

Sonic Healthcare Limited
ABN 24 004 196 909

PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2008
Lodged with the ASX under Listing Rule 4.3A

DIVIDEND REINVESTMENT PLAN (“DRP”) CHANGES

The Company’s DRP has been reactivated – refer Section 2 of Summary and Explanation of Results inside for details of changes to the DRP rules.

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2008

Financial Results

Revenue from ordinary activities	Up 26.2% to \$2,380,327,000
Earnings before interest, tax and intangibles amortisation (EBITA)	Up 17.2% to \$402,659,000
Profit from ordinary activities after tax attributable to members	Up 23.8% to \$245,116,000
Net profit for the period attributable to members	Up 23.8% to \$245,116,000

Dividends and Dividend Reinvestment Plan Changes

	<u>Amount per security</u>	<u>Franked amount per security</u>
Final dividend	32¢	32¢
Interim dividend (paid 26 March 2008)	20¢	20¢
Previous corresponding period final dividend	29¢	29¢

The record date for determining entitlements to the final dividend will be 12 September 2008. The final dividend will be paid on 9 October 2008. The Company's Dividend Reinvestment Plan (DRP) will operate for this dividend. Shares issued under the DRP will have a subscription price 2.5% below the average of the daily volume weighted average price of Sonic shares sold (excluding off-market trades) on each of the 10 consecutive trading days from and including the second trading day after the record date. This pricing period reflects a change in the DRP Rules – refer to Section 2 in Summary and Explanation of Results. Shares will be allocated under the DRP on 9 October 2008. The balance of the 2008 final dividend which has not been reinvested by shareholders in the DRP will be fully underwritten.

Earnings per Share

	<u>Year to 30 June 2008</u>	<u>Year to 30 June 2007</u>
Basic earnings per share	75.0¢	66.6¢
Diluted earnings per share	73.5¢	65.5¢

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

SUMMARY AND EXPLANATION OF RESULTS
For the year ended 30 June 2008

1 Summary financial results

	Reference	2008 \$'000	2007 \$'000	Movement %
Total Revenue	(a)	2,380,327	1,886,081	26.2%
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	(b)	478,568	405,667	18.0%
Depreciation and Lease Amortisation	(c)	(75,909)	(62,105)	22.2%
Earnings before Interest, Tax and Intangibles Amortisation (EBITA)	(b)	402,659	343,562	17.2%
Amortisation of Intangibles	(d)	(5,906)	(2,633)	124.3%
Net Interest Expense	(e)	(64,886)	(50,473)	28.6%
Income Tax attributable to Operating Profit	(f)	(81,461)	(80,402)	1.3%
Net Profit attributable to Outside Equity Interests	(g)	(5,290)	(11,982)	(55.9)%
Net Profit attributable to shareholders of Sonic Healthcare Limited		245,116	198,072	23.8%
Cash generated from operations	(h)	331,885	267,935	23.9%
EPS (diluted earnings per share) (cents)	(i)	73.5	65.5	12.2%

(a) Revenue growth

Organic (non acquisitional) revenue growth for the year for Sonic's pathology operations was strong, with Australia growing at ~8%, and US and UK growth exceeding this level (excluding forex impacts).

Pathology revenue growth was augmented by the following major acquisitions and other small acquisitions during the current period and prior year:

- American Esoteric Laboratories, USA (8 January 2007)
- Medica Laboratory Group, Switzerland (30 May 2007)
- Sunrise Medical Laboratories, USA (31 July 2007)
- Bioscientia Healthcare Group, Germany (14 September 2007)

Revenue growth in the UK was augmented by the NHS Ealing Hospital contract which began on 1 July 2007.

In addition, the reported revenue of the Schottdorf Group (in Germany) was increased by ~\$24M for the second half of the year as the legal restructure carried out to enable Sonic to reach 100% ownership caused a change in the legal entities consolidated in Sonic's results. This change, which will continue in the future, only affects reported revenue, and does not change profit. It therefore causes a dilution in reported operating margins.

