

SONIC HEALTHCARE LIMITED

A.B.N. 24 004 196 909

Directors' Report

Your directors present their report on the consolidated entity consisting of Sonic Healthcare Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2002.

1. Names of Directors

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

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

2. Review of Operations

Revenue

Revenue for the period increased by 19.4% from \$406,634,000 to \$485,531,000 reflecting a full six months contribution from TDL and SKG Radiology, favourable exchange rate movements plus continued organic growth.

Profit

The net profit (after outside equity interests) for the consolidated entity for the period was \$19,101,000 (2001: \$12,088,000) after deducting income tax expense of \$16,671,000 (2001: \$13,252,000). Net profit attributable to Sonic shareholders before intangibles amortisation increased by 39.7% to \$48,506,000 (2001: \$34,711,000). SciGen contributed a net loss of \$1,736,000 (2001: \$1,427,000) to the consolidated profit after tax and outside equity interests.

Core earnings per share (pre intangibles amortisation) increased 26.8% from 14.6 cents to 18.5 cents mainly due to the positive effect of earnings growth and gearing of acquisitions.

Margins have improved substantially against the prior year first half reflecting:

- Revenue growth, rationalisation and Sonic Amalgamation Team synergies
- Melbourne Pathology turnaround

Interest expense has increased 8.8% as a consequence of the debt funding components of acquisitions and the equity injection of \$30 million into SciGen prior to its demerger. Appropriate interest rate hedging arrangements are in place.

In line with an accounting policy adopted in 1999, the consolidated entity amortises identifiable intangibles over 50 years and goodwill over 20 years. Identifiable intangibles are valued at cost and are supported by third party valuations. The amortisation expense for the year includes \$2,328,000 for intangibles amortisation and \$27,077,000 for goodwill amortisation.

Directors Report (continued)

Profit (continued)

The relatively high effective tax rate of 48.0% (2000: 54.4%) is essentially a function of the non-deductible intangibles amortisation.

Minority Interests

The figure disclosed as Outside equity interests in operating profit after income tax, represents the adjustment for the SciGen minorities' interest in the SciGen loss net of other minor minority interests.

3. Subsequent Event

Subsequent to period end, the directors declared a dividend of 8 cents per ordinary share payable on 25 March 2003 with a record date of 11 March 2003.

4. Rounding of Amounts to Nearest Thousand Dollars

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

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

Dr C.S. Goldschmidt
Director

C.D. Wilks
Director

Sydney
25 February 2003

Appendix 4B

Half yearly/preliminary final report

Introduced 30/6/2002.

Name of entity

SONIC HEALTHCARE LIMITED

| | | | |
|-------------------------------------|--------------------|--------------------------|---|
| ABN or equivalent company reference | Half yearly (tick) | Preliminary final (tick) | Half year/financial year ended ('current period') |
| 24 004 196 909 | √ | | 31 DECEMBER 2002 |

For announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

| | | | | |
|--|---------------------|-----------------------------|----|----------------|
| Revenues from ordinary activities (<i>item 1.1</i>) | up/down | 19.4 % | to | 485,531 |
| Profit (loss) from ordinary activities after tax attributable to members (<i>item 1.22</i>) | up/down | 58.0 % | to | 19,101 |
| Profit (loss) from extraordinary items after tax attributable to members (<i>item 2.5(d)</i>) | gain (loss) of | | | Nil |
| Net profit (loss) for the period attributable to members (<i>item 1.11</i>) | up/down | 58.0 % | to | 19,101 |
| Dividends (distributions) | Amount per security | Franked amount per security | | |
| Final dividend (<i>Preliminary final report only - item 15.4</i>) | *8 ¢ | 8 ¢ | | |
| Interim dividend (<i>Half yearly report only - item 15.6</i>) | | | | |
| Previous corresponding period (<i>Preliminary final report - item 15.5; half yearly report - item 15.7</i>) | 4 ¢ | 4 ¢ | | |
| +Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (<i>see item 15.2</i>) | 11 March 2003 | | | |
| Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market: | | | | |
| * In accordance with AASB1044, the interim dividend of 8 ¢ per ordinary share has not been provided for in the financial results. | | | | |

This half yearly report is to be read in conjunction with the most recent annual financial report.

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial performance

| | | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|--|---|-----------------------------|--|
| 1.1 | Revenues from ordinary activities (<i>see items 1.23 -1.25</i>) | 485,531 | 406,634 |
| 1.2 | Expenses from ordinary activities (<i>see items 1.26 & 1.27</i>) | (431,852) | (364,553) |
| 1.3 | Borrowing costs | (18,924) | (17,712) |
| 1.4 | Share of net profits (losses) of associates and joint venture entities (<i>see item 16.7</i>) | - | - |
| 1.5 | Profit (loss) from ordinary activities before tax | 34,755 | 24,369 |
| 1.6 | Income tax on ordinary activities (<i>see Appendix 2</i>) | (16,671) | (13,252) |
| 1.7 | Profit (loss) from ordinary activities after tax | 18,084 | 11,117 |
| 1.8 | Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>) | - | - |
| 1.9 | Net profit (loss) | 18,084 | 11,117 |
| 1.10 | Net profit (loss) attributable to outside ⁺ equity interests | (1,017) | (971) |
| 1.11 | Net profit (loss) for the period attributable to members | 19,101 | 12,088 |
| Non-owner transaction changes in equity | | | |
| 1.12 | Increase (decrease) in revaluation reserves | - | - |
| 1.13 | Net exchange differences recognised in equity | 8,462 | 2,016 |
| 1.14 | Other revenue, expense and initial adjustments recognised directly in equity (refer below) | 8,549 | - |
| 1.15 | Initial adjustments from UIG transitional provisions | - | - |
| 1.16 | Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15) | 17,011 | 2,016 |
| 1.17 | Total changes in equity not resulting from transactions with owners as owners | 36,112 | 14,104 |

