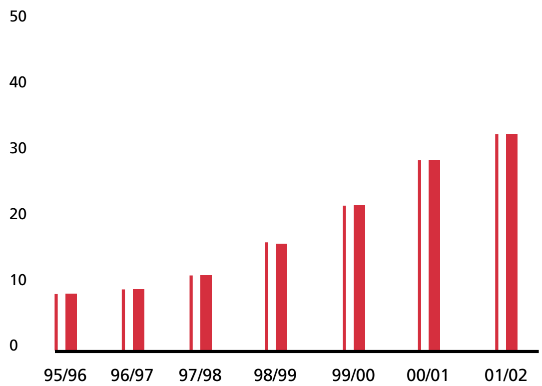
Dividends Paid (cents)



Normalised EBIT ($Million)
(before intangibles amortisation)



Normalised Diluted Earnings Per Share (cents)
(before intangibles amortisation)



Managing Director's report

The 2002 financial year has been one in which Sonic Healthcare has excelled in its performance, achieving both excellent financial and operational results. The year has been particularly significant for the important steps taken to bolster Sonic's strategic position and to strengthen the company's platform for sustained earnings growth into the future. An event of singular note was the acquisition in April 2002 of London-based The Doctors Laboratory (TDL), the UK's largest private pathology operator. The TDL acquisition presents Sonic with access to an attractive offshore market with substantial growth potential.

The year in review saw expansion of revenues by 37% and earnings per share (normalised for intangibles amortisation) growth of almost 20%. Organic growth was strong, particularly in the important Australian pathology practice where market share gains were experienced. Sonic's investment in new businesses continues to augment the group's growth and enhance shareholder value. Using stringent financial and operational criteria, acquisitions are made only where synergy and strategic benefits are expected to flow to the company. In the 2002 year, Sonic made a number of smaller, "bolt-on" acquisitions, where value creation is derived from the ability to absorb acquired operations into pre-existing infrastructures. At the time of acquisition, the earnings margins of these new businesses were below those of the group, resulting in short-term margin dilution, particularly in the first half of the year.

The acquisition of The Doctors Laboratory, the UK's largest private pathology operator, presents Sonic with access to an attractive offshore market with substantial growth potential

Managing Director's report

Sonic entered the Western Australian market in the 2002 year through the acquisitions of SKG Radiology and Clinipath/Bunbury Pathology. SKG is the state's largest radiology business and Clinipath/Bunbury Pathology has a long history of stable pathology performance. The extension of Sonic's operations into the WA market will present growth opportunities for the future, and synergy benefits between the two new Sonic practices will be actively pursued.

The acquisition of TDL is an important step in the evolution of Sonic. TDL is a well-established, high quality, high performance pathology practice operating in London's Harley Street medical district. It has an impressive record of growth and profitability and has established outstanding professional recognition by doctors and their patients. The similar values and cultures of Sonic and TDL have enabled an effortless and highly successful integration process.

It is our belief that unique Sonic operational models, including pathology workflow, laboratory design and computer software, may be used to the company's advantage in suitable offshore markets. With the UK government now firmly committed to a strategy of fostering partnerships between the public and private sectors, Sonic and TDL have a great opportunity to make use of these proven models to become recognised as a meaningful participant in the large and transforming UK pathology market.

The year saw expansion in revenues by 37% and earnings per share growth of almost 20%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Managing Director's report

Much activity through the year has focussed on the ongoing extraction of inter-company synergies, a process which commenced over two years ago with the establishment of the Sonic Amalgamation Team (SAT) structure. This important project has gathered momentum, with benefits now flowing through to the profit line, particularly in the areas of purchasing, information technology, laboratory operations, marketing and operational benchmarking. It is expected that these benefits will continue to form a material component of Sonic's pathology margin and profit expansion in future years. A number of SATs have now been established for Sonic's imaging practices, in order to identify and secure group-wide benefits applicable to the discipline of radiology.

Sonic's majority-owned biopharmaceutical subsidiary, SciGen, continued to develop under the guidance of newly appointed CEO, Mark Compton. The registration of SciGen's exciting product portfolio in the Asia Pacific region gained momentum over the course of the year with approvals for Hepatitis B vaccine in Vietnam and the Philippines. The SciGen investment, however, no longer fits with Sonic's strategic plan to focus on medical diagnostics and, as previously foreshadowed, Sonic is in the process of divesting the majority of its interest to Sonic shareholders, with SciGen to be subsequently listed on the Australian Stock Exchange.

Reputation and image will continue to be key determinants in Sonic's strategy to create shareholder value. The group's commitment to a federation-type structure of its subsidiaries, its adherence to the concepts of medical leadership and medical practice,

Reputation and image will continue to be key determinants in Sonic's strategy to create shareholder value

Managing Director's report

and the provision of consistent, world-class services to doctors, patients, hospitals and other customers, will ensure that the entities comprising the wider Sonic group will continue to enjoy strong market endorsement into the future. While all Sonic staff are involved in the maintenance and enhancement of Sonic's reputation, special tribute is due to the skills and expertise of the group's 400 medical specialists, both pathologists and radiologists. It is this professional team which is responsible for the high standards of medical practice throughout Sonic and which drives the outstanding medical reputation that Sonic enjoys.

In conclusion, I wish to place on record the outstanding work of Sonic's management team and the more than 10,000 staff currently working for the company. In just 15 years of corporate existence, Sonic Healthcare has grown from strength to strength, with revenues approaching $1 billion for the 2003 year and with operations now in three continents. Sonic's management team has risen to the occasion of the group's rapid growth and the constantly changing operational environment and has tenaciously led the way to continuous improvement and increasing shareholder value. On behalf of the Sonic Board, I thank every member of the organisation for the part played in reaching the pre-eminent position the company now holds.

Dr Colin Goldschmidt
Managing Director

Sonic Healthcare has grown from strength to strength, with revenues approaching $1 billion for the 2003 year and with operations now in three continents

Corporate directory

Directors	Mr B.S. Patterson	*Chairman*
	Dr C.S. Goldschmidt	*Managing Director*
	Mr C.D. Wilks	*Finance Director*
	Dr M.M. Barratt	
	Mr M.D. Boyd	
	Mr R.P. Campbell	
	Dr P.J. Dubois	
	Mr C.J. Jackson	
	Dr M.F. Robinson	
	Dr H.F. Scotton	
Company Secretary	Mr P.J. Alexander	
Principal registered office in Australia	95 Epping Road, North Ryde, New South Wales, 2113, Australia. Ph: 61 2 9855 5444 Fax: 61 2 9878 5066 Website: www.sonichealthcare.com.au	
Share registry	Computershare Investor Services Pty Limited Level 5, 115 Grenfell Street, Adelaide, South Australia, 5000, Australia. Ph: 1300 556 161 (within Australia) Ph: 61 3 9615 5970 (outside Australia) Fax: 61 8 8236 2305 Website: www.computershare.com	
Auditor	PricewaterhouseCoopers	
Solicitors	Allens Arthur Robinson Manion McCosker	
Bankers	Australia and New Zealand Banking Group Limited Citibank Commonwealth Bank National Australia Bank Westpac Banking Corporation	
Stock exchange listings	Sonic Healthcare Limited shares are listed on the Australian Stock Exchange.	

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 year ended 30 June 2002.

Directors

The following persons were directors of Sonic Healthcare Limited during the whole of the financial year and up to the date of this report:

Mr B.S. Patterson – *Chairman*
Dr C.S. Goldschmidt – *Managing Director*
Mr C.D. Wilks
Dr M.M. Barratt
Mr M.D. Boyd
Mr R.P. Campbell
Mr C.J. Jackson
Dr M.F. Robinson
Dr P.J. Dubois and Dr H.F. Scotton were appointed as directors on 31 July 2001 and have continued in office until the date of this report.

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of the provision of medical diagnostic services.

Dividends

On 22 August 2002, the board declared a final dividend of 16 cents per share, 100% franked (at 30%) to be paid on 19 September 2002 with a record date of 4 September 2002. An interim dividend of 4 cents per share, 100% franked (at 30%) was paid on 29 April 2002.

Details of dividends in respect of the current year and previous financial year are as follows:

	2002 $'000	2001 $'000
Interim dividend paid	**10,214**	8,082
Final dividend payable	**41,987**	29,683
Total dividend for the year	**52,201**	37,765

A final dividend of 13 cents per ordinary share was paid on 23 October 2001 in respect of the year ended 30 June 2001, out of profits of that year as recommended by the directors in last year's Directors' report. The company's dividend reinvestment plan operated in respect of the final dividend for the 2001 year and the interim dividend for 2002. It has now been suspended until further notice and therefore will not apply to the 2002 final dividend.

Review of operations

A summary of consolidated revenue and earnings before interest, tax and intangible amortisation (EBITA) is set out below:

	REVENUE		EBITA		EBITA MARGIN	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000	2002 %	2001 %
Pathology	**624,862**	553,657	**117,214**	107,165	**18.8**	19.4
Radiology	**232,262**	71,394	**44,113**	13,967	**19.0**	19.6
SciGen	**1,508**	1,238	**(3,907)**	(4,272)		
Eliminations/other/unallocated corporate overheads	**(532)**	290	**(10,689)**	(6,266)		
Interest income	**1,683**	1,316				
	859,783	627,895				
Total EBITA			**146,731**	110,594	**17.1**	17.6
Intangible amortisation			**(49,402)**	(30,266)		
Net interest expense			**(31,544)**	(24,715)		
Income tax expense			**(33,578)**	(29,486)		
Net profit			**32,207**	26,127		
Net profit/(loss) attributable to outside equity interests			**(1,551)**	(52)		
Net profit attributable to members of Sonic Healthcare Limited			**33,758**	26,179		

(a) Revenue

Revenue for the year increased by 36.9% from the prior year reflecting the following factors:

- A full year of entities acquired during 2001 being the Pacific Medical Imaging radiology group (January 2001), the Queensland X-Ray radiology group (April 2001) and Consultant Pathologists – Townsville (February 2001).
- The acquisitions of entities acquired during the 2002 year, being Illawarra Medical Laboratories (July 2001), Clinipath/Bunbury and La Trobe Pathology (August 2001), Cairns Pathology (September 2001), SKG Radiology (November 2001), Epath (March 2002) and The Doctors Laboratory pathology group of the United Kingdom (April 2002).
- Strong organic growth of approximately 6% (excluding acquisitions).

Sonic's Australian pathology organic growth rate of 6.3% (excluding acquisitions and AHC revenue loss – refer below) is believed to be ahead of industry growth, reflecting increased market share. This growth has been driven by service excellence and the outstanding reputation of Sonic's subsidiary practices, together with gains achieved through Sonic's strategic alliance with Foundation HealthCare Limited.

(b) Profit

The net profit (after outside equity interests) for the consolidated entity for the year was $33,758,000 (2001: $26,179,000), after deducting income tax expense of $33,578,000 (2001: $29,486,000). Net profit after tax and before intangible amortisation attributable to Sonic shareholders increased by 47% to $83,160,000 (2001: $56,445,000). Fully diluted earnings per share (pre intangibles amortisation) increased 18.5% from 28.1 cents to 33.3 cents.

Operating (EBITA) margins are set out below:

PERIOD	2002 %	2001 %
1st half of the year	**15.7**	17.3
2nd half of the year	**18.3**	17.8
Total Year	**17.1**	17.6

Margins for the first half of the 2002 year were adversely affected by the impact of relatively low margin acquisitions and the short term problems in the company's Melbourne Pathology operation caused by the loss of the Australian Hospital Care (AHC) business (purchased by a competitor) and issues related to the merger with Hitech.

Margins for the second half of the year improved dramatically due to a combination of factors including:

- Seasonal variations (2nd half is usually the stronger).
- Melbourne Pathology turnaround (first half EBITA margins 8%, second half 15%) as a result of management and cost restructures.
- Recent lower margin acquisitions beginning to crystallize synergies (IML, Clinipath, Townsville, Cairns etc.).
- Margins generally improving as a consequence of revenue growth and synergies driven by Sonic Amalgamation Teams.
- Ex-SGS practices achieved 16.4% margin for the year versus 13.8% at acquisition (December 1999), despite first half impact of Melbourne Pathology.

The Sonic Amalgamation Teams ("SAT"s) which were established in 2000 to achieve rationalisation strategies through a distributed management structure, have worked effectively and tirelessly to improve the efficiency of the group. Areas of focus include purchasing, centralisation of testing, I.T. standardisation, equipment standardisation and benchmarking. This process is still only in its early stages and benefits are expected to continue to flow for at least the next 4-5 years. The SAT process has recently been implemented for the radiology operation to seek synergies between radiology practices and between radiology and pathology practices.

Net interest expense has increased by 28% to $31,544,000 as a consequence of the debt funding components of acquisitions. Appropriate interest rate hedging arrangements are in place for these facilities.

The relatively high effective tax rate (51%) (2001: 53%) is essentially a function of the non-deductible intangibles amortisation but has also improved slightly due to the change in the Australian corporate tax rate.

(c) SciGen

SciGen Pte Limited (SciGen) is a Singapore based bio-pharmaceutical company in which Sonic has a 59.5% ownership interest. SciGen's losses have reduced Sonic's EBITA by $3,907,000 in the current year. Without SciGen, Sonic's EBITA margin would have been 17.6%. The minority component of SciGen's loss, which amounts to $1,847,000 is included in the Net (loss)/profit attributable to outside equity interests. Sonic's directors have announced Sonic's intention to demerge the majority of its interest in SciGen to Sonic's shareholders and to separately list SciGen on the Australian Stock Exchange during the first half of the 2003 financial year.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the course of the financial year included the following:

(a) Acquisitions

During the 2002 year, Sonic completed the following acquisitions:

	ANNUAL REVENUE (APPROX) $Million
– Illawarra Medical Laboratories (IML) (July 2001)	5
– Clinipath/Bunbury and La Trobe Pathology (August 2001)	20
– Cairns Pathology (September 2001)	5
– SKG Radiology (November 2001)	60
– Epath (March 2002)	3
– The Doctors Laboratory (April 2002)	55

The IML, Cairns, La Trobe and Epath pathology practices were relatively small operations with relatively low margins that have been merged into larger Sonic subsidiaries. Significant synergies are expected to flow from these mergers.

The Clinipath/Bunbury Pathology acquisition gave Sonic its first presence in the Western Australian market and was then complemented by the SKG Radiology and Epath acquisitions. SKG Radiology (SKG) is the largest private radiology practice in Western Australia, operating primarily in the greater Perth area.

The Doctors Laboratory (TDL) is the largest private pathology operation in the United Kingdom, based in the Harley Street medical specialist area of London. TDL is a high growth (16% p.a. plus) and high margin practice. Sonic's initial focus is on developing the TDL business through operational synergies and augmenting the current organic growth. National Health Service privatisation initiatives offer further upside in the medium to long term. The TDL acquisition is strategically significant for Sonic as it provides the opportunity to capitalise on the major growth markets in the UK and Europe into the future.

(b) Dividend reinvestment plan (DRP)

Sonic implemented a DRP during the year which applied to the payment of the 2001 final dividend and the 2002 interim dividend, offering shareholders a 5% discount to market prices. As a result of the DRP 1,986,411 shares were issued during the year, at a value of $13.7 million. More recently the board has decided to suspend the DRP until further notice. The DRP will not apply to the 2002 final dividend.

(c) Capital raisings

On 23 October 2001, Sonic raised $19.2 million via an underwriting arrangement in respect of Sonic's DRP for the 2001 final dividend. The issue price was $7.48 per share.

On 26 November 2001, Sonic raised $170.1 million via an issue of ordinary shares to the institutional market at an issue price of $8.10 per share. The funds raised were used to reduce debt, giving Sonic the ability to pursue strategic expansion opportunities.