Radiology revenue growth was negatively impacted by site closures in the Hunter Valley as a result of the floods in June 2007, new competition in a number of regional markets, reduction in average fee as a result of price competition, and the disposal of Sonic's Hong Kong radiology business during the prior year.

Revenue growth was also negatively impacted by foreign exchange movements, which reduced reported revenue by ~\$77M compared to the prior year.

SUMMARY AND EXPLANATION OF RESULTS
For the year ended 30 June 2008

	<u>2008</u>	<u>2007</u>	<u>Movement</u>
(b) Margin analysis			
EBITDA as a % of Revenue	20.1%	21.5%	(140) bps*
EBITA as a % of Revenue	16.9%	18.2%	(130) bps

*bps = basis points of margin

Reported operating margins have been significantly diluted by the acquisitions of businesses during the current and prior year (including all those listed in (a) above) which have lower margins than the average of Sonic's other businesses. The margins resulting from the NHS Ealing Hospital contract are also lower than Sonic's average margins, and the change in the Schottdorf Group structure described above also caused reported margin dilution.

Excluding these impacts, Sonic's core pathology businesses performed strongly, demonstrating margin improvement, and commencement of synergy extraction in the US and Germany, whilst the radiology division continued to be impacted by market and cost pressures.

(c) Depreciation and lease amortisation

Depreciation and leased asset amortisation has increased 22.2% on the prior year mainly as a result of the acquisitions noted in (a) above. As a percentage of revenue, depreciation and amortisation has fallen to 3.2% from 3.3% in the prior year as the majority of revenue growth is in pathology, which requires less expenditure on equipment than radiology.

Capital expenditure has significantly exceeded depreciation expense in the 2007 and 2008 years, mainly due to the completion of Sonic's new headquarters and Douglass Hanly Moir Pathology's new central laboratory in Macquarie Park, Sydney.

(d) Intangibles amortisation

Intangibles amortisation mainly relates to internally developed software.

(e) Interest expense and debt facilities

Net interest expense has increased 28.6% on the prior year due to increased debt as a result of the acquisitions as noted in (a) above. Almost all of Sonic's bank debt is drawn in foreign currencies as "natural" balance sheet hedging of Sonic's offshore operations, and so Sonic is not significantly exposed to the recent increases in Australian base interest rates. Sonic's weighted average interest rate on debt has declined during the year, mainly as a result of falling USD interest rates.

Appropriate interest rate hedging arrangements are in place, in accordance with Sonic's policy.

Sonic's net interest bearing debt at 30 June 2008 comprised:

	<u>AUD \$M</u> <u>Limit</u>	<u>AUD \$M</u> <u>Drawn</u>	<u>AUD \$M</u> <u>Available</u>
Multicurrency syndicated senior bank facility	1,750	1,247	503
IPN bank facility	47	28	19
Minor debt / leasing facilities	n/a	27	n/a
Cash	n/a	(64)	64
Net interest bearing debt	<u>1,797</u>	<u>1,238</u>	<u>586</u>

On 31 July 2008 Sonic established a new A\$160M 3 year term bank debt facility to provide additional "headroom" for expansion on top of Sonic's existing facilities. The new facility was provided by two of the existing seven banks in Sonic's syndicated facility.

SUMMARY AND EXPLANATION OF RESULTS
For the year ended 30 June 2008

Sonic's senior debt facilities have expiry dates as follows:

	AUD \$M
	Limit
15 March 2009	500
5 November 2010	47
15 March 2011	500
31 July 2011	160
29 October 2012	750
	<hr/>
	1,957

Net interest bearing debt at 30 June 2008 comprised the following currencies:

	AUD \$M
	Drawn
USD	614
Euro	555
GBP	49
NZD	9
AUD	24
CHF	(13)
	<hr/>
	1,238

(f) Tax expense

The effective tax rate in the second half of the year was 25.9%, in line with the guidance provided in February 2008. The rate in the first half was impacted by the finalisation of research claims for the 2007 financial year. The full year effective tax rate of 24.5% is lower than the prior year (27.7%) as a result of Sonic's offshore expansion. Ignoring the impact of future acquisitions, and any short term fluctuations, the expected effective tax rate for future periods is ~25%.