Note: Amounts recognized directly in equity during the period of \$8,549,000 (2001:\$Nil) represent the gain on deconsolidation arising upon the spinout of SciGen Limited on 27 November 2002.

+ See chapter 19 for defined terms.

| Earnings per security (EPS) | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| 1.18 Basic EPS | 7.4 ¢ | 5.2 ¢ |
| 1.19 Diluted EPS | 7.3 ¢ | 5.1 ¢ |
| Core (pre intangibles amortisation) diluted earnings per share | 18.5 ¢ | 14.6 ¢ |

Core diluted earnings per share adjusts the figures used in the determination of diluted earnings per share by adding back to net profit the amount of intangibles amortisation expense for the period of \$29,405,000 (2001:\$22,623,000). (Refer item 2.3)

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

| | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|---|-----------------------------|---|
| 1.20 Profit (loss) from ordinary activities after tax (item 1.7) | 18,084 | 11,117 |
| 1.21 Less (plus) outside ⁺ equity interests | (1,017) | (971) |
| 1.22 Profit (loss) from ordinary activities after tax, attributable to members | 19,101 | 12,088 |

Revenue and expenses from ordinary activities

(see note 15)

| | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|--|-----------------------------|---|
| 1.23 Revenue from sales or services | 480,933 | 401,192 |
| 1.24 Interest revenue | 729 | 993 |
| 1.25 Other relevant revenue: | | |
| Gross proceeds on sale of PPE | 1,244 | 957 |
| Rental income | 1,254 | 2,434 |
| Other | 1,371 | 1,058 |
| 1.26 Details of relevant expenses: | | |
| Labour and related costs | 239,869 | 203,682 |
| Amortisation of intangibles | 29,405 | 22,623 |
| Consumables | 63,498 | 53,818 |
| Other expenses | 78,543 | 67,594 |
| 1.27 Depreciation and amortisation excluding amortisation of intangibles (see item 2.3) | 20,537 | 16,836 |

+ See chapter 19 for defined terms.

| | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|---|-----------------------------|---|
| Capitalised outlays | | |
| 1.28 Interest costs capitalised in asset values | - | - |
| 1.29 Outlays capitalised in intangibles (unless arising from an ⁺ acquisition of a business) | - | - |

Consolidated retained profits

| | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|---|-----------------------------|--|
| 1.30 Retained profits (accumulated losses) at the beginning of the financial period | (40,505) | (22,062) |
| 1.31 Net profit (loss) attributable to members (<i>item 1.11</i>) | 19,101 | 12,088 |
| 1.32 Net transfers from (to) reserves (<i>refer note on Page 2</i>) | 8,549 | - |
| 1.33 Net effect of changes in accounting policies | - | - |
| 1.34 Dividends and other equity distributions paid or payable | - | (10,264) |
| 1.35 Retained profits (accumulated losses) at end of financial period | (12,855) | (20,238) |

Intangible and extraordinary items

| <i>Consolidated - current period</i> | | | | |
|--|-----------------------|------------------------|--|---|
| | Before tax \$A'000 | Related tax \$A'000 | Related outside ⁺ equity interests \$A'000 (c) | Amount (after tax) attributable to members \$A'000 (d) |
| | (a) | (b) | | (d) |
| 2.1 Amortisation of goodwill | 27,077 | - | - | 27,077 |
| 2.2 Amortisation of other intangibles | 2,328 | - | - | 2,328 |
| 2.3 Total amortisation of intangibles | 29,405 | - | - | 29,405 |

| | | | | |
|--------------------------------------|----------|----------|----------|----------|
| 2.4 Extraordinary items (details) | - | - | - | - |
| 2.5 Total extraordinary items | - | - | - | - |

+ See chapter 19 for defined terms.

Comparison of half year profits

(Preliminary final report only)

| | Current year - \$A'000 | Previous year - \$A'000 |
|---|------------------------|-------------------------|
| 3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the <i>1st</i> half year (item 1.22 in the half yearly report) | N/A | N/A |
| 3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the <i>2nd</i> half year | N/A | N/A |