Matters subsequent to the end of the financial year

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 16 July 2002, Sonic granted 1,300,000 options to employees under the Sonic Healthcare Limited Employee Option Plan. In addition, 490,000 options were issued to employees of Queensland X-Ray (QXR) pursuant to Sonic's agreement with the vendors of QXR. The options have an exercise price of $4.81 and are subject to vesting periods, continuity of employment and other conditions of the Sonic Healthcare Limited Employee Option Plan.
- On 30 July 2002, Sonic issued 217,323 shares as part of the consideration for the acquisition of The Doctors Laboratory group. A maximum of 2,272,727 additional shares are issuable in October 2003 at an issue price of $6.01.
- On 12 August 2002 Sonic issued 1,507,409 shares (issue price $4.8172 per share) and paid $29.4 million in cash as final consideration for the acquisition of SKG Radiology.
- As at the date of these financial statements, Sonic's plans to demerge the majority of its shareholding in SciGen Pte Limited to Sonic shareholders and to separately list SciGen were progressing. Prior to proceeding with the demerger, Sonic will seek relevant approvals from the Australian Stock Exchange, Australian Securities and Investment Commission, the Federal Court of Australia and Sonic shareholders. If all of these approvals are forthcoming, SciGen Pte Limited should be trading on the ASX by late November 2002.

Likely developments and expected results of operations

Sonic's main focus during the 2003 financial year will be to continue to grow its margins and profit through strong organic growth and by extracting synergies between its existing businesses. The SAT structure will drive these synergies in 2003 and the following 4 to 5 years using specific strategies which are already in place. The SAT structure has been expanded to encompass Sonic's radiology practice and is also being extended to include The Doctors Laboratory in the UK.

Small "bolt-on" acquisitions which offer marginal profit contributions will continue to be targeted.

Sonic will maintain a watching brief for opportunities to expand into a number of overseas pathology markets, where its workflow, computer and management systems could add value to existing practices in those markets. This is a medium term strategy and is dependent on identifying attractive opportunities over time. The Doctors Laboratory will act as a "beach head" in terms of identifying opportunities in the UK and Europe. Opportunities to work with the National Health Service in the UK will continue to be explored.

Whilst the company's biotech subsidiary SciGen has enormous potential and has been progressing well with the development and registration of its extensive product portfolio, the investment no longer fits with Sonic's strategic plan to focus on medical diagnostics. Accordingly, Sonic is progressing with the demerger of the majority of its shareholding and a separate listing of SciGen, targeted to occur in November 2002. In the meantime, Sonic will continue to fund SciGen's cash flow shortfall.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Share options

(a) Shares under option

Unissued ordinary shares of Sonic Healthcare Limited under option at the date of this report are as follows:

Sonic Healthcare Limited Employee Option Plan Options:

NUMBER OF OPTIONS	ISSUE PRICE OF SHARES	EXPIRY DATE
826,500	$3.37	15 December 2003
2,328,000	$5.59	20 February 2005
3,503,700	$7.63	20 April 2006
1,300,000	$4.81	16 May 2007
7,958,200		

The above options are exercisable as follows before the expiry date:

- Up to 50% may be exercised after 30 months from the date of grant
- Up to 75% may be exercised after 42 months from the date of grant
- Up to 100% may be exercised after 54 months from the date of grant

Executive Director Options:

No options were granted to executive directors during the year ending 30 June 2002. At 30 June 2002, 4,500,000 options were (beneficially) outstanding to two executive directors of Sonic Healthcare Limited having been granted on 20 April 2000, following approval by shareholders at the 1999 Annual General Meeting. Each option is convertible into one ordinary share as set out below on or before 20 April 2005 at a fixed price of $5.50 per share subject to continuity of service to Sonic:

- Up to 16.67% may be exercised after 12 months from the date of grant
- Up to 50% may be exercised after 24 months from the date of grant
- Up to 100% may be exercised after 36 months from the date of grant

Queensland X-Ray (QXR) Options:

On 16 July 2002, Sonic granted 490,000 options out of a total of 1,000,000 options to be issued to staff of QXR, pursuant to Sonic's agreement with the vendors of QXR. The issue price of the potential 490,000 shares is $4.81 and the expiry date of the options is 16 May 2007. The vesting and other conditions for these options are the same as those for the Sonic Healthcare Limited Employee Option Plan.

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

(b) Shares issued on the exercise of options

A total of 595,000 ordinary shares of Sonic Healthcare Limited were issued during the year ended 30 June 2002 on the exercise of options granted under the Sonic Healthcare Limited Employee Option Plan and a further 361,000 shares have been issued since that date, but prior to the date of this report. The amounts paid on issue of those shares were:

NUMBER OF OPTIONS	AMOUNTS PAID (PER SHARE)
602,500	$1.47
353,500	$3.37
956,000	

No amounts are unpaid on any of these shares.

Directors' and executives' emoluments

The Remuneration Committee, consisting of 2 non-executive directors, advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for the Managing Director and Finance Director.

Executive remuneration and other terms of employment are reviewed annually by the Managing Director having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Sonic Healthcare Limited Employee Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

Remuneration of non-executive directors is determined by the board within the maximum amount approved by the shareholders from time to time. Options are not issued and bonuses are not payable to non-executive directors.

Details of the nature and amount of each element of the emoluments of each director of Sonic Healthcare Limited and each of the five executive officers of the consolidated entity receiving the highest emoluments are set out in the following tables.

(a) Non-executive directors of Sonic Healthcare Limited

NAME	DIRECTORS' FEE $
B.S. Patterson (Chairman)	50,000
R.P. Campbell	50,000
M.D. Boyd	50,000

Superannuation contributions required by the Superannuation Guarantee Charge legislation are deducted from gross directors' fees as appropriate.

(b) Executive directors of Sonic Healthcare Limited

NAME	BASE REMUNERATION $	DIRECTORS' FEES $	OTHER BENEFITS* $	BONUS $	SUPER-ANNUATION $	TOTAL $
Dr C.S. Goldschmidt *Managing Director*	237,578	50,000	86,007	520,000	16,804	910,389
C.D. Wilks *Finance Director*	218,105	50,000	8,400	280,000	3,949	560,454
Dr M.M. Barratt *Director*	120,113	50,000	-	-	8,803	178,916
Dr P.J. Dubois *Director*	262,578	50,000	7,058	-	8,059	327,695
C.J. Jackson *Director*	214,929	50,000	11,672	-	46,029	322,630
Dr M.F. Robinson *Director*	237,296	50,000	7,935	-	15,922	311,153
Dr H.F. Scotton *Director*	162,245	50,000	-	-	64,070	276,315

*Other benefits include fringe benefits tax.

Information on options, including the number of options granted to directors and other executives, is set out in the following sections of this report.

Part of Mr C.D. Wilks' remuneration was paid for consulting services provided by a company in which he has a beneficial entitlement.

Part of Dr M.F. Robinson's remuneration is paid for consulting and pathology services provided by a partnership in which he is a partner.

Bonuses paid to Dr C.S. Goldschmidt and Mr C.D. Wilks are determined by the Remuneration Committee and are dependent upon the performance of the consolidated entity.

(c) Other executives of the consolidated entity

"Other executives" are officers who are involved with the management of the affairs of Sonic Healthcare Limited and/or its controlled entities.

NAME	BASE SALARY $	OTHER BENEFITS $	BONUS $	SUPER-ANNUATION $	TOTAL $
P.J. Alexander *Group Financial Controller/Company Secretary*	164,649	26,548	50,000	8,803	250,000
Dr G. Armellin *Sonic Marketing Director/* *Chief Executive Officer Capital Pathology*	305,721	2,000	-	8,803	316,524
M. Compton *Chief Executive Officer SciGen Pte Limited*	256,044	45,507	-	6,874	308,425
Dr A.J.M. Egan *Chief Executive Officer Melbourne Pathology*	241,274	4,256	-	19,302	264,832
S. Mashaal *Executive Vice Chairman SciGen Pte Limited*	414,480	74,176	-	-	488,656

(d) Share options granted to directors and executives

Options over unissued ordinary shares of Sonic Healthcare Limited granted during or since the end of the financial year to any of the directors of the company or the 5 most highly remunerated executives of the consolidated entity as part of their remuneration were as follows:

	OPTIONS GRANTED	EXERCISE PRICE
Directors	Nil	-
Other executives		
P.J. Alexander	100,000	$7.63
	20,000	$4.81
G. Armellin	30,000	$7.63
A.J.M. Egan	30,000	$7.63
	20,000	$4.81

The options were granted under the Sonic Healthcare Limited Employee Option Plan.

The value of options over unissued ordinary shares of Sonic Healthcare Limited granted to any of the directors or executive officers of the consolidated entity as part of their remuneration are not included in the remuneration disclosures above. An exact value is considered to be indeterminable as it is a function of the future prospects of the company and the conditions of the options which include continuity of employment. The directors estimate that the fair value (at date of grant) of options granted was in the range of $0.20 to $0.73 each for the options with an exercise price of $7.63, and $0.20 to $0.40 each for the options with an exercise price of $4.81. The maximum values noted are values calculated using the Black-Scholes option pricing model, however this model does not factor in continuity of employment and other terms of the options, which are likely to reduce their value.

Information on directors

(a) Directors' profiles

Barry Sydney Patterson
Chairman
A.S.M.M., M.I.M.M., F.A.I.C.D.
Mr Patterson has a corporate mining background, but in more recent years has held directorial positions in a number of both public and private companies. Mr Patterson is a substantial shareholder in Sonic via his interests in Polly Pty Limited. Mr Patterson is the Chairman of the Remuneration Committee.

Dr Colin Stephen Goldschmidt
Managing Director
M.B., B.Ch., F.R.C.P.A., F.A.I.C.D.
Dr Goldschmidt became the Managing Director of Sonic Healthcare Limited and its subsidiaries in 1993, prior to which he was the Medical Director of Douglass Hanly Moir Pathology. He joined the company after completing his Australian Pathology Fellowship training in Sydney in 1986. Dr Goldschmidt is a member of the Risk Management Committee.

Christopher David Wilks
Finance Director
B.Comm. (Univ Melb), A.S.A., F.C.I.S., F.C.I.M., F.A.I.C.D.
Mr Wilks is a management consultant with a background in chartered accounting and investment banking. He was previously a partner in a private merchant bank and has held positions on the boards of a number of public companies. Mr Wilks has been a director of Sonic since 1989. Mr Wilks is a member of both the Audit Committee and Risk Management Committee.

Dr Michael Barratt
M.B., B.S., F.R.C.P.A.
Dr Barratt was the founding partner of Drs Barratt & Smith Pathologists in 1971 where he was a pioneer in taking quality pathology services to rural Australia. Dr Barratt was appointed to the Board following the acquisition of the Barratt & Smith practice in February 1996.

Michael Denis Boyd
B.Comm (Univ.W.A.), A.C.A., A.S.I.A., F.A.I.C.D.
Mr Boyd is a Chartered Accountant and Chairman of Foundation HealthCare Limited. Mr Boyd is a major shareholder in Foundation and a substantial shareholder in Sonic via his interests in Jardvan Pty Limited.

Peter Campbell
F.C.A., F.T.I.A., M.A.I.C.D.
Mr Campbell is a Chartered Accountant with his own practice based in Sydney. He is a Fellow of both the Institute of Chartered Accountants in Australia and the Taxation Institute of Australia and is a registered Company Auditor. Mr Campbell is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Dr Philip Dubois
M.B., B.S., F.R.C.R., F.R.A.N.Z.C.R.
Dr Dubois is chairman of the Sonic Imaging Executive Committee and is chairman and CEO of Queensland X Ray, one of the largest radiology practices in Australia. He has a background in academic radiology, and is an associate professor of radiology at the University of Queensland medical school. His contributions to the profession include serving as Councillor of the Royal Australian and New Zealand College of Radiologists (RANZCR), and as a member of many government and professional committees and task forces in the areas of technology assessment, education, professional standards and economic affairs. He is currently Vice President of the Australian Diagnostic Imaging Association (ADIA). He is also a member of the Risk Management Committee.

Colin Jackson
F.C.P.A., A.C.A., F.T.I.A., F.A.I.C.D.
Mr Jackson's background was in professional accounting practice prior to him becoming the Chief Executive Officer of Diagnostic Services Pty Limited (Sonic's Tasmanian practice) in 1995. He is a Fellow of the Australian Society of Certified Practising Accountants, the Taxation Institute of Australia and a member of the Institute of Chartered Accountants in Australia. Mr Jackson has many years of active involvement at senior levels in the pathology industry including as Vice President of the Australian Association of Pathology Practices. Mr Jackson is a member of the Audit Committee.

Dr Michael Robinson
M.D., F.R.A.C.F., F.R.C.P.A., F.A.I.M.
Dr Michael Robinson graduated with First Class Honours from the University of Queensland in 1971. He subsequently trained as a Specialist Immunologist in Brisbane, Adelaide, Chicago USA, and Oxford UK. Previous appointments include Senior Lecturer in Clinical Immunology, University of Queensland and Visiting Medical Officer (Clinical Immunology) at Princess Alexandra Hospital in Brisbane. Since 1983 he has been a partner of Sullivan Nicolaides Pathology and was the Chief Executive Officer of the practice from 1997 to 2002.

Dr Hugh Scotton
M.B., B.S., F.R.A.N.Z.C.R., D.D.U., M.A.I.C.D.
Dr Scotton trained in radiology in Adelaide and Brisbane prior to entering private practice in the Hunter Valley in 1972. He was Chairman of Pacific Medical Imaging, incorporating radiology groups in the Hunter, Sydney and Illawarra from 1999 until the acquisition of the group by Sonic. Prior to the formation of Pacific Medical Imaging, Dr Scotton was Chairman of the Hunter Imaging Group, the largest imaging practice in the Hunter Valley.

(b) Directors' interests in shares and options as at 23 September 2002

DIRECTOR'S NAME	CLASS OF SHARES	NUMBER OF SHARES	INTEREST	OPTIONS
B.S. Patterson	Ordinary	3,816,646	Beneficially	-
Dr C.S. Goldschmidt	Ordinary	725,000	Personally	-
		225,000	Beneficially	3,000,000
C.D. Wilks	Ordinary	425,000	Personally	-
		198,000	Beneficially	1,500,000
Dr M.M. Barratt	Ordinary	1,300,000	Beneficially	-
M.D. Boyd	Ordinary	21,458,704	Beneficially	-
R.P. Campbell	Ordinary	-	-	-
Dr P.J. Dubois	Ordinary	221,540	Personally	
		394,946	Beneficially	-
C.J. Jackson	Ordinary	517,590	Personally	-
Dr M.F. Robinson	Ordinary	200,000	Personally	-
Dr H.F. Scotton	Ordinary	175,996	Personally	-

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2002, and the numbers of meetings attended by each director were:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES AUDIT		REMUNERATION		RISK MANAGEMENT	
	Number of meetings attended	Number of meetings held *	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held
B.S. Patterson	10	13	-	-	2	2	-	-
Dr C.S. Goldschmidt	13	13	-	-	-	-	2	2
C.D. Wilks	13	13	3	3	-	-	2	2
Dr M.M. Barratt	12	13	-	-	-	-	-	-
M.D. Boyd	10	13	-	-	-	-	-	-
R.P. Campbell	12	13	3	3	2	2	-	-
Dr P.J. Dubois	10	12	-	-	-	-	2	2
C.J. Jackson	13	13	3	3	-	-	-	-
Dr M.F. Robinson	12	13	-	-	-	-	-	-
Dr H.F. Scotton	11	12	-	-	-	-	-	-

* for the period office was held.