(g) Outside equity interests

The outside equity interest figure includes minority interests in IPN and the Schottdorf Group (up until late December 2007, when Sonic acquired the minority interests in the Schottdorf Group), in addition to minority interests in other (small) entities in the Group. The comparative period figure also includes minority interests in Clinical Pathology Laboratories ("CPL") which were acquired by Sonic in January 2007.

(h) Cashflow from operations

Cash generated from operations increased 23.9% compared to the prior year, in line with profit growth.

(i) Earnings per share

Diluted earnings per share increased 12.2% due to earnings growth and the positive effect of the acquisitions noted in (a) above. EPS growth was affected by the equity raisings conducted in August and November 2007 which financed acquisitions and set the Group's balance sheet for further acquisitional growth. Adverse foreign exchange rate impacts on the translation of the results of Sonic's offshore operations (mainly USD related) reduced earnings per share growth by 250 basis points.

SUMMARY AND EXPLANATION OF RESULTS For the year ended 30 June 2008

(j) Auckland pathology contract

As previously advised, Sonic was successful in its legal challenge against a decision to award a new community laboratory services contract for the Auckland region of New Zealand to a competitor. The competitor filed an appeal, which was heard in May 2008, however the judgement on the appeal has yet to be handed down. Sonic was awarded an interim contract as sole provider of community pathology services in the Auckland region of New Zealand for a minimum of 18 months from 1 July 2007. Sonic is working with the Auckland regional District Health Boards to deliver excellent service to the people of Auckland, and remains confident that the appeal will be decided in its favour, and that Sonic's contract will be renewed or extended.

2 Final dividend and Dividend Reinvestment Plan (DRP)

The Board has declared a final dividend of 32 cents per share fully franked (at 30%) to be paid on 9 October 2008. The record date will be 12 September 2008.

The total dividend for the year is therefore 52 cents per share, a 13% increase on the prior year.

The Board has determined that the Company's Dividend Reinvestment Plan (DRP) will operate for this dividend. The Board has also used its discretion under Rule 15: Variation of Plan to amend the definition of "Z" in Rule 9.1 of the DRP to read:

Z = the average (rounded to the nearest whole cent) of the daily volume weighted average market price per Sonic ordinary share (rounded to four decimal places) sold on the Australian Stock Exchange on each of the 10 consecutive trading days commencing on the second trading day after the record date in respect of the dividend (or such other period as the Company determines and announces to the ASX), less such discount (not exceeding 10%) as is determined by the Board from time to time.

The average of the daily volume weighted average market price per Sonic ordinary share, to be used for the purpose of calculating the market price, will be calculated excluding all off-market trades, including but not limited to transactions identified in accordance with the ASX Market Rules as 'Special Crossings', 'Crossings' prior to the commencement of the 'Open Session State', any overseas trades or trades pursuant to the exercise of options over Sonic ordinary shares, and any overnight crossings or other trades that the Company determines to exclude on the basis that the trades are not fairly reflective of supply and demand. The calculation may be made by the Company and in the absence of manifest error is binding on Sonic shareholders participating in the Plan.

Shares issued under the DRP for the 2008 final dividend will have a subscription price 2.5% below the average of the daily volume weighted average price of Sonic shares sold (excluding off-market trades) on each of the 10 consecutive trading days from and including 16 September 2008. Shares will be allocated under the DRP on 9 October 2008.

Full details of the DRP are set out in the Sonic Healthcare Limited Dividend Reinvestment Plan booklet. To view a copy of the booklet, change current elections or register to participate in the DRP for the upcoming dividend prior to the record date of 12 September 2008, shareholders can visit www.computershare.com, click on Investor Centre/Reinvestment Plans and follow the prompts. Shareholders can also request a copy of the Dividend Reinvestment Plan booklet or DRP election form by contacting Computershare Investor Services on 1300 556 161.