Condensed consolidated statement of financial position

| | At end of current period \$A'000 | As shown in last annual report \$A'000 | As in last half yearly report \$A'000 |
|--|-------------------------------------|---|--|
| Current assets | | | |
| 4.1 Cash | 29,881 | 22,939 | 34,070 |
| 4.2 Receivables | 100,276 | 108,620 | 101,241 |
| 4.3 Investments | - | - | - |
| 4.4 Inventories | 17,195 | 15,705 | 12,674 |
| 4.5 Tax assets | - | - | - |
| 4.6 Other (provide details if material) | - | - | - |
| 4.7 Total current assets | 147,352 | 147,264 | 147,985 |
| Non-current assets | | | |
| 4.8 Receivables | 3,082 | 3,314 | 3,239 |
| 4.9 Investments (equity accounted) | - | - | - |
| 4.10 Other investments | 34,493 | 29,447 | 30,487 |
| 4.11 Inventories | - | - | - |
| 4.12 Exploration and evaluation expenditure capitalised (<i>see para .71 of AASB 1022</i>) | - | - | - |
| 4.13 Development properties (+mining entities) | - | - | - |
| 4.14 Other property, plant and equipment (net) | 215,759 | 210,439 | 198,288 |
| 4.15 Intangibles (net) | 1,170,586 | 1,189,721 | 1,041,689 |
| 4.16 Tax assets | 20,154 | 18,524 | 15,895 |
| 4.17 Other (provide details if material) | - | - | - |
| 4.18 Total non-current assets | 1,444,074 | 1,451,445 | 1,289,598 |
| 4.19 Total assets | 1,591,426 | 1,598,709 | 1,437,583 |
| Current liabilities | | | |
| 4.20 Payables | 65,011 | 68,199 | 51,636 |
| 4.21 Interest bearing liabilities | 62,314 | 57,468 | 57,719 |
| 4.22 Tax liabilities | 2,101 | 13,031 | (4,016) |
| 4.23 Provisions exc. tax liabilities | 53,337 | 94,854 | 64,099 |
| 4.24 Other (amounts owing to vendors) | 5,152 | 47,608 | 68,522 |
| 4.25 Total current liabilities | 187,915 | 281,160 | 237,960 |

+ See chapter 19 for defined terms.

| | At end of current period \$A'000 | As shown in last annual report \$A'000 | As in last half yearly report \$A'000 |
|--|--|--|---|
| Non-current liabilities | | | |
| 4.26 Payables | 166 | 3,809 | 4,254 |
| 4.27 Interest bearing liabilities | 546,409 | 457,805 | 351,367 |
| 4.28 Tax liabilities | 1,824 | 2,201 | 2,147 |
| 4.29 Provisions exc. tax liabilities | 17,024 | 16,269 | 10,611 |
| 4.30 Other (provide details if material) | - | - | - |
| 4.31 Total liabilities | 565,423 | 480,084 | 368,379 |
| 4.32 Total liabilities | 753,338 | 761,244 | 606,339 |
| 4.33 Net assets | 838,088 | 837,465 | 831,244 |

Condensed consolidated statement of financial position continued

| | | | |
|---|----------------|----------------|----------------|
| Equity | | | |
| 4.34 Capital/contributed equity | 836,526 | 867,156 | 842,589 |
| 4.35 Reserves | 14,175 | 5,711 | 2,434 |
| 4.36 Retained profits (accumulated losses) | (12,855) | (40,505) | (20,238) |
| 4.37 Equity attributable to members of the parent entity | 837,846 | 832,362 | 824,785 |
| 4.38 Outside ⁺ equity interests in controlled entities | 242 | 5,103 | 6,459 |
| 4.39 Total equity | 838,088 | 837,465 | 831,244 |
| 4.40 Preference capital included as part of 4.37 | N/A | N/A | N/A |

Notes to the condensed consolidated statement of financial position

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

| | Current period \$A'000 | Previous corresponding period - \$A'000 |
|---|---------------------------|---|
| 5.1 Opening balance | N/A | N/A |
| 5.2 Expenditure incurred during current period | N/A | N/A |
| 5.3 Expenditure written off during current period | N/A | N/A |
| 5.4 Acquisitions, disposals, revaluation increments, etc. | N/A | N/A |
| 5.5 Expenditure transferred to Development Properties | N/A | N/A |
| 5.6 Closing balance as shown in the consolidated balance sheet (item 4.12) | N/A | N/A |

+ See chapter 19 for defined terms.

Development properties

(To be completed only by entities with mining interests if amounts are material)

| | Current period \$A'000 | Previous corresponding period - \$A'000 |
|---|---------------------------|---|
| 6.1 Opening balance | N/A | N/A |
| 6.2 Expenditure incurred during current period | N/A | N/A |
| 6.3 Expenditure transferred from exploration and evaluation | N/A | N/A |
| 6.4 Expenditure written off during current period | N/A | N/A |
| 6.5 Acquisitions, disposals, revaluation increments, etc. | N/A | N/A |
| 6.6 Expenditure transferred to mine properties | N/A | N/A |
| 6.7 Closing balance as shown in the consolidated balance sheet (item 4.13) | N/A | N/A |

Condensed consolidated statement of cash flows

| | Current period \$A'000 | Previous corresponding period - \$A'000 |
|---|---------------------------|---|
| Cash flows related to operating activities | | |
| 7.1 Receipts from customers | 520,990 | 426,244 |
| 7.2 Payments to suppliers and employees | (407,662) | (336,390) |
| 7.3 Dividends received from associates | - | - |
| 7.4 Other dividends received | - | - |
| 7.5 Interest and other items of similar nature received | 729 | 993 |
| 7.6 Interest and other costs of finance paid | (18,331) | (24,988) |
| 7.7 Income taxes paid | (29,559) | (23,981) |
| 7.8 Other (provide details if material) | - | - |
| 7.9 Net operating cash flows | 66,167 | 41,878 |
| Cash flows related to investing activities | | |
| 7.10 Payment for purchases of property, plant and equipment | (17,226) | (16,988) |
| 7.11 Proceeds from sale of property, plant and equipment | 1,254 | 2,434 |
| 7.12 Payment for purchases of equity investments | (2,566) | (246) |
| 7.13 Proceeds from sale of equity investments | - | - |
| 7.14 Loans to other entities | (2,482) | - |
| 7.15 Loans repaid by other entities | 9,162 | 115 |
| 7.16 Payment for purchase of controlled entities | (39,776) | (88,340) |
| SciGen capital | (30,000) | - |
| Payments for restructuring activities | (2,497) | (2,855) |
| 7.17 Net investing cash flows | (84,131) | (105,880) |