Insurance of officers

During the financial year, the company entered into agreements to indemnify all directors of the company named above and current and former directors of the company and its controlled entities against all liabilities to persons (other than the company or related entity) which arise out of the performance of their normal duties as director or executive officer unless the liability relates to conduct involving lack of good faith. The company has agreed to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

The directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the company or related entity) incurred in their position as a director or executive officer unless the conduct involves a wilful breech of duty or an improper use of inside information or position to gain advantage. The insurance policy does not allow disclosure of the nature of the liabilities insured against or the premium paid under the policy.

Environmental regulation

The consolidated entity is subject to environmental regulation in respect of the transport and disposal of medical waste. The consolidated entity contracts with reputable, licensed businesses to dispose of waste and there have been no investigations or claims during the financial year. The directors believe that the consolidated entity has complied with all environmental regulations.

Rounding of amounts

The company is of 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. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

Dr C.S. Goldschmidt
Director

C.D. Wilks
Director

Sydney
24 September 2002

Corporate Governance Statement

The board of Sonic Healthcare continues to place great importance on the governance of the company, which it believes is vital to its well being and success. There are two elements to the governance of companies: performance and conformance. Both are important, but it is critical that focus on conformance does not detract from the principal function of a business, which is to undertake prudent activities to:

- generate rewards for shareholders who invest their capital,
- provide services of value to customers, and
- provide meaningful employment for employees,

and to do so in a way that contributes positively to the community.

In this framework it is crucial that shareholders have clear visibility of the actions of the company and that they can rely on reported financial information. The Sonic board has committed itself to provide relevant, accurate information to shareholders on a timely basis and has adopted policies and procedures designed to ensure that the group's financial reports are true and fair, meet high standards of disclosure integrity and provide all material information necessary to understand the group's financial performance.

Sonic's board and management are committed to governance which recognises that all aspects of the group's operations are conducted ethically, responsibly and with the highest standards of integrity. The board has adopted practices and policies designed to achieve these aims.

In addition to the Sonic Code of Ethics (discussed below), over the last two years the Sonic Core Values have been developed and adopted throughout the group. These five simple statements apply equally to every employee of Sonic, and set out the fundamental principles that govern the way that all Sonic people conduct themselves. These Core Values were formulated with significant input from Sonic's staff, and have been embraced throughout the group. Sonic's Core Values are:

- Commit to Service Excellence
  To willingly serve all those with whom we deal with unsurpassed excellence.
- Treat each other with Respect & Honesty
  To grow a workplace where trust, team spirit and equity are an integral part of everything we do.
- Demonstrate Responsibility & Accountability
  To set an example, to take ownership of each situation to the best of our ability and to seek help when needed.
- Be Enthusiastic about Continuous Improvement
  To never be complacent, to recognise limitations and opportunities for ourselves and processes and to learn through these.
- Maintain Confidentiality
  With regard to patient records and all information pertaining to patients as well as other professional and commercial issues.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

1. Board of directors

(a) Role of the board

The board of directors is accountable to shareholders for the performance of the parent entity and the consolidated group and is responsible for the corporate governance practices of the group.

The board's principal objective is to maintain and increase shareholder value while ensuring that the group's overall activities are properly managed.

Sonic's corporate governance practices provide the structure which enables the board's principal objective to be achieved, whilst ensuring that the business and affairs of the group are conducted ethically and in accordance with the law.

The board's overall responsibilities include:

- providing strategic direction and approving corporate strategies,
- monitoring management and financial performance and reporting,
- monitoring and ensuring the maintenance of adequate risk management controls and reporting mechanisms, and
- ensuring the business is conducted ethically and transparently.

The board delegates responsibility for day-to-day management of the business to the Managing Director and senior executives. The Managing Director also oversees the implementation of strategies approved by the board. The board uses a number of committees to support it in matters that require more intensive review and involvement. Details of the board committees are provided below.

As part of its commitment to good corporate governance, the board regularly reviews the practices and standards governing the board's composition, independence and effectiveness, the accountability and compensation of directors (and senior executives) and the board's responsibility for the stewardship of the group.

(b) Composition of the board

The directors of the company in office at the date of this statement are:

NAME	AGE	POSITION	EXPERTISE
Mr Barry Patterson	61	Chairman, Non-Executive Director	Company Management
Dr Colin Goldschmidt	48	Managing Director	Healthcare Industry and Company Management
Mr Chris Wilks	44	Finance Director	Finance, Accounting, Banking, Secretarial and Company Management
Dr Michael Barratt	64	Executive Director	Pathology Industry and Company Management
Mr Michael Boyd	37	Non-Executive Director	Finance and Accounting, Company Management and the Healthcare Industry
Mr Peter Campbell	57	Non-Executive Director	Finance and Accounting, Computing and Company Management
Dr Philip Dubois	56	Executive Director	Radiology Industry and Company Management
Mr Colin Jackson	54	Executive Director	Finance, Pathology Industry and Company Management
Dr Michael Robinson	54	Executive Director	Pathology Industry and Company Management
Dr Hugh Scotton	60	Executive Director	Radiology Industry and Company Management

The composition of Sonic's board is consistent with the principle of medical management and leadership which has been a core strategy of Sonic's since 1993. There are three pathologists on the board, including the Managing Director, and two radiologists, ensuring that the board has the capacity to understand complex medical issues and be in close touch with the medical marketplace. Their presence also gives comfort both to referring doctors (Sonic's customers) and to owners of diagnostic practices which Sonic seeks to acquire.

This strategy has resulted in a board which has a relatively high proportion of executive directors, however three of these executives, whilst employed by the group as medical practitioners, are not involved in operational management. Their presence on the board however has played an important role in consolidating several of the larger independent practices acquired by Sonic into the cohesive group.

Sonic's non-executive directors, including the Chairman, are considered independent (other than M.D. Boyd due to his substantial shareholding and relationship with Foundation HealthCare Limited) and perform major roles in the board committees.

The size and composition of the board is determined by the full board. Sonic's constitution requires all directors other than the Managing Director to offer themselves for re-election at an Annual General Meeting, such that they do not hold office without re-election for longer than three years.

(c) Board meetings

The board meets formally at least 10 times a year to consider a broad range of matters, including strategy, financial performance reviews, capital management and acquisitions. Details of meetings and attendances are set out in the Directors' Report.

(d) Independent professional advice and access to information

Each director has the right to seek independent professional advice at the company's expense. However, prior approval of the Chairman is required, which is not unreasonably withheld.

All directors have unrestricted access to company records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

(e) Conflicts of interest of directors

The board has guidelines dealing with disclosure of interests by directors and participation and voting at board meetings where any such interests are discussed. In accordance with the Corporations Act, any director with a material personal interest in a matter being considered by the board does not receive the relevant board papers, must not be present when the matter is being considered, and may not vote on the matter.

(f) Directors' share trading

Directors are prohibited from buying or selling Sonic shares at any time if they are aware of any material price sensitive information that has not been made public. In addition, the Managing Director and Finance Director are required to obtain approval from the Chairman of the Remuneration Committee before selling any shares. All Sonic share dealings by directors are promptly notified to the Australian Stock Exchange (ASX).

2. Board committees

To assist the board in fulfilling its duties there are currently three board committees whose terms of reference and powers are determined by the board.

(a) Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the board on remuneration packages and policies applicable to the Managing and Finance Director. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits policies. The Remuneration Committee, when deemed necessary, obtains independent advice on the appropriateness of remuneration packages.

The members of the Remuneration Committee during the year were:

Mr B.S. Patterson *Chairman*
Mr R.P. Campbell

The Managing Director, Dr C.S. Goldschmidt, is invited to the Remuneration Committee meetings as required to discuss management performance and remuneration packages.

The current remuneration for directors is $50,000 per annum.

The Remuneration Committee meets twice a year or as required.

Further details of directors' remuneration, superannuation and retirement payments are set out in Note 31 to the financial statements.

(b) Audit Committee

The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal control and give the board of directors additional assurance regarding the quality and reliability of financial information prepared for use by the board in determining policies and strategy, or for inclusion in financial statements.

The members of the Audit Committee are:

Mr R.P. Campbell *Chairman*
Mr C.J. Jackson
Mr C.D. Wilks

The external auditors, and the Managing Director, are invited to Audit Committee meetings at the discretion of the Committee.

The main responsibilities of the Audit Committee are to:

- review and report to the board on the annual report, half-year financial report and all other financial information published by the company or released to the market,
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework,
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence, and
- review the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year – more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the board. It is the policy of external auditors to provide an annual declaration of their independence to the Audit Committee.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

(c) Risk Management Committee

The Risk Management Committee was formed on 30 May 2002, as part of the continual review and development of governance procedures. Members of the Risk Management Committee as at the date of this statement are:

Dr C.S. Goldschmidt *Chairman*
Mr C.D. Wilks
Dr P.J. Dubois

The Risk Management Committee's charter is to focus on and monitor the following:

- Insurance program
- Environmental policy and issues
- Interest rate and currency hedging
- Occupational health and safety
- Disaster recovery strategy

The major focus of the Committee since its inception has been the review of the group's and employed doctors' medical indemnity insurance.

3. Identifying and managing business risks

The board regularly monitors the operational and financial performance of the group against budget and other key performance measures. The board also reviews and receives advice on areas of operational and financial risks, including from the Risk Management Committee. Appropriate risk management strategies are developed to mitigate all significant identified risks of the business.

4. Ethical standards

The company has adopted a Code of Ethics policy that outlines the standards required so that the directors and management conduct themselves with the highest ethical standards. All employees of the company and its controlled entities are informed of the Code. The directors regularly review this code to ensure it reflects best practice in corporate governance. The Code is further supported by the Sonic Core Values.

5. The role of shareholders

The board of directors aims to ensure that the shareholders are informed of all major developments affecting the group's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The board ensures that the annual report includes relevant information about the operations of the group during the year, changes in the state of affairs of the group and details of likely future developments, in addition to the other disclosures required by the Corporations Act.
- The company secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

  The company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the company and its controlled entities that a reasonable person would expect to have a material effect on the price of the company's securities.

  All information disclosed to the ASX is posted on the company's web site as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the company's operations, the material used in the presentation is released to the ASX and posted on the company's web site.
- Proposed major changes in the group which may impact on share ownership rights are submitted to a vote of shareholders.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are responsible for voting on the appointment of directors.

Financial Statements

	Notes	Consolidated 2002 $'000	Consolidated 2001 $'000	Parent Entity 2002 $'000	Parent Entity 2001 $'000
Revenue from ordinary activities	3	**859,783**	627,895	**71,907**	51,086
Labour and related costs		**(425,311)**	(309,365)	**(7,060)**	(3,852)
Consumables used		**(112,889)**	(86,995)	**(100)**	(59)
Amortisation of intangibles	4	**(49,402)**	(30,266)	**-**	-
Depreciation and amortisation of physical assets	4	**(36,999)**	(21,331)	**(1,527)**	(701)
Operating lease rental expense		**(34,269)**	(25,316)	**(18)**	(18)
Borrowing costs expense	4	**(33,227)**	(26,031)	**(1,014)**	(218)
Other expenses from ordinary activities		**(101,901)**	(72,978)	**(2,854)**	(2,610)
Profit from ordinary activities before income tax expense		**65,785**	55,613	**59,334**	43,628
Income tax expense	5	**(33,578)**	(29,486)	**(7,043)**	(5,607)
Profit from ordinary activities after income tax expense		**32,207**	26,127	**52,291**	38,021
Net (loss) / profit attributable to outside equity interest		**(1,551)**	(52)	**-**	-
Net profit attributable to members of Sonic Healthcare Limited	24(b)	**33,758**	26,179	**52,291**	38,021
Net exchange differences on translation of financial report of foreign controlled entities	24(a)	**5,293**	142	**-**	-
Total revenues, expenses and valuation adjustments attributable to members of Sonic Healthcare Limited recognised directly in equity		**5,293**	142	**-**	-
Total changes in equity other than those resulting from transactions with owners as owners		**39,051**	26,321	**52,291**	38,021
Basic earnings per share (cents per share)	36	**13.8**	13.7		
Diluted earnings per share (cents per share)	36	**13.5**	13.0		
Normalised (pre intangible amortisation) diluted earnings per share (cents per share)	36	**33.3**	28.1		

The above statements of financial performance should be read in conjunction with the accompanying notes.

	NOTES	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Current assets					
Cash assets	37(a)	**22,939**	21,676	**97**	50
Receivables	7	**108,620**	109,039	**36,639**	26,494
Inventories	8	**15,705**	11,561	**-**	-
Total current assets		**147,264**	142,276	**36,736**	26,544
Non current assets					
Receivables	9	**3,314**	3,424	**421,979**	215,804
Other financial assets	10	**29,447**	29,635	**476,883**	385,477
Property, plant and equipment	11	**210,439**	165,297	**27,524**	24,328
Intangible assets	12	**1,189,721**	915,922	**-**	-
Deferred tax assets	13	**18,524**	15,239	**292**	146
Total non current assets		**1,451,445**	1,129,517	**926,678**	625,755
Total assets		**1,598,709**	1,271,793	**963,414**	652,299
Current liabilities					
Payables	14	**68,199**	55,110	**2,528**	1,627
Interest bearing liabilities	15	**57,468**	42,316	**-**	-
Current tax liabilities	16	**13,031**	10,251	**2,104**	4,727
Provisions	17	**94,854**	80,309	**41,995**	29,683
Other	18	**47,608**	37,132	**-**	-
Total current liabilities		**281,160**	225,118	**46,627**	36,037
Non current liabilities					
Payables	19	**3,809**	5,454	**-**	-
Interest bearing liabilities	20	**457,805**	424,266	**58,340**	2,532
Deferred tax liabilities	21	**2,201**	1,584	**-**	-
Provisions	22	**16,269**	6,951	**-**	-
Total non current liabilities		**480,084**	438,255	**58,340**	2,532
Total liabilities		**761,244**	663,373	**104,967**	38,569
Net assets		**837,465**	608,420	**858,447**	613,730
Equity					
Parent entity interest					
Contributed equity	23	**867,156**	622,529	**867,156**	622,529
Reserves	24(a)	**5,711**	418	**982**	982
Accumulated losses	24(b)	**(40,505)**	(22,062)	**(9,691)**	(9,781)
Total parent entity interest		**832,362**	600,885	**858,447**	613,730
Outside equity interest in controlled entities	25	**5,103**	7,535	**-**	-
Total equity		**837,465**	608,420	**858,447**	613,730

The above statements of financial position should be read in conjunction with the accompanying notes.