The balance of the 2008 final dividend which has not been reinvested by shareholders in the DRP will be fully underwritten.

As a result of the Company's international expansion it is likely that future dividends, starting with the 2009 interim dividend, will not be fully franked.

FULL YEAR REPORT
For the year ended 30 June 2008

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This report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the accompanying notes, the 2007 Annual Report, the 2007 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Revenue from operations		2,365,014	1,877,682
Other income		15,313	8,399
Total Revenue		2,380,327	1,886,081
Labour and related costs (including \$9,542,000 (2007: \$7,089,000) of equity remuneration expense)		(1,054,236)	(846,022)
Consumables used		(395,265)	(286,927)
Operating lease rental expense		(116,254)	(84,287)
Depreciation and amortisation of physical assets		(75,909)	(62,105)
Borrowing costs expense		(73,795)	(54,302)
Transportation		(71,595)	(51,420)
Utilities		(53,512)	(42,345)
Repairs and maintenance		(48,902)	(42,113)
Amortisation of intangibles		(5,906)	(2,633)
Other expenses from ordinary activities		(153,086)	(123,471)
Profit from ordinary activities before income tax expense		331,867	290,456
Income tax expense		(81,461)	(80,402)
Profit from ordinary activities after income tax expense		250,406	210,054
Net profit attributable to minority interests		(5,290)	(11,982)
Profit attributable to members of Sonic Healthcare Limited		245,116	198,072
Basic earnings per share (cents per share)	5	75.0	66.6
Diluted earnings per share (cents per share)	5	73.5	65.5

The above consolidated income statement should be read in conjunction with the accompanying notes, the 2007 Annual Report, the 2007 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CONSOLIDATED BALANCE SHEET
As at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Current assets			
Cash assets and cash equivalents		63,865	35,960
Other financial assets (interest rate hedging)		4,710	4,759
Receivables		314,151	247,601
Inventories		41,342	32,429
Other		23,775	20,650
Total current assets		447,843	341,399
Non-current assets			
Receivables		3,872	4,245
Other financial assets (investments)		11,618	6,931
Property, plant and equipment		441,466	371,226
Intangible assets		2,700,231	2,149,437
Deferred tax assets		22,259	24,932
Other		1,712	2,292
Total non-current assets		3,181,158	2,559,063
Total assets		3,629,001	2,900,462
Current liabilities			
Payables		187,808	158,356
Interest bearing liabilities	1	510,348	455,689
Current tax liabilities		19,615	4,888
Provisions		93,994	78,639
Other financial liabilities (interest rate hedging)		7,269	542
Other		12,159	7,468
Total current liabilities		831,193	705,582
Non-current liabilities			
Interest bearing liabilities		791,702	719,567
Deferred tax liabilities		5,685	11,076
Provisions		35,450	19,413
Other		2,892	6,379
Total non-current liabilities		835,729	756,435
Total liabilities		1,666,922	1,462,017
Net assets		1,962,079	1,438,445
Equity			
Parent entity interest			
Contributed equity	6	1,709,577	1,242,859
Reserves	8	(8,895)	12,397
Accumulated profits	9	249,308	164,220
Total parent entity interest		1,949,990	1,419,476
Minority interests		12,089	18,969
Total equity		1,962,079	1,438,445