+ See chapter 19 for defined terms.

| | | Current period \$A'000 | Previous corresponding period - \$A'000 |
|---|--|---------------------------|---|
| Cash flows related to financing activities | | | |
| 7.18 | Proceeds from issues of +securities (shares, options, etc.) | 910 | 190,484 |
| 7.19 | Proceeds from borrowings | 138,449 | 439,262 |
| 7.20 | Repayment of borrowings | (73,210) | (531,509) |
| 7.21 | Dividends paid | (41,546) | (19,205) |
| 7.22 | Other (share issue transaction costs) | - | (2,750) |
| 7.23 | Net financing cash flows | 24,603 | 76,282 |
| 7.24 Net increase (decrease) in cash held | | | |
| 7.25 | Cash at beginning of period (see Reconciliation of cash) | 22,939 | 21,676 |
| 7.26 | Exchange rate adjustments to item 7.25. | 303 | 114 |
| 7.27 | Cash at end of period (see Reconciliation of cash) | 29,881 | 34,070 |

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. (*If an amount is quantified, show comparative amount.*)

Plant and equipment with an aggregate fair value of \$4,540,000 (2001: \$14,836,000) was acquired by means of finance leases and is therefore not reflected in the Statement of Cash Flows.
During the half year fully paid shares to the value of \$8,567,000 were issued as payment of deferred consideration for the previous acquisitions of the SKG Radiology Group and The Doctors' Laboratory Group. At the reporting date further shares with a total value of \$13,645,000 were issuable representing deferred consideration on TDL acquisition. These shares are recognized as part of equity within the financial results.

Reconciliation of cash

| Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current period \$A'000 | Previous corresponding period - \$A'000 |
|--|--|---------------------------|---|
| 8.1 | Cash on hand and at bank | 29,881 | 34,070 |
| 8.2 | Deposits at call | - | - |
| 8.3 | Bank overdraft | - | - |
| 8.4 | Other (provide details) | - | - |
| 8.5 | Total cash at end of period (item 7.27) | 29,881 | 34,070 |

+ See chapter 19 for defined terms.

Other notes to the condensed financial statements

| Ratios | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| 9.1 Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax (<i>item 1.5</i>) as a percentage of revenue (<i>item 1.1</i>) | 7.2 % | 6.0 % |
| 9.2 Profit after tax / +equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (<i>item 1.11</i>) as a percentage of equity (similarly attributable) at the end of the period (<i>item 4.37</i>) | 2.3 % | 1.3 % |

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings Per Share* are as follows.

| | Current period | Previous corresponding Period |
|---|----------------|-------------------------------|
| Basic EPS | 7.4 ¢ | 5.2 ¢ |
| Diluted EPS | 7.3 ¢ | 5.1 ¢ |
| Core (pre intangible amortisation) basic earnings per share | 18.7 ¢ | 14.8 ¢ |
| Core (pre intangible amortisation) diluted earnings per share | 18.5 ¢ | 14.6 ¢ |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and core basic EPS | 259,218,409 | 234,571,195 |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted and normalised diluted EPS | 262,090,946 | 238,427,197 |
| Core diluted earnings per share adjusts the figures used in the determination of diluted earnings per share by adding back to net profit the amount of intangibles amortisation expense for the period of \$29,405,000 (2001:\$22,623,000). (<i>Refer item 2.3</i>) | | |

| NTA backing (see note 7) | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| 11.1 Net tangible asset backing per +ordinary security | (128) cents | (85) cents |

+ See chapter 19 for defined terms.

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)

12.1 Discontinuing Operations

During the period Sonic completed the demerger of its SciGen subsidiary on 27th November 2002 involving a capital reduction of \$38,801,966.

Control gained over entities having material effect

| | |
|--|-----|
| 13.1 Name of entity (or group of entities) | N/A |
| 13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺ acquired | \$- |
| 13.3 Date from which such profit has been calculated | N/A |
| 13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period | \$- |

Loss of control of entities having material effect

| | |
|---|------------------|
| 14.1 Name of entity (or group of entities) | SciGen Limited |
| 14.2 Consolidated net profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control | \$(1,736,000)* |
| 14.3 Date to which the profit (loss) in item 14.2 has been calculated | 27 November 2002 |
| 14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period | \$(1,427,000)* |
| 14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control | Nil |

* After outside equity interests.

+ See chapter 19 for defined terms.