	NOTES	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**917,774**	639,563	**-**	-
Payments to suppliers and employees (inclusive of goods and services tax)		**(702,768)**	(514,439)	**(5,656)**	(5,560)
		215,006	125,124	**(5,656)**	(5,560)
Dividends received from controlled entities		**-**	-	**24,000**	24,845
Interest received		**1,683**	1,316	**21,214**	14,261
Other revenue from controlled entities		**-**	-	**15,693**	9,686
Borrowing costs		**(38,822)**	(19,639)	**(1,014)**	(218)
Income taxes paid		**(31,150)**	(39,618)	**(9,812)**	(2,875)
Net cash inflow from operating activities	37(b)	**146,717**	67,183	**44,425**	40,139
Cash flows from investing activities					
Payment for purchase of controlled entity, net of cash acquired	27	**(153,177)**	(148,407)	**(54,872)**	(58,740)
Payments for property, plant and equipment		**(29,464)**	(21,017)	**(4,723)**	(2,196)
Proceeds from sale of property, plant and equipment		**3,976**	2,066	**-**	-
Payments for investments		**(271)**	(27,269)	**(271)**	(27,269)
Loans to controlled entities		**-**	-	**(202,001)**	(24,670)
Repayment of loans by related parties		**-**	-	**-**	551
Repayment of loans by other entities		**115**	-	**-**	-
Loans to other entities		**-**	(3,000)	**-**	-
Payment for restructuring activities		**(6,582)**	(5,558)	**-**	(1,939)
Net cash (outflow) from investing activities		**(185,403)**	(203,185)	**(261,867)**	(114,263)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**190,669**	104,063	**190,669**	104,063
Share issue transaction costs		**(2,780)**	(1,559)	**(2,780)**	(1,559)
Proceeds from borrowings		**558,077**	187,209	**-**	-
Loans from controlled entities		**-**	-	**55,808**	4
Repayment of borrowings		**(680,130)**	(111,125)	**-**	-
Dividends paid		**(26,208)**	(28,474)	**(26,208)**	(28,474)
Dividends paid to outside equity interests in controlled entities		**-**	(3,538)	**-**	-
Net cash inflow from financing activities		**39,628**	146,576	**217,489**	74,034
Net increase (decrease) in cash held		**942**	10,574	**47**	(90)
Cash at the beginning of the financial year		**21,676**	11,022	**50**	140
Effects of exchange rate changes on cash		**321**	80	**-**	-
Cash at the end of the financial year	37(a)	**22,939**	21,676	**97**	50
Financing arrangements	15, 20				
Non-cash financing and investing activities	37(c)				

The above statements of cash flows should be read in conjunction with the accompanying notes.

Contents

Note 1 Summary of significant accounting policies

This general purpose financial report 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.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Sonic Healthcare Limited ("company" or "parent entity") as at 30 June 2002 and the results of all controlled entities for the year then ended. Sonic Healthcare Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

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

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. Any future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(c) Foreign currency translation

(i) Transactions
Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

(ii) Foreign controlled entity
As all the foreign controlled entities are self-sustaining, their assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while their revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

Upon disposal or partial disposal of a self-sustaining foreign operation, the balance of the foreign currency translation reserve relating to the operation, or to the part disposed of, is transferred to retained profits.

(d) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Goodwill is brought to account on the basis described in Note 1(m)(i).

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains, it is recognised as revenue in the statement of financial performance.

Note 1 Summary of significant accounting policies (continued)

(e) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Medical services revenue is recognised on a completed test basis.

(f) Receivables

All trade debtors are recognised at the amounts receivable as they are generally settled within 45 days.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for doubtful debts is raised for any doubtful debts following a review of all outstanding amounts at balance date.

(g) Inventories

Inventories, comprising consumable stores stock, are valued at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the first in, first out (FIFO) basis.

(h) Recoverable amount of non current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non current assets are discounted to their present values using a market-determined, risk-adjusted discount rate.

(i) Revaluations of non current assets

The carrying amount of land and buildings and leasehold improvements is deemed to be the assets' cost for the purpose of reverting to the cost basis of recognition as at 1 July 2000. The gross amount (deemed cost of acquisition) and any related accumulated depreciation and accumulated recoverable amount write-downs in respect of those assets as at 1 July 2000 are used as the basis for disclosing the gross amount and any related accumulated depreciation separately in accordance with Accounting Standard AASB 1021 "Depreciation".

Owned and leased property, plant and equipment is recorded in the financial statements at cost.

(j) Investments

(i) Controlled entities
Controlled entities are accounted for in the consolidated financial statements as set out in Note 1(a).

(ii) Listed and unlisted securities
Interests in listed and unlisted securities (other than controlled entities) in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable.

(k) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Buildings and improvements	40 years
Plant and equipment	3 – 15 years

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter (generally 7 – 40 years).

(l) Leased plant and equipment

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset (generally 2-10 years).

Note 1 Summary of significant accounting policies (continued)

Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(m) Intangible assets and expenditure carried forward

(i) Goodwill
Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over 20 years, being the period during which the benefits are expected to arise. The cost of acquisition is discounted as described in Note 1(d) where settlement of any part of cash consideration is deferred.

(ii) Brand Names, licences and authorities, patents and other intellectual property
Included in Intangibles is the value of certain brand names, licences and authorities, patents and other intellectual property acquired as part of the purchase of certain pathology and radiology businesses and controlled entities.

The value of these intangible assets is amortised on a straight line basis over the period based on the directors' assessment of the expected benefit, which does not exceed 50 years. The recoverable amount is reviewed annually by the directors and, where necessary, provision is made for any permanent diminution in value.

(n) Trade and other creditors

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

(o) Interest bearing liabilities

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

(p) Derivative financial instruments

The consolidated entity enters into interest rate swap agreements.

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in sundry debtors or sundry creditors and accruals at each reporting date.

(q) Employee entitlements

(i) Wages and salaries, annual leave
Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Long service leave
A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(r) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on bank overdrafts, short-term and long-term borrowings
- amortisation of discounts or premiums relating to borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- finance lease charges

(s) Share issue expenses

Share issue expenses are written off directly against the equity instruments to which the costs relate.

(t) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Note 1 Summary of significant accounting policies (continued)

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after income tax effect of the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(iii) Normalised basic earnings per share

Normalised basic earnings per share adjusts the figures used in the determination of basic earnings per share by adding back to net profit the amount of intangibles amortisation expense for the year.

(iv) Normalised diluted earnings per share

Normalised 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.

(v) Change in basis of determining earnings

In previous years basic earnings per share was determined using the profit from ordinary activities after income tax attributable to members of the company, thereby excluding extraordinary items from earnings. Diluted earnings per share in previous years adjusted the figures used in the determination of basic earnings per share by taking into account earnings that would have arisen had the dilutive options been exercised during the financial year rather than adjusting the weighted average number of shares to include potential ordinary shares assumed to have been issued for no consideration.

The change in the basis for calculating earnings per share figures was made to comply with Accounting Standard AASB 1027 "Earnings per Share", issued in June 2001. The earnings per share information for the year ended 30 June 2001 has been recalculated to present the comparative amounts on a consistent basis with the current financial year.

(v) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

(w) Segment information

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and the revised Accounting Standard, AASB 1005 "Segment Reporting", which has been applied for the first time in the year ended 30 June 2002. The business segments identified in the primary reporting disclosures and the geographical segments are not materially different to the industry and geographical segments identified in previous years. The comparative information has been restated to present the information on a consistent basis with the current year disclosures.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. The carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

(x) Rounding of amounts

The company is of 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Note 2 Segment information

Business segments

The consolidated entity delivers medical diagnostic services in the following segments:

(i) ***Pathology***
Pathology services provided across Australia, New Zealand and in the United Kingdom.

(ii) ***Radiology***
Radiology and diagnostic imaging services provided across Australia, New Zealand and in Hong Kong.

(iii) ***SciGen***
Singapore based bio-pharmaceutical subsidiary. This operation is considered non-core and is in the process of being demerged.

(iv) ***Other***
Includes the corporate office function and other minor operations. None of these activities constitutes a separately reportable segment.

Geographical segments

The consolidated entity operates predominantly in two geographical areas:

(i) ***Australia***
The home country of the parent entity incorporating both pathology and radiology activities.

(ii) ***New Zealand***
Includes both pathology and radiology activities.

(iii) ***Other***
Includes results from SciGen, radiology in Hong Kong, and the contribution from The Doctors Laboratory group in the United Kingdom (Note 27) from the date of acquisition. None of these constitutes a separately reportable segment.

Note 2 Segment information (continued)

Primary Reporting – Business Segments

2002	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**
Result						
Result before intangible amortisation (EBITA)	117,214	44,113	(3,907)	(10,689)	-	146,731
Intangible amortisation	(29,745)	(19,561)	(96)	-	-	(49,402)
Segment result	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**
Acquisition 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.

Note 2 Segment information (continued)

Primary Reporting – Business Segments

2001	PATHOLOGY $'000	RADIOLOGY $'000	SCIGEN $'000	OTHER $'000	ELIMINATIONS $'000	CONSOLIDATED $'000
Revenue						
External sales	549,615	70,678	1,238	-	-	621,531
Inter segment sales	-	4	-	14	(18)	-
Other revenue	4,042	712	-	294	-	5,048
Total segment revenue	553,657	71,394	1,238	308	(18)	626,579
Interest income						1,316
Total revenue						627,895
Result						
Result before intangible amortisation (EBITA)	107,165	13,967	(4,272)	(6,266)	-	110,594
Intangible amortisation	(24,432)	(5,676)	(158)	-	-	(30,266)
Segment Result	82,733	8,291	(4,430)	(6,266)	-	80,328
Unallocated net interest expense						(24,715)
Profit before tax						55,613
Income tax expense						(29,486)
Profit after income tax expense						26,127
Segment assets	778,072	419,042	25,747	619,212	(570,280)	1,271,793
Segment liabilities	326,455	160,676	7,499	36,038	(274,634)	256,034
Unallocated liabilities						407,339
Total liabilities						663,373
Acquisition of property, plant & equipment	22,676	70,222	209	998	-	94,105*
Depreciation and amortisation expense	40,421	10,897	204	75	-	51,597
Other non cash expenses	40,781	1,065	12	-	-	41,858

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

Secondary Reporting – Geographic Segments

	SEGMENT REVENUES FROM SALES TO EXTERNAL CUSTOMERS		SEGMENT ASSETS		ACQUISITION OF PROPERTY, PLANT & EQUIPMENT	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000	**2002 $'000**	2001 $'000
Australia	**715,249**	515,722	**1,191,944**	1,055,262	**84,125**	87,485
New Zealand*	**113,337**	101,313	**198,003**	188,658	**9,516**	6,152
Other	**20,676**	4,496	**208,762**	27,873	**2,691**	468
Total	**849,262**	621,531	**1,598,709**	1,271,793	**96,332**	94,105

* The growth in New Zealand revenue includes exchange rate movements and the acquisition of the Pacific Medical Imaging Radiology practices in January 2001.

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000

Note 3 Revenue

	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Revenue from operating activities				
Medical services revenue	849,262	621,531	-	-
Revenue from outside the operating activities				
Management fees received or due and receivable from controlled entities	-	-	13,035	7,150
Dividends from controlled entities	-	-	35,000	26,845
Interest received or due and receivable from:				
Controlled entities	-	-	21,008	14,025
Other entities	1,683	1,316	206	236
Proceeds on sale of property, plant & equipment	3,976	2,066	-	-
Foreign exchange gains (net)	165	-	-	-
Rental income:				
Controlled entities	-	-	2,587	2,536
Other entities	2,202	1,660	-	-
Other income:				
Controlled entities	-	-	71	-
Other entities	2,495	1,322	-	294
	10,521	6,364	71,907	51,086
Revenue from ordinary activities	859,783	627,895	71,907	51,086

Note 4 Profit from ordinary activities

Net gains and expenses

The profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Net gains				
Foreign exchange gains (net)	165	-	-	-
Expenses				
Borrowing costs				
Finance charges on leases and hire purchase agreements	5,542	2,429	-	-
Controlled entities	-	-	988	212
Other entities	27,685	23,602	26	6
Total borrowing costs	33,227	26,031	1,014	218
Bad and doubtful debts:				
Trade debtors	6,645	5,138	-	-
Amortisation of:				
Goodwill	45,461	26,357	-	-
Brand names, licences and authorities	3,941	3,909	-	-
Leased assets	16,557	7,396	-	-
Total amortisation	65,959	37,662	-	-
Depreciation of:				
Plant and equipment	18,639	12,320	729	76
Buildings	1,803	1,615	798	625
Total depreciation	20,442	13,935	1,527	701
Net amount provided for employee entitlements	31,226	24,246	-	-
Net loss on disposal of property, plant and equipment	66	147	-	-

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000

Note 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	**65,785**	55,613	**59,334**	43,628
Income tax calculated @ 30% (2001: 34%)	**19,736**	18,908	**17,800**	14,834
Minority interests' share of pre-tax profit of trading trusts	**-**	(553)	**-**	-
Tax effect of permanent differences:				
Amortisation of intangibles	**14,821**	10,291	**-**	-
Other items (net)	**610**	231	**45**	189
Rebatable dividends	**-**	-	**(10,500)**	(9,127)
Quarantined losses of foreign subsidiary	**1,438**	1,535	**-**	-
Deductible expenditure capitalised in investment costs	**(3,362)**	(2,103)	**(302)**	(269)
Income tax adjusted for permanent differences	**33,243**	28,309	**7,043**	5,627
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in Australian company tax rate to 30%	**-**	1,052	**-**	(20)
Effect of higher / (lower) tax rates on overseas income	**125**	(199)	**-**	-
Under provision in prior year	**210**	324	**-**	-
Income tax expense	**33,578**	29,486	**7,043**	5,607

Note 6 Dividends provided for or paid

Final dividend of 16 cents (2001: 13 cents) per fully paid share				
Franked @ 30%			**41,987**	29,683
Interim dividend of 4 cents (2001: 4 cents) per fully paid share				
Franked @ 30%			**10,214**	-
Franked @ 34%			**-**	8,082
			52,201	37,765
Franking credits available for the subsequent financial year based on a tax rate of 30%	**93,159**	52,261	**8,447**	4,726

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- franking credits that have arisen from the receipt of dividends recognised as receivables at the reporting date; and
- franking credits that may be prevented from being distributed in subsequent financial years.

The Government introduced legislation into Parliament on 28 June 2001 which required companies to convert their existing Class C franking account balances from an underlying tax rate of 34% to an underlying tax rate of 30% on 1 July 2001.

The Government has enacted legislation on 29 June 2002 which requires 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 balances of the Class C franking account at 30 June 2002 after adopting the tax paid basis is $39,925,000 for the consolidated entity and $3,620,000 for the parent entity.

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000

Note 7 Receivables – current

	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Trade debtors	**89,921**	85,312	**-**	-
Less: Provision for doubtful debts	**(6,766)**	(3,963)	**-**	-
	83,155	81,349	**-**	-
Accrued revenue	**9,839**	11,674	**-**	-
Dividends receivable from controlled entities (Note 35)	**-**	-	**35,000**	24,000
Amounts receivable from controlled entities (Note 35)	**-**	-	**1,368**	2,350
Amounts owing from other entities	**575**	231	**-**	-
Sundry debtors	**9,196**	11,835	**65**	33
Prepayments	**5,855**	3,950	**206**	111
	108,620	109,039	**36,639**	26,494

Significant Terms and Conditions
Trade debtors are required to be settled within 30 days.

Sundry debtors generally arise from transactions outside the usual trading activities of the consolidated entity. Collateral is not normally obtained.

Note 8 Inventories – current

	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Consumable stores at cost	**15,705**	11,561	**-**	-

Note 9 Receivables – non current

	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Amounts owing from other entities	**3,396**	3,506	**82**	82
Less: Provision for doubtful debts	**(82)**	(82)	**(82)**	(82)
	3,314	3,424	**-**	-
Amounts receivable from controlled entities (Note 35)	**-**	-	**421,979**	215,804
	3,314	3,424	**421,979**	215,804

Amounts owing from other entities
Transactions outside the usual operating activities of the consolidated entity give rise to these amounts receivable. Interest is charged at commercial rates and repayment of the loan specified by an agreement.

Amounts receivable from controlled entities
The terms and conditions of amounts advanced by the ultimate parent entity during the year are detailed in Note 35.

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000

Note 10 Other financial assets – non current

Investments traded on organised markets				
Shares in other corporations – at cost	**27,538**	27,267	**27,538**	27,267
Other (non-traded) investments				
Investments in other entities – at cost	**2,042**	2,501	**194**	777
Less: Provision for write down to recoverable amount	**(133)**	(133)	**(43)**	(43)
Investments in other entities – at recoverable amount	**1,909**	2,368	**151**	734
Shares in controlled entities – at cost (Note 27)	**-**	-	**460,894**	369,176
Less: Provision for diminution in value	**-**	-	**(11,700)**	(11,700)
Shares in controlled entities – at recoverable amount	**-**	-	**449,194**	357,476
	29,447	29,635	**476,883**	385,477

Traded shares in other corporations

This investment represents Sonic's interest in Foundation HealthCare Limited ("Foundation"). On 24 September 2001 Sonic subscribed for additional shares pursuant to its Alliance Agreement (see below) with Foundation, to regain an approximate 10% interest in the company.