The above consolidated balance sheet should be read in conjunction with the accompanying notes, the 2007 Annual Report, the 2007 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	2,428,021	1,919,997
Payments to suppliers and employees (inclusive of goods and services tax)	(1,975,469)	(1,536,825)
	452,552	383,172
Interest received	8,909	3,829
Borrowing costs	(71,904)	(53,632)
Income taxes paid	(57,672)	(65,434)
Net cash inflow from operating activities	331,885	267,935
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	(683,468)	(486,101)
Payments for property, plant and equipment and intangibles	(142,824)	(129,206)
Proceeds from sale of non current assets	9,286	6,281
Payments for investments	(4,341)	(2,186)
Payments from restructuring and surplus leased space provisions	(847)	(5,386)
Repayment of loans by other entities	11,328	4,796
Loans to other entities	(7,984)	(3,620)
Net cash (outflow) from investing activities	(818,850)	(615,422)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	462,392	4,119
Proceeds from borrowings	1,751,675	733,808
Repayment of borrowings	(1,549,594)	(283,954)
Dividends paid to company's shareholders	(161,953)	(127,054)
Dividends paid to minority interests in subsidiaries	(527)	(2,604)
Net cash inflow from financing activities	501,993	324,315
Net increase / (decrease) in cash and cash equivalents	15,028	(23,172)
Cash and cash equivalents at the beginning of the financial year	35,960	68,156
Effects of exchange rate changes on cash and cash equivalents	12,877	(9,024)
Cash and cash equivalents at the end of the financial year	63,865	35,960

The above consolidated cash flow statement should be read in conjunction with the accompanying notes, the 2007 Annual Report, the 2007 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
Exchange differences on translation of foreign operations	(34,997)	(14,141)
Cash flow hedges (net of tax)	(1,788)	1,007
Revaluation of property	3,875	-
Actuarial gains / (losses) on retirement benefit obligations (net of tax)	1,915	-
Net movements recognised directly in equity	(30,995)	(13,134)
Profit for the year	250,406	210,054
	219,411	196,920
Attributable to:		
Members of Sonic Healthcare Limited	213,814	186,951
Minority interests	5,597	9,969
	219,411	196,920

The above consolidated statement of recognised income and expense should be read in conjunction with the accompanying notes, the 2007 Annual Report, the 2007 Annual Financial Statements, and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2008

Note 1 Summary of significant accounting policies

This financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2007, the 2007 Annual Financial Statements and any public announcements made by Sonic Healthcare Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year and have been consistently applied to all the periods presented, unless otherwise stated.

Working capital deficiency

Sonic is required to disclose the \$500M tranche of its syndicated senior bank debt facility which expires in March 2009 as a current liability as at 30 June 2008. As a result the Consolidated Balance Sheet shows a deficiency of working capital of \$383.4M. Sonic intends to refinance or extend most or all of this tranche over coming months, and foresees no difficulties in doing so given the strong relationships Sonic has with its existing syndicate of seven banks (as evidenced by the recent establishment of an additional \$160M facility with two of those banks), its prudent credit metrics, and its strong and reliable operating cashflows. Any portion of the tranche not refinanced will be repaid out of existing unutilised credit lines. The financial report has therefore been prepared on a "going concern" basis.

Note 2 Segment information

Primary Reporting – Business Segments

Year ended 30 June 2008	Pathology \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Total segment revenue	1,916,439	333,215	127,711	(5,947)	2,371,418
Interest income					8,909
Total revenue					2,380,327
Segment result	365,675	40,547	(9,469)	-	396,753
Unallocated net interest expense					(64,886)
Profit before tax					331,867
Income tax expense					(81,461)
Profit after income tax expense					250,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2008

Primary Reporting – Business Segments

Year ended 30 June 2007	Pathology \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Total segment revenue	1,461,437	326,682	98,125	(3,992)	1,882,252
Interest income					3,829
Total revenue					1,886,081
Segment result	302,141	45,177	(6,389)	-	340,929
Unallocated net interest expense					(50,473)
Profit before tax					290,456
Income tax expense					(80,402)
Profit after income tax expense					210,054

Note 3 Business combinations

On 31 July 2007, Sonic acquired 100% of Sunrise Medical Laboratories, an entity incorporated in the USA. At the date of acquisition Sunrise's forecast annual revenue was approximately US\$75M and forecast annual EBITDA was approximately US\$12M. The Sunrise acquisition has contributed approximately \$2.4M to the net profit of the Group for the period.