Dividends (in the case of a trust, distributions)

| | |
|---|---------------|
| 15.1 Date the dividend (distribution) is payable | 25 March 2003 |
| 15.2 ⁺ Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if ⁺ securities are not ⁺ CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if ⁺ securities are ⁺ CHESS approved) | 11 March 2003 |
| 15.3 If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i> | N/A |

Amount per security

| | | Amount per security | Franked amount per security at 30% tax (see note 4) | Amount per security of foreign source dividend |
|-------------|---|---------------------|---|--|
| 15.4 | <i>(Preliminary final report only)</i> Final dividend: Current year | N/A ¢ | N/A ¢ | N/A ¢ |
| 15.5 | Previous year | N/A ¢ | N/A ¢ | N/A ¢ |
| 15.6 | <i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year | 8 ¢ | 8 ¢ | - ¢ |
| 15.7 | Previous year | 4 ¢ | 4 ¢ | - ¢ |

Total dividend (distribution) per security (interim plus final)

(Preliminary final report only)

| | | Current year | Previous year |
|---|--|--------------|---------------|
| 15.8 ⁺ Ordinary securities | | N/A ¢ | N/A ¢ |
| 15.9 Preference ⁺ securities | | N/A ¢ | N/A ¢ |

+ See chapter 19 for defined terms.

**Half yearly report - interim dividend (distribution) on all securities *or*
Preliminary final report - final dividend (distribution) on all securities**

| | Current period \$A'000 | Previous corresponding period - \$A'000 |
|---|------------------------|---|
| 15.10 +Ordinary securities (<i>each class separately</i>) | 20,956 | 10,279 |
| 15.11 Preference +securities (<i>each class separately</i>) | - | - |
| 15.12 Other equity instruments (<i>each class separately</i>) | - | - |
| 15.13 Total | *20,956 | 10,279 |

The +dividend or distribution plans shown below are in operation.

Sonic's Dividend Reinvestment Plan (DRP) remains suspended until further notice.

The last date(s) for receipt of election notices for the +dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions). (*For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting*)

N/A

Details of aggregate share of profits (losses) of associates and joint venture entities

| Group's share of associates' and joint venture entities': | Current period \$A'000 | Previous corresponding period - \$A'000 |
|---|------------------------|---|
| 16.1 Profit (loss) from ordinary activities before tax | N/A | N/A |
| 16.2 Income tax on ordinary activities | N/A | N/A |
| 16.3 Profit (loss) from ordinary activities after tax | N/A | N/A |
| 16.4 Extraordinary items net of tax | N/A | N/A |
| 16.5 Net profit (loss) | N/A | N/A |
| 16.6 Adjustments | N/A | N/A |
| 16.7 Share of net profit (loss) of associates and joint venture entities | N/A | N/A |

*The dividend distribution has not been provided for in the financial results.

+ See chapter 19 for defined terms.

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)*

| Name of entity | Percentage of ownership interest held at end of period or date of disposal | | Contribution to net profit (loss) (item 1.9) | |
|--|--|-------------------------------|--|---|
| | Current period | Previous corresponding period | Current period \$A'000 | Previous corresponding period - \$A'000 |
| 17.1 Equity accounted associates and joint venture entities | N/A | N/A | N/A | N/A |
| 17.2 Total | N/A | N/A | N/A | N/A |
| 17.3 Other material interests | N/A | N/A | N/A | N/A |
| 17.4 Total | N/A | N/A | N/A | N/A |

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

| Category of +securities | Total number | Number quoted | Issue price per security (see note 14) (cents) | Amount paid up per security (see note 14) (cents) |
|---|----------------|----------------|--|---|
| 18.1 Preference +securities <i>(description)</i> | N/A | N/A | N/A | N/A |
| 18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions | N/A | N/A | N/A | N/A |
| 18.3 +Ordinary securities | 259,667,911 | 259,667,911 | N/A | N/A |
| 18.4 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks | 2,138,232 - | 2,138,232 - | N/A N/A | N/A N/A |
| 18.5 +Convertible debt securities <i>(description and conversion factor)</i> | N/A | N/A | N/A | N/A |
| 18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted | N/A | N/A | N/A | N/A |

+ See chapter 19 for defined terms.

| 18.7 Options <i>(description and conversion factor)</i> | | | <i>Exercise price</i> | <i>Expiry date (if any)</i> |
|--|-----------|-----|-----------------------|-----------------------------|
| | 784,000 | N/A | \$3.26 | 15.12.03 |
| | 4,500,000 | N/A | \$5.32 | 20.04.05 |
| | 2,273,000 | N/A | \$5.41 | 20.02.05 |
| | 3,466,200 | N/A | \$7.38 | 20.04.06 |
| | 1,690,000 | N/A | \$4.66 | 16.05.07 |
| 18.8 Issued during current period | 1,690,000 | N/A | \$4.66 | 16.05.07 |
| 18.9 Exercised during current period | 265,000 | N/A | \$1.47 | 18.09.02 |
| | 134,750 | N/A | \$3.37 | 15.12.03 |
| | 3,750 | N/A | \$3.26 | 15.12.03 |
| | 5,000 | N/A | \$5.59 | 20.02.05 |
| | 5,000 | N/A | \$5.41 | 20.02.05 |
| 18.10 Expired/forfeited during current period | 40,000 | N/A | \$5.59 | 20.02.05 |
| | 5,000 | N/A | \$5.41 | 20.02.05 |
| | 32,500 | N/A | \$7.63 | 20.04.06 |
| | 5,000 | N/A | \$7.38 | 20.04.06 |
| 18.11 Debentures <i>(description)</i> | N/A | N/A | | |
| 18.12 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 18.13 Unsecured Notes <i>(description)</i> | N/A | N/A | | |
| 18.14 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted | | | | |

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

| Price pre Demerger \$ per option | Price Post Demerger \$ per option |
|-------------------------------------|--------------------------------------|
| 1.47 | N/A |
| 3.37 | 3.26 |
| 5.50 | 5.32 |
| 5.59 | 5.41 |
| 7.63 | 7.38 |
| 4.81 | 4.66 |

Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: *Segment Reporting* and for half year reports, AASB 1029: *Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's ⁺accounts should be reported separately and attached to this report.)