Carrying value of traded shares in other corporations

The directors have assessed the carrying value of the investment in Foundation at 30 June 2002 as represented by its share price and discounted net cashflows arising from the Alliance Agreement ("the Alliance") entered into with Foundation. The Alliance grants Sonic the right to require Foundation to lease part of the premises of any medical or specialist centres owned or managed by Foundation to Sonic for the purpose of installing a Sonic pathology collection centre and or radiology/diagnostic imaging facility in each of those centres. The rental of these premises is on commercial terms and conditions and at market rates.

The directors believe the investment in Foundation is fully recoverable as the discounted net cashflows exceed the carrying value of the investment at balance date. In determining the net cashflows a tax effected discount rate of 10% has been applied.

Investments in other entities

Investments in other entities have been written down to their assessed recoverable amount.

Non current assets pledged as security

Refer to Note 30 for information on non current assets pledged as security by the parent entity or its controlled entities.

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000

Note 11 Property, plant and equipment – non current

Freehold land and buildings – at cost	**58,763**	55,081	**28,260**	26,174
Less: Accumulated depreciation	**(6,413)**	(4,527)	**(3,567)**	(2,769)
	52,350	50,554	**24,693**	23,405
Plant and equipment – at cost	**215,387**	157,879	**3,748**	1,110
Less: Accumulated depreciation	**(135,103)**	(100,309)	**(917)**	(187)
	80,284	57,570	**2,831**	923
Leased plant and equipment	**116,864**	81,724	**-**	-
Less: Accumulated amortisation	**(39,059)**	(24,551)	**-**	-
	77,805	57,173	**-**	-
Total property, plant and equipment, at written down value	**210,439**	165,297	**27,524**	24,328

Recent Valuations of Land and Buildings

Aggregate recent valuations of freehold land and buildings based on:				
Independent valuation – October 1999	**19,100**	19,100	**-**	-
Independent valuation – June 2000	**30,875**	30,875	**30,875**	30,875
Carried at recent values	**12,963**	9,281	**4,363**	2,277
	62,938	59,256	**35,238**	33,152

The independent valuations, which have not been recognised in the financial statements, were carried out by Colliers Jardine Consultancy and Valuation Pty Limited (October 1999) and International Valuation Consultants Pty Limited (June 2000). The basis of valuation was fair market value based on existing use.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	LAND & BUILDINGS $'000	PLANT & EQUIPMENT $'000	LEASED PLANT & EQUIPMENT $'000	TOTAL $'000
Consolidated				
Carrying amount at 1 July 2001	50,554	57,570	57,173	165,297
Additions	3,370	26,094	26,872	56,336
Disposals	-	(3,466)	(576)	(4,042)
Additions through acquisition of entity (Note 27)	-	8,277	20,147	28,424
Depreciation/amortisation expense (Note 4)	(1,803)	(18,639)	(16,557)	(36,999)
Transfers from Leased plant and equipment to Plant and equipment	-	9,254	(9,254)	-
Foreign currency exchange differences	229	1,194	-	1,423
Carrying amount at 30 June 2002	**52,350**	**80,284**	**77,805**	**210,439**

	LAND & BUILDINGS $'000	PLANT & EQUIPMENT $'000	TOTAL $'000
Parent entity			
Carrying amount at 1 July 2001	23,405	923	24,328
Additions	2,086	2,637	4,723
Depreciation expense (Note 4)	(798)	(729)	(1,527)
Carrying amount at 30 June 2002	**24,693**	**2,831**	**27,524**

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000

Note 12 Intangible assets – non current

Goodwill – at cost	**1,088,946**	766,623	**-**	-
Less: Accumulated amortisation	**(102,501)**	(55,899)	**-**	-
	986,445	710,724	**-**	-
Brand names, licences and authorities, patents and other intellectual property – at cost	**213,814**	211,646	**-**	-
Less: Accumulated amortisation	**(10,538)**	(6,448)	**-**	-
	203,276	205,198	**-**	-
	1,189,721	915,922	**-**	-

In attributing the purchase price for the SGS Medical group between goodwill and brand names, licences and authorities, patents and other intellectual property, the directors relied upon an independent valuation of the brand names, licences and authorities carried out by Deloitte Corporate Finance Pty Limited in March 2000. The valuation was based on the "relief from royalty" method of valuation.

Note 13 Deferred tax assets – non current

Future income tax benefit	**18,524**	15,239	**292**	146

Note 14 Payables – current

Trade creditors	**33,149**	25,835	**-**	-
Sundry creditors and accruals	**35,050**	29,275	**2,528**	1,627
	68,199	55,110	**2,528**	1,627

Note 15 Interest bearing liabilities – current

Secured

Bank loans	**30,555**	21,416	**-**	-
Lease liabilities (Note 28)	**24,239**	18,430	**-**	-
Hire purchase liabilities (Note 28)	**2,674**	2,470	**-**	-
	57,468	42,316	**-**	-

Details of the security relating to each of the secured liabilities are set out in Note 30.

Note 16 Tax liabilities – current

Income tax payable	**13,031**	10,251	**2,104**	4,727

Note 17 Provisions – current

Restructuring	**8,971**	10,897	**-**	-
Dividends	**41,995**	29,683	**41,995**	29,683
Employee entitlements (Note 34)	**43,888**	39,729	**-**	-
	94,854	80,309	**41,995**	29,683

The restructuring provisions relate to acquisitions of pathology and radiology entities. The provisions are for costs to be incurred in the rationalisation of the acquired entities to achieve targeted synergies, plus surplus rental premises. The rationalisation strategies are in place and will continue to yield benefits in 2003 and later years.

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000

Note 18 Other – current

Amounts owing to vendors	**45,389**	37,105	**-**	-
Other loans	**2,219**	27	**-**	-
	47,608	37,132	**-**	-

The balance of Amounts owing to vendors represents liabilities under "earnout" and other purchase price adjustment mechanisms. It excludes the deferred consideration relating to The Doctors Laboratory group acquisition that will be settled via issue of shares, which has been treated as equity at 30 June 2002 (refer to Note 23(d)).

Amounts owing to vendors at 30 June 2002 includes $7,261,000 that was settled by the issue of shares to the vendors of SKG Radiology on 12 August 2002. Refer to Note 40.

Note 19 Payables – non current

Sundry creditors and accruals	**3,809**	5,454	**-**	-

Note 20 Interest bearing liabilities – non current

Secured				
Bank loans	**350,480**	385,925	**-**	-
Lease liabilities (Note 28)	**50,162**	35,371	**-**	-
Hire purchase liabilities (Note 28)	**3,516**	2,970	**-**	-
Amounts owing to vendors	**53,647**	-	**-**	-
Amounts owing to controlled entities (Note 35)	**-**	-	**58,340**	2,532
	457,805	424,266	**58,340**	2,532

Details of the security relating to each of the secured liabilities are set out in Note 30.

Note 21 Deferred tax liabilities – non current

Deferred income tax liability	**2,201**	1,584	**-**	-

Note 22 Provisions – non current

Restructuring	**5,017**	-	**-**	-
Employee entitlements (Note 34)	**11,252**	6,951	**-**	-
	16,269	6,951	**-**	-

Note 23 Contributed equity

	NOTES	PARENT ENTITY 2002 Shares	PARENT ENTITY 2001 Shares	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
(a) Share capital					
Fully paid ordinary shares	(b)	**257,529,679**	227,514,625	**852,204**	622,529
Other equity	(d)			**14,952**	-
				867,156	622,529
Former share option reserve included in equity				**195**	195
Former share premium account included in equity				**33,667**	33,667
				33,862	33,862

(b) Movements in ordinary share capital:

DATE	DETAILS	NOTES	NUMBER OF SHARES	ISSUE PRICE	$'000
1/7/00	Opening balance		167,800,847		279,383
7/9/00	Shares issued to institutional investors		15,000,000	6.80	102,000
7/9/00	Less: Transaction costs arising on share issue				(1,559)
2/11/00	Shares issued as partial consideration for Stat Laboratories		217,391	6.90	1,500
12/12/00	Shares issued for acquisition of minority interests in the SGS Medical group		8,694,585	4.10	35,648
12/1/01	Shares issued as partial consideration for the acquisition of PMI		9,515,686	6.72	63,945
1/2/01	Shares issues as partial consideration for the acquisition of Townsville Pathology		167,059	6.80	1,136
21/3/01	Shares issued for acquisition of minority interests in the SGS Medical group		8,377,379	4.10	34,347
21/3/01	Shares issued for acquisition of minority interests in the SGS Medical group		713,226	5.70	4,066
11/4/01	Shares issued as partial consideration for the acquisition of QXR		14,880,952	6.72	100,000
	Shares issued under Sonic Healthcare Limited Employee Option Plan	(e)	2,147,500		2,063
30/6/01	Balance		227,514,625		622,529

Note 23 Contributed equity (continued)

DATE	DETAILS	NOTES	NUMBER OF SHARES	ISSUE PRICE	$'000
1/7/01	Brought forward balance		227,514,625		622,529
3/9/01	Shares issued as partial consideration for the acquisition of Cairns Pathology		220,589	6.80	1,500
23/10/01	Shares issued under the Dividend Reinvestment Plan – 2001 final dividend	(f)	1,398,094	7.48	10,458
23/10/01	Shares issued to the underwriters of the Dividend Reinvestment Plan – 2001 final dividend		2,567,553	7.48	19,205
1/11/01	Shares issued as partial consideration for the acquisition of the SKG Radiology group		2,391,436	7.89	18,868
2/11/01	Shares issued as final consideration for the acquisition of Stat Laboratories		217,391	6.90	1,500
26/11/01	Shares issued to institutional investors		21,000,000	8.10	170,100
	Less: Transaction costs arising on share issue				(2,780)
11/4/02	Shares issued as partial consideration for the acquisition of The Doctors Laboratory group		1,036,674	6.01	6,230
29/4/02	Shares issued under the Dividend Reinvestment Plan – 2002 interim dividend	(f)	588,317	5.49	3,230
	Shares issued under Sonic Healthcare Limited Employee Option Plan	(e)	595,000		1,364
30/6/02	Balance		**257,529,679**		**852,204**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Other equity

The amount shown is the value of shares to be issued as deferred consideration for The Doctors Laboratory group acquisition (Note 18). 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 (April 2002).

(e) Options

Information relating to the Sonic Healthcare Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 34(c).

Information relating to Executive options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 34(d).

(f) Dividend reinvestment plan

During the year, the company implemented a Dividend Reinvestment Plan (DRP) under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares issued under the plan were at a 5% discount to the weighted average market price of all Sonic's ordinary shares sold on the Australian Stock Exchange during the five trading days following the record date.

The board of Sonic has resolved to suspend the operation of the company's DRP in relation to the final dividend for the year ended 30 June 2002 and future dividends until further notice.

Note 24 Reserves and accumulated losses

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
(a) Reserves				
Asset revaluation	**982**	982	**982**	982
Foreign currency translation reserve	**4,729**	(564)	**-**	-
	5,711	418	**982**	982
Movements				
Foreign currency translation reserve at the beginning of the financial year	**(564)**	(706)	**-**	-
Net exchange difference on translation of foreign controlled entities	**5,293**	142	**-**	-
Foreign currency translation reserve at the end of the financial year	**4,729**	(564)	**-**	-

Nature and Purpose of Reserves

(i) Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets, as described in accounting policy Note 1(i). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entities, Sonic Healthcare (New Zealand) Limited, Sonic Healthcare Asia Limited, Sonic Healthcare Holdings Limited and SciGen Pte Limited, are taken to the foreign currency translation reserve, as described in accounting policy Note 1(c)(ii).

(b) Accumulated losses	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Accumulated losses at the beginning of the financial year	**(22,062)**	(10,476)	**(9,781)**	(10,037)
Net profit attributable to members of Sonic Healthcare Limited	**33,758**	26,179	**52,291**	38,021
Dividends provided for or paid (Note 6)	**(52,201)**	(37,765)	**(52,201)**	(37,765)
Accumulated losses at the end of the financial year	**(40,505)**	(22,062)	**(9,691)**	(9,781)

Note 25 Outside equity interests in controlled entities

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000
Interest in:		
Share capital	**10,064**	10,945
Retained profits	**(4,961)**	(3,410)
	5,103	7,535

Note 26 Deed of cross guarantee

The "Closed Group" (refer Note 27) are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Order 98/2017, 00/0321 and 01/1087) issued by the Australian Securities and Investments Commission.

The companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Sonic Healthcare Limited, they also represent the "Extended Closed Group".

	2002 $'000	2001 $'000
(a) Consolidated statement of financial performance of the extended closed group		
Revenue from ordinary activities	682,667	502,859
Labour and related costs	(326,643)	(248,030)
Consumables used	(85,741)	(67,519)
Amortisation of intangibles	(32,243)	(20,817)
Operating lease rental expense	(28,545)	(20,530)
Depreciation and amortisation of physical assets	(26,654)	(15,393)
Borrowing costs	(22,528)	(16,598)
Other operating expenses from ordinary activities	(94,859)	(58,393)
Profit from ordinary activities before income tax expense	65,454	55,579
Income tax expense	(26,040)	(25,452)
Profit from ordinary activities after income tax expense	39,414	30,127
Outside equity interests in operating profit after income tax	-	(1,747)
Net profit attributable to members of the extended closed group	39,414	28,380
Total revenues, expenses and valuation adjustments attributable to members of the extended closed group recognised directly in equity	-	-
Total changes in equity other than those resulting from transactions with owners as owners	39,414	28,380
(b) Reconciliation of accumulated losses		
Accumulated losses at the beginning of the financial year	(24,109)	(14,724)
Net profit attributable to members of the extended closed group	39,414	28,380
Dividends provided for or paid	(52,201)	(37,765)
Accumulated losses at the end of the financial year	(36,896)	(24,109)

Note 26 Deed of cross guarantee (continued)

(c) Consolidated statement of financial position of the extended closed group

	2002 $'000	2001 $'000
Current assets		
Cash assets	15,184	15,044
Receivables	69,105	93,170
Inventories	11,603	9,092
Total current assets	95,892	117,306
Non current assets		
Receivables	65,691	32,728
Other financial assets	342,280	154,478
Property, plant and equipment	161,291	114,482
Intangible assets	660,255	675,796
Deferred tax assets	15,338	13,394
Total non current assets	1,244,855	990,878
Total assets	1,340,747	1,108,184
Current liabilities		
Payables	46,434	43,101
Interest bearing liabilities	48,878	32,202
Provisions	86,825	76,163
Current tax liabilities	11,022	11,386
Other current liabilities	38,404	32,211
Total current liabilities	231,563	195,063
Non current liabilities		
Interest bearing liabilities	268,693	309,074
Provisions	10,827	6,919
Deferred tax liabilities	809	113
Other non current liabilities	232	232
Total non current liabilities	280,561	316,338
Total liabilities	512,124	511,401
Net assets	828,623	596,783
Equity		
Contributed equity	867,156	622,529
Reserves	(1,637)	(1,637)
Accumulated losses	(36,896)	(24,109)
Total equity	828,623	596,783

Note 27 Investments in controlled entities

DETAILS OF CONTROLLED ENTITIES	COUNTRY OF INCORPORATION	CLASS OF SHARE	BENEFICIAL INTEREST % 2002	BENEFICIAL INTEREST % 2001
Controlled entities of:				
(a) **Sonic Healthcare Limited**	Australia			
Douglass Hanly Moir Pathology Pty Limited (i) (iv)	Australia	Ord	100	100
Southern Pathology Services Pty Limited (i) (iv)	Australia	Ord	100	100
Clinpath Laboratories Pty Limited (i) (iv)	Australia	Ord	100	100
Lifescreen Australia Pty Limited (i) (iv)	Australia	Ord	100	100
Hitech Pathology Pty Limited (iv)	Australia	Ord	100	100
Sonic Healthcare (New Zealand) Limited (iv)	New Zealand	Ord	100	100
Sonic Healthcare Asia Limited (iv)	Hong Kong	Ord	100	100
SciGen Pte Limited	Singapore	Ord	59.5	59.5
Sonic Imaging Pty Limited (i) (iv)	Australia	Ord	100	100
Sonic Clinical Institute Pty Limited (iv)	Australia	Ord	100	-
Sonic Healthcare Holdings Limited (iv)	United Kingdom	Ord	100	-
Sonic Healthcare Services Pty Limited (formerly Sonic Finance Pty Limited) (iv)	Australia	Ord	100	-
(b) **Douglass Hanly Moir Pathology Pty Limited** (iv)				
Milberg Investments Limited (iii)	Gibraltar	Ord	100	100
Diagnostic Pathology Pty Limited	Australia	Ord	100	100
Barratt & Smith Pathology Pty Limited (i)	Australia	Ord	100	100
Barratt & Smith Pathology Trust (ii)	Australia	Units	100	100
Hanly Moir Pathology Pty Limited (i)	Australia	Ord	100	100
Hanly Moir Pathology Trust (ii)	Australia	Units	100	100
Sonic Medlab Holdings Australia Pty Limited (i)	Australia	Ord	100	100
Stat Laboratories Pty Limited	Australia	Ord	100	100
Subilabs Pty Limited	Australia	Ord	100	-
Bunbury Pathology Pty Limited	Australia	Ord	100	-
(c) **Sonic Healthcare (New Zealand) Limited** (iv)				
Diagnostic Medlab Limited	New Zealand	Ord	100	100
Medlab Central Limited	New Zealand	Ord	100	100
Valley Diagnostic Laboratories Limited	New Zealand	Ord	100	100
Medlab South Limited	New Zealand	Ord	100	100
New Zealand Radiology Group Limited	New Zealand	Ord	100	100
Canterbury Medical Imaging Partnership	New Zealand	-	100	91.3
Palmerston North X-Ray Partnership	New Zealand	-	80	80
(d) **Sonic Medlab Holdings Australia Pty Limited** (iv)				
Sonic Pathology (Queensland) Pty Limited (i)	Australia	Ord	100	100
Sonic Pathology (Victoria) Pty Limited (i)	Australia	Ord	100	100
(e) **Sonic Pathology (Queensland) Pty Limited** (iv)				
Sullivan Nicolaides Pty Limited (i)	Australia	Ord	100	100
L & A Services Pty Limited (i)	Australia	Ord	100	100
Bradley Services Trust (ii)	Australia	Units	100	100
Northern Pathology Pty Limited (i)	Australia	Ord	100	100
Biotech Laboratories Pty Limited	Australia	Ord	100	100
(f) **Sonic Pathology (Victoria) Pty Limited** (iv)				
Consultant Pathology Services Pty Limited (i)	Australia	Ord	100	100
Diagnostic Services Pty Limited (i)	Australia	Ord	100	100
Melbourne Pathology Pty Limited (i)	Australia	Ord	100	100
Melbourne Pathology Services Pty Limited	Australia	Ord	100	100
Melbourne Pathology Services Trust (ii)	Australia	Units	100	100
(g) **Diagnostic Medlab Limited** (iv)				
Laboratory Data Systems Limited	New Zealand	Ord	100	100
Diagnostic Medlab Services Limited	New Zealand	Ord	100	100
(h) **Sonic Healthcare Asia Limited** (iv)				
Double Court Company Limited	Hong Kong	Ord	100	100
Dynamic Mate Limited	Hong Kong	Ord	100	100

Note 27 Investments in controlled entities (continued)

DETAILS OF CONTROLLED ENTITIES	COUNTRY OF INCORPORATION	CLASS OF SHARE	**BENEFICIAL INTEREST % 2002**	BENEFICIAL INTEREST % 2001
(i) **SciGen Pte Limited**				
SciGen Pty Limited	Australia	Ord	**100**	100
SciGen Korea Limited	Korea	Ord	**100**	100
(j) **Sonic Imaging Pty Limited** (iv)				
IRG Co Pty Limited (i)	Australia	Ord	**100**	100
Hunter Valley X-Ray Pty Limited	Australia	Ord	**100**	100
Hunter Imaging Services Trust (ii)	Australia	Units	**100**	100
HIG Distributions Pty Limited	Australia	Ord	**100**	100
Nuclear Medicine Co Pty Limited	Australia	Ord	**100**	100
Sports Imaging Co Pty Limited	Australia	Ord	**100**	100
Castlereagh Co Pty Limited (i)	Australia	Ord	**100**	100
Castlereagh Asia Pty Limited (i)	Australia	Ord	**100**	100
Queensland X-Ray Pty Limited (i)	Australia	Ord	**100**	100
Sonic Nominees Pty Limited (i)	Australia	Ord	**100**	100
Redlands X-Ray Services Pty Limited	Australia	Ord	**100**	100
SKG Radiology Pty Limited	Australia	Ord	**100**	-
Maga Pty Limited	Australia	Ord	**100**	-
Sprague Kam Trust (ii)	Australia	Units	**100**	-
(k) **Queensland X-Ray Pty Limited** (iv)				
Ultrarad No 2 Trust (ii)	Australia	Units	**100**	100
Ultrarad Holdings Pty Limited	Australia	Ord	**100**	100
E. Radiology (Aust) Pty Limited	Australia	Ord	**100**	-
(l) **Sonic Nominees Pty Limited** (iv)				
Pacific Medical Imaging Pty Limited (i)	Australia	Ord	**100**	100
Paedu Pty Limited (i)	Australia	Ord	**100**	100
Castlereagh Services Pty Limited (i)	Australia	Ord	**100**	100
Sunton Pty Limited (i)	Australia	Ord	**100**	100
Illawarra X-Ray Pty Limited	Australia	Ord	**100**	100
(m) **Sonic Healthcare Holdings Limited** (iv)				
The Doctors Laboratory Limited	United Kingdom	Ord	**100**	-
Cytogenetic DNA Services Limited	United Kingdom	Ord	**100**	-
Roadhaven Limited	United Kingdom	Ord	**100**	-

(i) These controlled entities (the "Closed Group") have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investment Commission. For further information see Note 26.

(ii) Trust deeds do not require preparation of audited financial statements.

(iii) There is no requirement under the law of the entity's place of incorporation to prepare audited financial statements.

(iv) These entities and the entities they control (as described in the table above) comprise the wholly owned group of which Sonic Healthcare Limited is the ultimate parent entity.

Acquisitions of entities

The consolidated entity acquired assets of the following businesses during the year for a total consideration of $263,204,000 (2001: $330,280,000 net of cash paid in prior years for SciGen):

SKG Radiology group	November 2001
The Doctors Laboratory group	April 2002
Clinipath/Bunbury Pathology	August 2001
La Trobe Network Pathology	August 2001
E.Radiology (Australia)	August 2001
Illawarra Medical Laboratories business	July 2001
Cairns Pathology business	September 2001
Epath business	March 2002

Acquisitions during the 2001 financial year were:

Queensland X-Ray group	January 2001
Pacific Medical Imaging group	April 2001
Consultant Pathologists (Townsville) business	February 2001
Stat Laboratories Pty Limited	November 2000
SciGen Pte Limited	July 2000

Note 27 Investments in controlled entities (continued)

	CONSOLIDATED 2002 $'000	2001 $'000
Consideration – cash paid in current year	**126,831**	137,830
Consideration – cash paid in prior years for SciGen	**-**	7,434
Less: Cash of entities acquired	**(96)**	(4,834)
Total cash consideration	**126,735**	140,430
Deferred consideration – recognised as Amounts owing to vendors (Notes 18 & 20)	**94,919**	32,203
Deferred consideration – recognised as Other equity (Note 23(d))	**14,952**	-
Consideration – shares in the company (Note 23(b))	**26,598**	165,081
Total consideration	**263,204**	337,714
Fair value of identifiable net assets of controlled entities acquired:		
Property, plant and equipment	**28,424**	62,950
Debtors	**23,110**	16,303
Inventory	**2,302**	251
Prepayments	**1,543**	1,356
Future income tax benefits	**1,416**	1,629
Investments	**167**	706
Brand names, licences and authorities, patents and other intellectual property	**1,093**	21,086
Trade creditors	**(16,620)**	(17,067)
Provision for tax	**586**	(1,075)
Deferred income tax liability	**(221)**	(1,290)
Borrowings	**(61,496)**	(14,541)
Lease and hire purchase liabilities	**(21,354)**	(44,514)
Employee provisions	**(3,889)**	(5,834)
	(44,939)	19,960
Less: Provision for restructuring	**(10,161)**	(5,116)
	(55,100)	14,844
Goodwill	**318,304**	322,870

Reconciliation of cash paid to Statements of cash flows

	2002 $'000	2001 $'000
Consideration – cash paid for acquisitions in the financial year	**126,831**	137,830
Consideration – cash paid to vendors for acquisitions in previous financial years	**26,442**	15,411
Less: Cash of entity acquired	**(96)**	(4,834)
Payment for purchase of controlled entities net of cash acquired	**153,177**	148,407

Note 28 Commitments for expenditure

(a) Capital Commitments

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**9,196**	10,347	**-**	-
Later than 5 years	**115**	127	**-**	-
	9,311	10,474	**-**	-

(b) Lease Commitments

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**37,146**	27,998	**1**	1
Later than one year but not later than 5 years	**67,838**	48,035	**-**	-
Later than 5 years	**12,687**	8,177	**-**	-
	117,671	84,210	**1**	1
Representing:				
Cancellable operating leases	**95**	298	**-**	-
Non-cancellable operating leases	**105,973**	75,854	**1**	1
Future finance charges on finance leases	**11,603**	8,058	**-**	-
	117,671	84,210	**1**	1

(i) Operating Leases

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**33,220**	22,532	**1**	1
Later than one year but not later than 5 years	**60,143**	45,248	**-**	-
Later than 5 years	**12,610**	8,074	**-**	-
Commitments not recognised in the financial statements	**105,973**	75,854	**1**	1
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases not recognised in the financial statements	**664**	250	**-**	-

(ii) Finance Leases

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Commitments in relation to finance lease and hire purchase agreements are payable as follows:				
Within one year	**31,712**	24,588	**-**	-
Later than one year but not later than 5 years	**59,502**	41,748	**-**	-
Later than 5 years	**980**	963	**-**	-
Minimum lease payments	**92,194**	67,299	**-**	-
Less: Future finance charges	**(11,603)**	(8,058)	**-**	-
Total lease and hire purchase liabilities	**80,591**	59,241	**-**	-
Representing lease and hire purchase liabilities:				
Current (Note 15)	**26,913**	20,900	**-**	-
Non current (Note 20)	**53,678**	38,341	**-**	-
	80,591	59,241	**-**	-

The weighted average interest rate implicit in the leases is 7.32% (2001: 7.52%)

Note 28 Commitments for expenditure (continued)

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
(c) Remuneration commitments				
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:				
Within one year	**44,727**	34,443	**-**	-
Later than one year but not later than 5 years	**95,978**	97,950	**-**	-
Later than 5 years	**4,158**	7,967	**-**	-
	144,863	140,360	**-**	-

Note 29 Contingent liabilities

Sonic Healthcare Limited and certain controlled entities, as disclosed in Note 26, are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others.

Note 30 Secured borrowings

Secured bank loans to companies within the consolidated entity of $381,035,000 (2001: $407,341,000) are secured by fixed and floating charges over the assets and undertakings of the company and its wholly owned subsidiaries (other than interests in any contracts the charging of which is prohibited by their terms), and also by registered mortgages over all real property of the company and those subsidiaries.

Amounts owing to the vendors of The Doctors Laboratory group are secured by a Bank Guarantee issued under Sonic's senior debt facility, drawings under which are secured as detailed above.

Lease and hire purchase liabilities are effectively secured as the rights to the relevant assets revert to the lessor/lender in the event of default.

The carrying value of non current assets pledged as security are:

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Receivables – non current	**3,313**	3,392	**421,979**	215,804
Other financial assets – investments	**29,416**	28,036	**476,883**	385,477
Property, plant and equipment	**208,092**	98,178	**27,524**	24,328
Total non current assets pledged as security	**240,821**	129,606	**926,386**	625,609

Note 31 Remuneration of directors

	CONSOLIDATED		PARENT ENTITY	
	2002 $	2001 $	2002 $	2001 $
(a) Directors' remuneration				
Income paid or payable, or otherwise made available to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities.	**5,347,772**	4,877,164	**3,037,552**	2,121,993

The number of parent entity directors whose total income from the parent entity or related parties was within the following bands:

	2002	2001
$30,000 – $39,999	-	1
$50,000 – $59,999	3	2
$150,000 – $159,999	-	1
$170,000 – $179,999	1	-
$270,000 – $279,999	1	-
$290,000 – $299,999	-	1
$310,000 – $319,999	1	-
$320,000 – $329,999	2	1
$450,000 – $459,999	-	1
$560,000 – $569,999	1	-
$750,000 – $759,999	-	1
$910,000 – $919,999	1	-

Directors' remuneration excludes insurance premiums paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to insurance contracts is set out in the Directors' report. The insurance policy does not allow disclosure of the premium paid under the policy.

The remuneration includes performance based bonuses for executive directors, as well as payments made to certain directors during the financial year in relation to their employment as qualified pathologists and radiologists.

(b) Directors' benefits

Mr C.D. Wilks has a beneficial entitlement in a company which provided managerial and administrative services to the consolidated entity. The charges were levied on a commercial basis and amounted to $115,600 (2001: $457,745).

Dr M.F. Robinson has a beneficial entitlement in a partnership which provided managerial and pathology services to a member of the consolidated entity. The charges were levied on a commercial basis and amounted to $235,970 (2001: $227,572).

(c) Options granted

No options were granted to directors for the year ended 30 June 2002 or up until the date of this report. Details of the options held by directors are set out within Note 35(b).

Note 32 Remuneration of executives

	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	PARENT ENTITY 2002 $	PARENT ENTITY 2001 $
(a) Executive remuneration				
Remuneration received or due and receivable from entities in the Consolidated entity and related parties by Australian based executive officers (including directors) whose remuneration was at least $100,000	**6,635,031**	4,566,401	**2,887,551**	1,981,075

The number of Australian based executives of the company and its controlled entities whose remuneration from entities in the consolidated entity and related parties was within the following bands:

	EXECUTIVE OFFICERS OF THE CONSOLIDATED ENTITY 2002	EXECUTIVE OFFICERS OF THE CONSOLIDATED ENTITY 2001	EXECUTIVE OFFICERS OF THE PARENT ENTITY 2002	EXECUTIVE OFFICERS OF THE PARENT ENTITY 2001
$130,000 – $139,999	**1**	-	-	-
$140,000 – $149,999	**2**	-	-	-
$150,000 – $159,999	-	1	-	1
$170,000 – $179,999	**4**	1	**1**	-
$180,000 – $189,999	**2**	2	-	-
$190,000 – $199,999	**2**	-	-	-
$200,000 – $209,999	-	1	-	-
$210,000 – $219,999	-	1	-	-
$220,000 – $229,999	-	1	-	-
$250,000 – $259,999	**2**	-	-	-
$260,000 – $269,999	**2**	-	-	-
$270,000 – $279,999	**1**	-	**1**	-
$280,000 – $289,999	-	1	-	-
$290,000 – $299,999	**1**	1	-	1
$300,000 – $309,999	-	1	-	-
$310,000 – $319,999	**2**	-	**1**	-
$320,000 – $329,999	**1**	1	**2**	1
$350,000 – $359,999	**1**	1	-	-
$380,000 – $389,999	**1**	-	-	-
$450,000 – $459,999	-	2	-	1
$560,000 – $569,999	**1**	-	**1**	-
$750,000 – $759,999	-	1	-	1
$910,000 – $919,999	**1**	-	**1**	-

The total income reported above includes the income of executive directors reported in Note 31(a) and certain pathologists and radiologists with executive roles. Performance related bonuses have been included where applicable.