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: *Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as

⁺ See chapter 19 for defined terms.

required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of financial report preparation

- 19.1 If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Interim Financial Reporting. **It should be read in conjunction with the last ⁺annual report and any announcements to the market made by the entity during the period.** The financial statements in this report are "condensed financial statements" as defined in AASB 1029: Interim Financial Reporting. This report does not include all the notes of the type normally included in an annual financial report. [Delete if preliminary final report.]
- 19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.
- 19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

On 25 February 2003 the Directors of Sonic declared a dividend of 8 ¢ per ordinary share, 100% franked to be paid on 25 March 2003 with a record date of 11 March 2003.

- 19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

\$50,425,976 may be distributed as franked dividends out of existing franking credits as at 17 February 2002 (prior to the interim dividend for 2002/2003 which will utilise approximately \$8,981,000 franking credits).

- 19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

N/A

- 19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous ⁺annual reports if those revisions have a material effect in this half year.

N/A

- 19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last ⁺ annual report.

There has been no significant change in the contingent liabilities of the Group since 30 June 2002.

⁺ See chapter 19 for defined terms.

Additional disclosure for trusts

| | | |
|------|--|-----|
| 20.1 | Number of units held by the management company or responsible entity or their related parties. | N/A |
| 20.2 | A statement of the fees and commissions payable to the management company or responsible entity. Identify: <ul style="list-style-type: none"> • initial service charges • management fees • other fees | N/A |

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

| | |
|---|-----|
| Place | N/A |
| Date | N/A |
| Time | N/A |
| Approximate date the ⁺ annual report will be available | N/A |

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used None

2 This report, and the ⁺accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does/~~does not~~* (*delete one*) give a true and fair view of the matters disclosed (see note 2).

⁺ See chapter 19 for defined terms.

- 4 This report is based on ⁺accounts to which one of the following applies.
(Tick one)
- | | |
|--|--|
| <input type="checkbox"/> The ⁺ accounts have been audited. | <input checked="" type="checkbox"/> The ⁺ accounts have been subject to review. |
| <input type="checkbox"/> The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The ⁺ accounts have <i>not</i> yet been audited or reviewed. |
- 5 If the audit report or review by the auditor is not attached, details of any qualifications are attached/~~will follow immediately they are available~~* (delete one). (Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.)
- 6 The entity has/~~does not have~~* (delete one) a formally constituted audit committee.

Sign here: Date:
(Company Secretary)

Print name: ..Paul Alexander.....

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. Entities are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.
2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.
3. **Condensed consolidated statement of financial performance**

| | |
|----------|---|
| Item 1.1 | The definition of "revenue" and an explanation of "ordinary activities" are set out in <i>AASB 1004: Revenue</i> , and <i>AASB 1018: Statement of Financial Performance</i> . |
| Item 1.6 | This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax). |

⁺ See chapter 19 for defined terms.

- 4. Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column “Franked amount per security at % tax” for items 15.4 to 15.7.
- 5. Condensed consolidated statement of financial position**

Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Interim Financial Reporting*, and *AASB 1040: Statement of Financial Position*. Also, banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last ⁺annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.
- 6. Condensed consolidated statement of cash flows** For definitions of “cash” and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. ⁺Mining exploration entities may use the form of cash flow statement in Appendix 5B.
- 7. Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ⁺ordinary securities (ie, all liabilities, preference shares, outside ⁺equity interests etc). ⁺Mining entities are *not* required to state a net tangible asset backing per ⁺ordinary security.
- 8. Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the ⁺accounts. Details must include the contribution for each gain or loss that increased or decreased the entity’s consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
- 9. Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. If an entity reports exact figures, the \$A’000 headings must be amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, and the \$A’000 headings must be amended.
- 10. Comparative figures** Comparative figures are to be presented in accordance with *AASB 1018* or *AASB 1029 Interim Financial Reporting* as appropriate and are the unadjusted figures from the latest annual or half year report as appropriate. However, if an adjustment has been made in accordance with an accounting standard or other reason or if there is a lack of comparability, a note explaining the position should be attached. For the statement of financial performance, *AASB 1029 Interim Financial Reporting* requires information on a year to date basis in addition to the current interim period. Normally an Appendix 4B to which

⁺ See chapter 19 for defined terms.

AASB 1029 Interim Financial Reporting applies would be for the half year and consequently the information in the current period is also the year to date. If an Appendix 4B Half yearly version is produced for an additional interim period (eg because of a change of reporting period), the entity must provide the year to date information and comparatives required by *AASB 1029 Interim Financial Reporting*. This should be in the form of a multi-column version of the consolidated statement of financial performance as an attachment to the additional Appendix 4B.