Options are granted to executive officers under the Sonic Healthcare Limited Employee Option Plan, details of which are set out in Note 34(c). A summary of the numbers of options granted to, exercised and held by Australian-based executive officers (with income of at least $100,000) during the year ended 30 June 2002 is as follows.

	OUTSTANDING 30 JUNE 2001	GRANTED	EXERCISED	OUTSTANDING 30 JUNE 2002
Australian-based executive officers of the parent entity	5,050,000	-	(300,000)	**4,750,000**
Australian-based executive officers of other entities in the consolidated entity	595,000	555,000	(102,500)	**1,047,500**
	5,645,000	555,000	(402,500)	**5,797,500**

The value of options over unissued ordinary shares of Sonic Healthcare Limited granted to any of the directors or executive officers of the consolidated entity as part of their remuneration are not included in the remuneration figures above. An exact value is considered to be indeterminable as it is a function of the future prospects of the company and the conditions of the options which include continuity of employment. The directors estimate that the fair value (at date of grant) of options granted in the year ended 30 June 2002 was in the range of $0.20 cents to $0.73 each. The maximum value noted was calculated using the Black-Scholes option pricing model, however this model does not factor in continuity of employment and other terms of the options, which are likely to reduce their value.

Note 33 Remuneration of auditors

	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	PARENT ENTITY 2002 $	PARENT ENTITY 2001 $
During the year the auditor of the parent entity and its related practices earned the following remuneration:				
PricewaterhouseCoopers – Australian firm				
Audit or review of the financial reports of the entity or any entity in the consolidated entity	**245,000**	189,000	**90,000**	83,250
Accounting and advisory services	**160,410**	396,630	**85,254**	34,565
Total audit and accounting/advisory services	**405,410**	585,630	**175,254**	117,815
Taxation advice and compliance services	**561,215**	50,322	**561,215**	50,322
Total remuneration	**966,625**	635,952	**736,469**	168,137
Related practices of PricewaterhouseCoopers Australian firm (including overseas PricewaterhouseCoopers firms)				
Audit or review of the financial reports of the entity or any entity in the consolidated entity	**131,635**	42,150	**-**	-
Accounting and advisory services	**72,201**	-	**-**	-
Total audit and accounting/advisory services	**203,836**	42,150	**-**	-
Taxation advice and compliance services	**8,541**	32,302	**-**	-
Total remuneration	**212,377**	74,452	**-**	-

Statutory audit and tax compliance services were subject to competitive tender processes involving the major Chartered Accounting firms. Accounting and advisory services include due diligence and acquisition related projects and corporate finance advice. Taxation advice is mainly in respect of acquisition and financing related issues.

Note 34 Employee entitlements

(a) Employment entitlement liabilities

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Provision for employee entitlements				
Current (Note 17)	**43,888**	39,729	**-**	-
Non current (Note 22)	**11,252**	6,951	**-**	-
	55,140	46,680	**-**	-

(b) Employee numbers

	Number	Number	Number	Number
Employees at the end of the financial year measured on a full time equivalent basis	**7,888**	6,872	**-**	-

Note 34 Employee entitlements (continued)

(c) Sonic Healthcare Limited Employee Option Plan

A total of 595,000 (2001: 2,147,500) ordinary shares were issued during the year ended 30 June 2002 on the exercise of options granted under the Sonic Healthcare Limited Employee Option Plan for a total consideration of $1,364,000 (2001: $2,063,000).

The total market value of the shares at their issue dates was $4,709,000 (2001: $15,400,240). The following shares were issued in relation to options exercised under the plan:

2002 NUMBER	2001 NUMBER	EXERCISE PRICE
-	250,000	70 cents
-	627,500	72.5 cents
-	673,000	82.5 cents
337,500	597,000	$1.47
257,500	-	$3.37

Sonic Healthcare Limited Employee Option Plan options in respect of ordinary shares in Sonic Healthcare Limited which were in existence as at balance date:

2002 NUMBER	2001 NUMBER	EXERCISE PRICE	EXPIRY DATE
265,000	602,500	$1.47	18 September 2002
922,500	1,185,000	$3.37	15 December 2003
2,328,000	2,573,000	$5.59	20 February 2005
3,503,700	-	$7.63	20 April 2006

3,503,700 options were granted under the Sonic Healthcare Limited Employee Option Plan to 403 eligible employees of Sonic Healthcare Limited and its controlled entities during the year. Each option is convertible into one ordinary share as set out below on or before 20 April 2006 at a fixed price of $7.63.

Of the Sonic Healthcare Limited Employee Option Plan options outstanding at year end:

- Up to 50% may be exercised after 30 months from the date of grant
- Up to 75% may be exercised after 42 months from the date of grant
- Up to 100% may be exercised after 54 months from the date of grant

Options under the Sonic Healthcare Limited Employee Option Plan expire 58 months from the date of issue.

No accounting entries are made in relation to the value of options granted to eligible employees over unissued shares of Sonic Healthcare Limited until options are exercised. An exact value for the options is considered to be indeterminable as it is a function of the future prospects of the company and the conditions of the options which include continuity of employment.

(d) Executive director options

No options were granted to executive directors of Sonic Healthcare Limited for the year ended 30 June 2002 (2001: Nil). At balance date, 4,500,000 options are outstanding, granted to two executive directors of Sonic Healthcare Limited on 20 April 2000, following approval by shareholders at the 1999 Annual General Meeting. Each option is convertible into one ordinary share as set out below on or before 20 April 2005 at a fixed price of $5.50 per share:

- Up to 16.67% may be exercised after 12 months from the date of grant
- Up to 50% may be exercised after 24 months from the date of grant
- Up to 100% may be exercised after 36 months from the date of grant

Note 35 Related party disclosures

Details in respect of related parties are as follows:

(a) Directors

The names of the persons who have held the position of Director of the parent company during the past two years are:

NAME	DATE APPOINTED
B.S. Patterson	12 May 1993
Dr C. S. Goldschmidt	28 January 1993
C.D. Wilks	5 December 1989
Dr M.M. Barratt	14 February 1996
M.D. Boyd	14 September 2000
R.P. Campbell	28 January 1993
Dr P.J. Dubois	31 July 2001
C.J. Jackson	31 December 1999
Dr M.F. Robinson	31 December 1999
Dr H.F. Scotton	31 July 2001

Directors' remuneration during the year has been disclosed in Note 31.

Transactions with director related entities

During the financial year rental payments have been made by the consolidated entity to director related entities, including unit trusts, private companies and spouses. The rental transactions were based on commercial terms and conditions and at market rates. The aggregate amount recognised in the financial statements was $1,165,712 (2001: $788,373). The directors of entities within the consolidated entity who had an interest in the rental transactions were:

C. Jackson	D. Hope
M. Robinson	M. Prentice
J. Roberts	G. Bryant
R. Sutherland	S. Lade
H. Scotton	L. Panaccio

During the financial year, a controlled entity charged administration fees of $14,400 (2001: $24,000) to Silex Systems Limited, an entity which has common directors, namely; Mr B.S. Patterson, Dr C.S. Goldschmidt, Mr C.D. Wilks, Mr R.P. Campbell and Mr M.D. Boyd (for that period in which he was a director of Sonic Healthcare Limited and Silex Systems Limited). The transaction was based on commercial terms and conditions and at market rates.

From 10 April 2002 to 30 June 2002, The Doctors Laboratory Limited (a member of the consolidated entity) provided pathology laboratory services to S. Ungar, a director of The Doctors Laboratory Limited. The value of these referrals were $24,423. The transactions were on normal terms and conditions and at market rates.

Following the acquisition of The Doctors Laboratory group on 10 April 2002, several entities in the consolidated entity have transacted with Varleigh Limited and Varleigh UK Limited (both entities incorporated in the UK). The entities involved have directors in common, namely D. Byrne, S. Ungar and R. Prudo-Chlebosz. The nature and aggregate amounts of the transactions were:

- Management services income of $42,235
- Purchase of IT support for $142,238, and
- Expenses paid on behalf of Varleigh Limited and Varleigh UK Limited that were recharged to the value of $220,382.

These transactions were based on commercial terms and conditions and at market rates.

As of 1 July 2001 SciGen Pte Limited, SciGen Pty Limited and SciGen Korea Limited (all entities in the consolidated entity) ceased distributing products for Scitech Medical Products Pte Limited, an entity which has a common director in Mr S. Mashaal. As a result, product to the value of $237,264 was returned to Scitech Medical Products Pte Limited at cost. For the year ended 30 June 2001 purchases from Scitech Medical Products Pte Limited amounted to $477,000. The purchases of the products were under normal terms and conditions and were considered to be at market rates.

On 1 March 2001, an entity in the consolidated entity (Melbourne Pathology Pty Limited) settled a loan payable of $3,250,000 with 103 Victoria Parade Pty Limited, these two entities having common directors in L. Panaccio and R. Sutherland. Interest accruing on the loan balance at 9.5% p.a. of $385,549 was also repaid. Interest expense included in the operating profit before income tax associated with the loan for the financial year ended 30 June 2001 was $205,626.

Note 35 Related party disclosures (continued)

(b) Directors' shareholding and options

Interests in the shares of entities within the consolidated entity held by directors of the parent entity and their director-related entities at balance date were:

	SONIC HEALTHCARE LIMITED EMPLOYEE OPTION PLAN OPTIONS OVER ORDINARY SHARES		SONIC HEALTHCARE LIMITED ORDINARY SHARES FULLY PAID	
	2002	2001	**2002**	2001
B.S. Patterson	**-**	-	**3,816,646**	4,116,646
Dr C.S. Goldschmidt	**3,125,000**	3,300,000	**825,000**	900,000
C.D. Wilks	**1,625,000**	1,750,000	**498,000**	489,500
Dr M.M. Barratt	**-**	-	**1,300,000**	1,300,500
M.D. Boyd	**-**	-	**21,458,704**	24,458,704
R.P. Campbell	**-**	-	**-**	-
Dr P.J. Dubois	**-**	-	**616,486**	-
C.J. Jackson	**-**	-	**517,590**	567,590
Dr M.F. Robinson	**-**	-	**200,000**	200,000
Dr H.F. Scotton	**-**	-	**175,996**	-

During the financial year ended 30 June 2002, Mr C.D. Wilks exercised 125,000 options with an exercise price of $1.47 and Dr C.S. Goldschmidt exercised 175,000 options with an exercise price of $1.47.

In the year ended 30 June 2001, Mr C.D. Wilks exercised 50,000 options with an exercise price of 70 cents and 250,000 options with an exercise price of $1.47, and Dr C.S. Goldschmidt exercised 200,000 options with an exercise price of 70 cents and 200,000 options with an exercise price of $1.47.

Aggregate number of shares of Sonic Healthcare Limited acquired or disposed of by directors of the company or their director related entities:

	DIRECTORS OF THE PARENT ENTITY	
	2002 Number	2001 Number
Acquisitions		
Ordinary Shares	**333,500**	1,267,590
Disposals		
Ordinary Shares	**3,750,500**	1,875,000

These transactions were on commercial terms and conditions and at market rates, with the exception of the shares acquired as a result of the exercise of options.

(c) Wholly-owned group

Sonic Healthcare Limited (Sonic) is the ultimate parent entity in the wholly owned group comprising the company and its wholly-owned controlled entities as detailed in Note 27.

Transactions between Sonic and other entities in the wholly-owned group during the years ended 30 June 2002 and 30 June 2001 consisted of:

- loans advanced by Sonic
- loans advanced to Sonic
- loans repaid to Sonic
- the payment of interest on the above loans
- the payment of dividends to Sonic
- the payment of a management fee to Sonic
- the payment of rental to Sonic
- the payment of a debt facility guarantee fee to Sonic

These transactions were on commercial terms and conditions and at market rates.

Note 35 Related party disclosures (continued)

	PARENT ENTITY	
	2002	2001
	$'000	$'000
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with entities in the wholly-owned group:		
Interest revenue	**20,712**	14,025
Dividend revenue	**35,000**	26,845
Interest expense	**988**	212
Management fees	**13,035**	7,150
Rental income	**2,587**	2,536
Debt facility guarantee fee	**71**	-
Aggregate amounts receivable from wholly-owned controlled entities by the company at balance date:		
Receivables (current)	**36,073**	26,350
Receivables (non current)	**416,762**	215,421
Aggregate amounts payable to wholly-owned entities by the company at balance date:		
Other (non current)	**58,340**	2,532

(d) Other related parties

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with each class of other related parties:

Interest Revenue:				
Controlled entities	**-**	-	**295**	-

Aggregate amounts brought to account in relation to other transactions with each class of other related parties:

Loans advanced to:				
Controlled entities	**-**	-	**4,834**	383
Loans repaid by:				
Controlled entities	**-**	-	**-**	515

Aggregate amounts receivable from, and payable to, each class of other related parties at balance date:

Current receivables:				
Controlled entities (sundry debtors)	**-**	-	**295**	-
Non current receivables:				
Controlled entities (loans)	**-**	-	**5,217**	383

The above transactions were made on normal commercial terms and conditions and at market rates. The average interest rate on the loans during the year was 10%.

(e) Ownership interests in related parties

Interests held in entities within the consolidated entity of which Sonic Healthcare Limited is the ultimate parent entity are set out in Note 27.

Note 36 Earnings per share

	CONSOLIDATED 2002 Cents	2001 Cents
Basic earnings per share	**13.8**	13.7
Diluted earnings per share	**13.5**	13.0
Normalised (pre intangible amortisation) basic earnings per share	**33.9**	29.5
Normalised (pre intangible amortisation) diluted earnings per share	**33.3**	28.1

Normalised 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 intangible amortisation expense for the period.

	CONSOLIDATED 2002 Shares	2001 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 normalised basic earnings per share	**245,473,690**	191,151,806
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and normalised diluted earnings per share	**249,459,397**	200,878,516

	CONSOLIDATED 2002 $'000	2001 $'000
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net profit	**32,207**	26,127
Net loss attributable to outside equity interest	**1,551**	52
Earnings used in calculating basic earnings per share	**33,758**	26,179
Intangible amortisation expense for the period	**49,402**	30,266
Earnings used in calculating normalised basic earnings per share	**83,160**	56,445
Diluted and normalised diluted earnings per share		
Net profit	**32,207**	26,127
Net loss attributable to outside equity interest	**1,551**	52
Earnings used in calculating diluted earnings per share	**33,758**	26,179
Intangible amortisation expense for the period	**49,402**	30,266
Earnings used in calculating normalised diluted earnings per share	**83,160**	56,445

Options as detailed in Note 34 that are considered to be dilutive, and other dilutive potential ordinary shares are included in the calculations of diluted and normalised diluted earnings per share. The options and other dilutive potential ordinary shares have not been included in the determination of basic earnings per share.

In the period between the reporting date and 24 September 2002, an additional 1,790,000 options were issued as detailed in Note 40. In the same period, 361,000 options previously issued under the Sonic Healthcare Limited Employee Option Plan were exercised.

In addition a total of 1,724,732 shares were issued in the period between the reporting date and the date of this report relating to deferred consideration in respect of the SKG Radiology group and The Doctors Laboratory group acquisitions. Refer to Note 40 for further details.

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000

Note 37 Statements of cash flows

(a) Cash at bank and on hand	**22,939**	21,676	**97**	50

(b) Reconciliation of net cash inflow from operating activities to operating profit after income tax

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Operating profit after income tax	**32,207**	26,127	**52,291**	38,021
Add/(less) non cash items:				
Depreciation	**20,442**	13,935	**1,527**	701
Amortisation – leases	**16,557**	7,396	**-**	-
Amortisation – intangibles	**49,402**	30,266	**-**	-
Net loss on sale of property, plant and equipment	**66**	147	**-**	-
Foreign exchange differences	**(165)**	(132)	**-**	-
Non cash tax adjustment	**-**	(996)	**-**	-
Add/(less) changes in assets and liabilities during the financial year:				
Increase/(decrease) in provision for employee entitlements	**4,514**	3,218	**-**	-
(Increase)/decrease in sundry debtors	**9,379**	(5,601)	**950**	(26)
(Increase)/decrease in prepayments	**2,425**	1,183	**(95)**	(12)
Increase/(decrease) in accrued expenses	**(3,660)**	5,020	**901**	723
Increase/(decrease) in trade creditors	**(592)**	3,607	**-**	-
(Increase)/decrease in trade debtors and accrued revenue	**16,031**	(13,634)	**-**	-
(Increase)/decrease in inventories	**(1,841)**	(773)	**-**	-
(Increase)/decrease in future income tax benefit	**(1,812)**	(897)	**(146)**	(58)
Increase/(decrease) in deferred tax liability	**397**	293	-	-
Increase/(decrease) in provision for income tax	**3,367**	(1,976)	**(3)**	2,790
(Increase)/decrease in provision for dividends receivable	**-**	-	**(11,000)**	(2,000)
Net cash inflow from operating activities	**146,717**	67,183	**44,425**	40,139

(c) Non cash financing and investing activities

The following transactions in the financial year of the consolidated entity are not reflected in the Statements of cash flows:

- Issued fully paid ordinary shares to the value of $26,598,000 as part consideration for acquisitions during the year of the SKG Radiology group, the business of Cairns Pathology, and The Doctors Laboratory group. Deferred consideration of $94,919,000 (included in Notes 18 & 20) was recorded as a liability in respect of these acquisitions. Additional deferred consideration for The Doctors Laboratory group, to be satisfied by the issue of shares of $14,952,000 was recorded as Other equity (Note 23(d)).
- Issued fully paid ordinary shares to the value of $1,500,000 as payment of deferred consideration for the Stat Laboratories acquisition.
- Issued 1,986,411 fully paid ordinary shares to the value of $13,688,000 (2001: Nil) pursuant to the company's Dividend Reinvestment Plan in lieu of dividend payments.
- Acquired plant and equipment with an aggregate fair value of $26,872,000 (2001: $10,138,000) by means of finance leases.

During the financial year ended 30 June 2001 the consolidated entity:

- Acquired the Pacific Medical Imaging group, the Queensland X-Ray group and the business of Consultant Pathologists (Townsville), partly funded through the issue of shares to the value of $165,081,000 to vendors and partly by $30,703,000 of deferred consideration (included in Note 18).
- Acquired the outstanding minority interests in the SGS Medical group, funded by the issue of shares to vendors equivalent to $74,060,000.
- Acquired Stat Laboratories, partly funded by the issue of shares to the vendor equivalent to $1,500,000 and partly by $1,500,000 of deferred consideration (included in Note 18).

The above purchase price components are not reflected in the Statements of cash flows.

Note 37 Statements of cash flows (continued)

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
(d) Standby arrangements and credit facilities				
Entities in the consolidated entity have access to:				
Credit standby arrangements				
– secured loan facilities totalling	**611,550**	520,000	**-**	-
– amount of credit unused	**163,457**	113,578	**-**	-
Lease facilities				
– total facilities	**66,525**	77,212	**-**	-
– amount of facilities unused	**11,940**	28,201	**-**	-
Bank overdraft facilities				
– total facilities	**-**	1,000	**-**	-
– amount of facilities unused	**-**	1,000	**-**	-

Note 38 Financial instruments

(a) Off-balance sheet derivative instruments

Sonic Healthcare Limited and certain controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates.

Interest rate swap contracts
Bank loans of the consolidated entity currently bear an average variable interest rate of 6.0% (2001: 6.4%) and Amounts owing to vendors an average variable interest rate of 5.2% (2001: Nil). It is policy to protect part of these loans from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in sundry debtors or sundry creditors and accruals.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Swaps in place at balance date cover approximately 34% (2001: 44%) of the loan principals outstanding. The fixed interest rates range between 5.50% and 7.64% (2001: 5.50% to 7.64%).

At 30 June 2002, the notional principal amounts and periods of expiry of interest rate swap contracts for the consolidated entity were as follows:

	2002 $'000	2001 $'000
Less than 1 year	**42,168**	39,867
1 – 2 years	**48,358**	40,660
2 – 3 years	**55,359**	46,420
3 – 4 years	**-**	53,420
	145,885	180,367

As at the date of this report, the notional principal amounts and periods of expiry of the interest rate swap contracts for the consolidated entity are as follows. These amounts represent cover of approximately 50% of loan principals outstanding at 24 September 2002.

	$'000
Less than 1 year	42,168
1 – 2 years	48,358
2 – 3 years	93,816
3 – 4 years	27,075
4 – 5 years	37,075
	248,492

Note 38 Financial instruments (continued)

(b) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally at the carrying amount, net of any provisions for doubtful debts. Where entities have a right of set-off and intend to settle on a net basis, this set-off has been reflected in the financial statements in accordance with accounting standards.

The consolidated entity does not have any significant exposure to any individual customer or counterparty other than the Health Insurance Commission (Medicare) in Australia and the Health Funding Authority in New Zealand, both of which are government bodies.

The consolidated entity does not have major concentrations of credit risk arising from industry categories or location of customers.

(c) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

		FLOATING INTEREST RATE	FIXED INTEREST RATE MATURITIES			NON INTEREST BEARING	
			1 year or less	1 to 5 years	over 5 years		Total
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2002							
Assets							
Cash	37(a)	22,393	401	-	-	145	22,939
Trade debtors	7	-	-	-	-	89,921	89,921
Accrued revenue	7	-	-	-	-	9,839	9,839
Sundry debtors	7	-	-	-	-	9,196	9,196
Amounts receivable from other entities	7	64	-	-	-	511	575
Other non current receivables	9	532	-	-	-	2,864	3,396
Total financial assets		**22,989**	**401**	**-**	**-**	**112,476**	**135,866**
Weighted average interest rate		**4.01%**	**4.80%**				
Liabilities							
Trade accounts payable	14	-	-	-	-	33,149	33,149
Other accounts payable	14, 19	-	-	-	-	38,859	38,859
Interest bearing loans	15, 20	379,973	512	550	-	-	381,035
Lease liabilities	15, 20	-	24,239	49,232	930	-	74,401
Amounts owing to vendors	18, 20	53,647	-	-	-	45,389	99,036
Other loans	18	-	-	-	-	2,219	2,219
Hire purchase liabilities	15, 20	-	2,674	3,516	-	-	6,190
Interest rate swaps *	38(a)	(145,885)	42,168	103,717	-	-	-
Total financial liabilities		**287,735**	**69,593**	**157,015**	**930**	**119,616**	**634,889**
Weighted average interest rate		**5.87%**	**7.30%**	**6.95%**	**6.71%**		
Net financial assets / (liabilities)		**(264,746)**	**(69,192)**	**(157,015)**	**(930)**	**(7,140)**	**(499,023)**

* Notional principal amounts

Note 38 Financial instruments (continued)

	Notes	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURITIES 1 year or less $'000	1 to 5 years $'000	over 5 years $'000	NON INTEREST BEARING $'000	Total $'000
30 June 2001							
Assets							
Cash	37(a)	17,358	-	-	-	4,318	21,676
Trade debtors	7	-	-	-	-	85,312	85,312
Accrued revenue	7	-	-	-	-	11,674	11,674
Sundry debtors	7	-	-	-	-	11,835	11,835
Amounts receivable from other entities	7	-	-	-	-	231	231
Other non current receivables	9	502	-	-	-	3,004	3,506
Total financial assets		17,860	-	-	-	116,374	134,234
Weighted average interest rate		4.55%					
Liabilities							
Trade accounts payable	14	-	-	-	-	25,835	25,835
Other accounts payable	14, 19	2,355	-	-	-	32,374	34,729
Interest bearing loans	15, 20	405,800	478	1,063	-	-	407,341
Lease liabilities	15, 20	251	13,091	37,886	2,031	542	53,801
Amounts owing to vendors	18	-	-	-	-	37,105	37,105
Other loans	18	-	-	-	-	27	27
Hire purchase liabilities	15, 20	-	2,470	2,970	-	-	5,440
Interest rate swaps *	38(a)	(180,367)	39,867	140,500	-	-	-
Total financial liabilities		228,039	55,906	182,419	2,031	95,883	564,278
Weighted average interest rate		6.14%	6.96%	6.98%	7.52%		
Net financial assets / (liabilities)		(210,179)	(55,906)	(182,419)	(2,031)	20,491	(430,044)

* Notional principal amounts

(d) Net fair value of financial assets and liabilities

(i) On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date and discounted net cash flows, refer to Note 10. For non-traded equity investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

(ii) Off-balance sheet

The net fair value of financial assets or financial liabilities which may arise from certain contingencies are disclosed in Note 29. No material losses are anticipated in respect of any contingencies.

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000

Note 39 Amounts receivable and payable denominated in foreign currencies

Exposures on items not effectively hedged:				
Amounts receivable:				
Non current, not effectively hedged				
United States dollars	**82**	82	**82**	82
Amounts payable:				
Current, not effectively hedged:				
United States dollars	**1,248**	-	**-**	-
Non current, not effectively hedged:				
United States dollars	**3,576**	-	**-**	-

Note 40 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 16 July 2002, Sonic granted 1,300,000 options to employees under the Sonic Healthcare Limited Employee Option Plan. In addition, 490,000 options were issued to employees of Queensland X-Ray (QXR) pursuant to Sonic's agreement with the vendors of QXR. The options have an exercise price of $4.81 and are subject to vesting periods, continuity of employment and other conditions of the Sonic Healthcare Limited Employee Option Plan.
- On 30 July 2002, Sonic issued 217,323 shares as part of the consideration for the acquisition of The Doctors Laboratory group. A maximum of 2,272,727 additional shares are issuable in October 2003 at an issue price of $6.01.
- On 12 August 2002 Sonic issued 1,507,409 shares (issue price $4.8172 per share) and paid $29.4 million in cash as final consideration for the acquisition of SKG Radiology.
- As at the date of these financial statements, Sonic's plans to demerge the majority of its shareholding in SciGen Pte Limited to Sonic shareholders and to separately list SciGen were progressing. Prior to proceeding with the demerger Sonic will seek relevant approvals from the Australian Stock Exchange, Australian Securities and Investment Commission, the Federal Court of Australia and Sonic shareholders. If all of these approvals are forthcoming, SciGen Pte Limited should be trading on the ASX by late November 2002.

The directors declare that the financial statements and notes set out on pages 29 to 71:

(a) comply with Accounting Standards, the Corporation Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 26.

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

Dr C.S. Goldschmidt
Managing Director

C.D. Wilks
Director

Sydney
24 September 2002

PRICEWATERHOUSECOOPERS

Audit opinion

In our opinion, the financial report, set out on pages 29 to 72:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Sonic Healthcare Limited and the Sonic Healthcare Limited Group (defined below) as at 30 June 2002 and of their performance for the year ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the year ended 30 June 2002 is the responsibility of the directors of Sonic Healthcare Limited. It includes the financial statements for Sonic Healthcare Limited (the Company) and for the Sonic Healthcare Limited Group (the Group), which incorporates Sonic Healthcare Limited and the entities it controlled during the year ended 30 June 2002.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Company's and the Group's financial position, and their performance as represented by the results of their operations and cash flows.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Group. These services are disclosed in Note 33 to the financial statements. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

PricewaterhouseCoopers

D Wiadrowski

David Wiadrowski
Partner

Sydney
24 September 2002

1. Information relating to shareholders

(a) Distribution Schedule as at 23 September 2002

	NO. OF HOLDERS ORDINARY SHARES
1 – 1,000	3,684
1,001 – 5,000	3,791
5,001 – 10,000	487
10,001 – 100,000	374
100,001 and over	226
	8,562
Voting rights – on a show of hands	1 / member
– on a poll	1 / share
Percentage of total holding held by the twenty largest holders	68.16
Number of holders holding less than a marketable parcel	156

(b) Names of the Twenty Largest Holders of Equity Securities as at 23 September 2002

	NO. OF SECURITIES	PERCENTAGE HELD
Citicorp Nominees Pty Limited	42,161,166	16.24
J P Morgan Nominees Australia Limited	22,185,063	8.55
Jardvan Pty Limited	21,458,704	8.27
National Nominees Limited	13,172,826	5.07
RBC Global Services Australia Nominees Pty Limited	12,791,399	4.93
Westpac Custodian Nominees Limited	12,589,360	4.85
Westpac Financial Services Limited	7,417,946	2.86
AMP Life Limited	5,252,604	2.02
MLC Limited	4,942,675	1.90
Cogent Nominees Pty Limited	4,617,103	1.78
Commonwealth Custodial Services Limited	4,322,876	1.67
Polly Pty Limited	3,816,646	1.47
NRMA Nominees Pty Limited	3,632,877	1.40
Mercantile Mutual Life Insurance Company Limited	3,577,145	1.38
Westpac Life Insurance Services Limited	3,068,196	1.18
Dr Thomas Davis	2,970,485	1.14
Bardavis Pty Limited	2,970,000	1.14
ANZ Nominees Limited	2,851,967	1.10
Bond Street Custodians Limited	1,629,526	0.63
Quintal Pty Limited	1,500,000	0.58
	176,928,564	68.16

2. Interests of directors in securities as at 23 September 2002

	ORDINARY SHARES	INTEREST
B.S. Patterson	3,816,646	Held beneficially
Dr C. S. Goldschmidt	725,000	Held personally
	225,000	Held beneficially
C.D. Wilks	425,000	Held personally
	198,000	Held beneficially
Dr M.M. Barratt	1,300,000	Held beneficially
M.D. Boyd	21,458,704	Held beneficially
R.P. Campbell	-	-
Dr P.J. Dubois	221,540	Held personally
	394,946	Held beneficially
C.J. Jackson	517,590	Held personally
Dr M.F. Robinson	200,000	Held personally
Dr H.F. Scotton	175,996	Held personally

3. Unquoted equity securities as at 23 September 2002

	NO. ON ISSUE	NO. OF HOLDERS
Options issued under the Sonic Healthcare Limited Employee Option Plan to take up ordinary shares	7,958,200	577
Executive director options to take up ordinary shares	4,500,000	2
Queensland X-Ray options to take up ordinary shares	490,000	17

4. Securities subject to voluntary escrow as at 23 September 2002

	NO. ON ISSUE	DATE ESCROW PERIOD ENDS
As at the date of this report the following securities were subject to voluntary escrow:		
Ordinary shares	1,195,718	1 May 2003
Ordinary shares	1,507,409	11 August 2003
Ordinary shares	1,195,718	1 November 2003

All of the above securities were issued to vendor radiologists as part of the acquisition of SKG Radiology.