- 11. Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the +ASIC under the Corporations Act must also be given to ASX. For example, a director's report and declaration, if lodged with the +ASIC, must be given to ASX.
- 12. Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
- 13. Corporations Act financial statements** This report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
- 14. Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.
- 15. Details of expenses** *AASB 1018* requires disclosure of expenses from ordinary activities according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by ASX. *AASB ED 105* clarifies that the disclosures required by *AASB 1018* must be either *all* according to nature or *all* according to function. Entities must disclose details of expenses using the layout (by nature or function) employed in their +accounts.

The information in lines 1.23 to 1.27 may be provided in an attachment to Appendix 4B.

Relevant Items *AASB 1018* requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. The term "relevance" is defined in *AASB 1018*. There is an equivalent requirement in *AASB 1029: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by ASX.

- 16. Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.
- 17. Discontinuing operations**

Half yearly report

All entities must provide the information required in paragraph 12 for half years beginning on or after 1 July 2001.

+ See chapter 19 for defined terms.

Preliminary final report

Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by paragraph 7.5 (g) of *AASB 1029: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their ⁺accounts in accordance with *AASB 1042 Discontinuing Operations*.

In any case the information may be provided as an attachment to this Appendix 4B.

18. Format

This form is a Word document but an entity can re-format the document into Excel or similar applications for submission to the Companies Announcements Office in ASX.

⁺ See chapter 19 for defined terms.

APPENDIX 1

PRELIMINARY FINANCIAL REPORT FOR SONIC HEALTHCARE LIMITED

ABN 24 004 196 909

FOR THE HALF YEAR ENDED 31 DECEMBER 2002

PRIMARY REPORTING – Business Segments

| CURRENT PERIOD 31 December 2002 | Pathology \$000's | Radiology \$000's | SciGen \$000's | Other \$000's | Eliminations \$000's | Consolidated \$000's |
|---|----------------------|----------------------|-------------------|------------------|-------------------------|-------------------------|
| Revenue | | | | | | |
| External sales | 349,954 | 129,992 | 987 | - | - | 480,933 |
| Inter segment sales | 4 | 73 | - | - | (77) | - |
| Other revenue | 2,794 | 820 | 246 | 9 | - | 3,869 |
| Total segment revenue | 352,752 | 130,885 | 1,233 | 9 | (77) | 484,802 |
| Interest income | | | | | | 729 |
| Total revenue | | | | | | 485,531 |
| Result | | | | | | |
| Result before amortisation (EBITA) | 66,679 | 23,458 | (1,936) | (5,845) | - | 82,356 |
| Intangible amortisation | (18,290) | (10,734) | (381) | - | - | (29,405) |
| Segment result | 48,389 | 12,724 | (2,317) | (5,845) | - | 52,951 |
| Unallocated net interest expense | | | | | | (18,196) |
| Profit before tax | | | | | | 34,755 |
| Income tax expense | | | | | | (16,671) |
| | | | | | | 18,084 |
| Segment assets | | | | | | |
| | 1,001,987 | 528,980 | - | 870,633 | (810,174) | 1,591,426 |
| Segment liabilities | | | | | | |
| | 491,039 | 250,589 | - | 5,193 | (466,636) | 280,185 |
| Unallocated liabilities | | | | | | 473,153 |
| Total liabilities | | | | | | 753,338 |
| Acquisition of property, plant & equipment | | | | | | |
| | 12,179 | 7,124 | 46 | 3,198 | - | 22,547 |
| Depreciation and amortisation expense | | | | | | |
| | 27,520 | 21,324 | 406 | 691 | - | 49,941 |
| Other non cash expenses | | | | | | |
| | 2,326 | 647 | - | 1,987 | - | 4,960 |

+ See chapter 19 for defined terms.

APPENDIX 1 (Continued)

PRELIMINARY FINANCIAL REPORT FOR
SONIC HEALTHCARE LIMITED
ABN 24 004 196 909

FOR THE HALF YEAR ENDED 31 DECEMBER 2002

PRIMARY REPORTING – Business Segments

| PREVIOUS PERIOD 31 December 2001 | Pathology \$000's | Radiology \$000's | SciGen \$000's | Other \$000's | Eliminations \$000's | Consolidated \$000's |
|---|----------------------|----------------------|-------------------|------------------|-------------------------|-------------------------|
| Revenue | | | | | | |
| External sales | 297,334 | 103,281 | 577 | - | - | 401,192 |
| Inter segment sales | 9 | 22 | - | - | (31) | - |
| Other revenue | 2,443 | 2,006 | - | - | - | 4,449 |
| Total segment revenue | 299,786 | 105,309 | 577 | - | (31) | 405,641 |
| Interest income | | | | | | 993 |
| Total revenue | | | | | | 406,634 |
| Result | | | | | | |
| Result before amortisation (EBITA) | 52,420 | 19,243 | (2,323) | (5,629) | - | 63,711 |
| Intangible amortisation | (13,461) | (9,088) | (74) | - | - | (22,623) |
| Segment result | 38,959 | 10,155 | (2,397) | (5,629) | - | 41,088 |
| Unallocated net interest expense | | | | | | (16,719) |
| Profit before tax | | | | | | 24,369 |
| Income tax expense | | | | | | (13,252) |
| | | | | | | 11,117 |
| Segment assets | 808,586 | 553,126 | 25,635 | 838,145 | (787,909) | 1,437,583 |
| Segment liabilities | 409,798 | 278,131 | 9,687 | 12,010 | (408,716) | 300,910 |
| Unallocated liabilities | | | | | | 305,429 |
| Total liabilities | | | | | | 606,339 |
| Acquisition of property, plant & equipment | 14,094 | 41,311 | 22 | 2,107 | - | 57,534 |
| Depreciation and amortisation expense | 21,660 | 16,970 | 100 | 729 | - | 39,459 |
| Other non cash expenses | 5,700 | 3,463 | 8 | - | - | 9,171 |

+ See chapter 19 for defined terms.

APPENDIX 1 (Continued)

PRELIMINARY FINANCIAL REPORT FOR
SONIC HEALTHCARE LIMITED
ABN 24 004 196 909

FOR THE HALF YEAR ENDED 31 DECEMBER 2002

SECONDARY REPORTING – Geographic Segments

| | Segment revenues from sales to external customers | | Segment Assets | | Acquisition of property, plant & equipment | |
|--------------|---|-----------------|------------------|------------------|--|-----------------|
| | 2002 \$000's | 2001 \$000's | 2002 \$000's | 2001 \$000's | 2002 \$000's | 2001 \$000's |
| Australia | 388,093 | 340,699 | 1,183,955 | 1,217,556 | 16,126 | **54,401 |
| New Zealand* | 63,085 | 56,429 | 215,829 | 192,472 | 6,139 | 3,106 |
| Other | 29,755 | 4,064 | 191,642 | 27,555 | 282 | 27 |
| Total | 480,933 | 401,192 | 1,591,426 | 1,437,583 | 22,547 | 57,534 |

* The growth in New Zealand revenue is inflated by exchange rate movements over the period.

** Includes assets acquired as part of the acquisition of SKG Radiology.

+ See chapter 19 for defined terms.

• APPENDIX 2

PRELIMINARY FINANCIAL REPORT FOR
SONIC HEALTHCARE LIMITED
ABN 24 004 196 909

FOR THE HALF YEAR ENDED 31 DECEMBER 2002

INCOME TAX EXPENSE

| | Dec 2002 \$'000 | Dec 2001 \$'000 |
|---|--------------------|--------------------|
| Prima facie income tax expense calculated at 30% (2001:34%) on the operating profit | 10,427 | 7,311 |
| Increase / (Decrease) in Income tax expense due to non tax deductible / non assessable items: | | |
| Amortisation of Intangibles | 8,822 | 6,787 |
| Deductible expenditure capitalised in investment costs | (1,527) | (1,888) |
| Quarantined losses of foreign subsidiaries | 761 | 754 |
| Sundry Items | 186 | 384 |
| R&D claimed in respect of prior years | (895) | - |
| Prior year (over) / under provision | (1,246) | (233) |
| Effect of higher / (lower) rates of tax on overseas income | 143 | 137 |
| Total Income Tax Expense | 16,671 | 13,252 |

+ See chapter 19 for defined terms.

SONIC HEALTHCARE LIMITED

A.B.N. 24 004 196 909

Directors' Declaration

The directors declare that the half-yearly report in the form of Appendix 4B of the Australian Stock Exchange (ASX) Listing Rules, set out on pages 1 to 24:

- (a) comply with Accounting Standards, the Corporations Regulations 2001, other mandatory professional reporting requirements, and the Australian Stock Exchange Listing Rules, and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2002 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Sonic Healthcare Limited will be able to pay its debts as, and when, they become due and payable.

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

Dr C.S. Goldschmidt
Director

C.D. Wilks
Director

Sydney
25 February 2003

Independent review report to the members of Sonic Healthcare Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, comprising pages 1 to 25 of the half yearly report included in the attached Appendix 4B of the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration attached thereto is not presented in accordance with:

- the Corporations Act 2001 in Australia, including giving a true and fair view of the financial position of the Sonic Healthcare Limited Group (defined below) as at 31 December 2002 and of its performance for the half-year ended on that date
- Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, the Corporations Regulations 2001 and ASX Listing rules relating to half yearly financial reports.

This statement 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 half-year ended 31 December 2002 is the responsibility of the directors of Sonic Healthcare Limited. It includes the financial statements for the Sonic Healthcare Limited Group (the Group), which incorporates Sonic Healthcare Limited (the Company) and the entities it controlled during the half-year ended 31 December 2002.

The auditor's role and work

We conducted an independent review of the financial report in order for the Company to lodge the financial report with the Australian Securities & Investments Commission and the ASX. Our role was to conduct the review in accordance with Australian Auditing Standards applicable to review engagements. Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly a view in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, the Corporations Regulations 2001 and ASX Listing rules relating to half yearly financial reports, which is consistent with our understanding of the Group's financial position, and its performance as represented by the results of its operations and cash flows.

The review procedures performed were limited primarily to:

- inquiries of company personnel of certain internal controls, transactions and individual items
- analytical procedures applied to financial data.

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

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 and review work, we were engaged to undertake other services for the Group. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

Stephen Humphries
Partner

Sydney
25 February 2003