On 14 September 2007, Sonic acquired 100% of the Bioscientia Healthcare Group in Germany. At the date of acquisition Bioscientia Healthcare's forecast annual revenue was approximately €125M and forecast annual EBITDA was approximately €20M. The Bioscientia acquisition has contributed approximately \$6.5M to the net profit of the Group for the period.

Other acquisitions in the period, which are individually immaterial, include:

- On 1 October 2007, Sonic acquired 100% of Woodbury Clinical Laboratory, an entity incorporated in the USA.
- IPN, a member of the Group, acquired a number of medical centre businesses during the period, including 100% of Gemini Administration Services Pty Ltd on 11 April 2008, an entity incorporated in Australia.
- On 2 January 2008, Sonic acquired 100% of American Clinical Services, Inc., an entity incorporated in the USA.

It is impracticable to determine the contribution the immaterial acquisitions made to the net profit of the Group during the period, and what they are likely to contribute on an annualised basis, as the majority of the acquisitions were merged with other entities in the Group. The initial accounting for a number of these business combinations has only been determined provisionally at the date of this report, as the Group is still in the process of reviewing acquisition balance sheets and identifying assets and liabilities not previously recorded, so as to determine the fair values of the identifiable assets, liabilities and contingent liabilities acquired.

The aggregate cost of the combinations, the carrying values and fair values of the identifiable assets and liabilities, and the goodwill arising on acquisition are detailed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2008

	Sunrise Medical Laboratories \$'000	Bioscientia Healthcare Group \$'000	Other \$'000	Total \$'000
Consideration - cash paid	183,443	305,216	96,056	584,715
Less: Cash of entity acquired	(3,227)	(5,398)	(2,231)	(10,856)
	180,216	299,818	93,825	573,859
Deferred consideration	2,146	-	4,469	6,615
Consideration – shares / options	-	5,116	-	5,116
Total consideration	182,362	304,934	98,294	585,590
Fair value of identifiable net assets of subsidiaries acquired:				
Debtors & other receivables	10,322	38,835	8,386	57,543
Prepayments	307	415	771	1,493
Inventory	1,087	3,515	812	5,414
Deferred tax assets	-	1,239	251	1,490
Property, plant & equipment	1,520	20,092	6,784	28,396
Other non current receivables	106	788	339	1,233
Investments	-	837	7	844
Identifiable intangibles	-	3,228	-	3,228
Trade payables	(2,407)	(10,513)	(2,140)	(15,060)
Sundry creditors and accruals	(1,129)	(6,894)	(1,939)	(9,962)
Income tax receivable / (payable)	-	769	(1,163)	(394)
Borrowings	-	(15,304)	(91)	(15,395)
Lease liabilities	-	(10,079)	(1,196)	(11,275)
Provisions	(1,429)	(28,515)	(1,404)	(31,348)
	8,377	(1,587)	9,417	16,207
Goodwill	173,985	306,521	88,877	569,383

The goodwill arising from the business combinations is attributable to their reputation in the local market, the benefit of marginal profit and synergies expected to be achieved from integrating the business with existing operations, expected revenue growth, future market development, the assembled workforce and knowledge of local markets. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Acquisition of minority interests

During the first half of the financial year Sonic acquired the outstanding equity held by minority interests in the Schottdorf Group for a total purchase price of ~€80M. On 15 August 2007 Sonic moved to 67.9% ownership, and reached 100% ownership in late December 2007 once the reorganisation of the legal structure of the Schottdorf Group was completed.

The carrying amount of Schottdorf's net assets in the Group's financial statements on the date of acquiring the minority interests was €21.8M. The Group recognised a decrease in minority interests of €9.3M and additional goodwill of €72.5M, equivalent to A\$120.7M at 30 June 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2008

Note 4

Dividends

	2008	2007
	\$'000	\$'000
Total dividends paid on ordinary shares during the year		
Final dividend for the year ended 30 June 2007 of 29 cents (2006: 26 cents) per share paid on 20 September 2007 (2006: 19 September 2006), fully franked based on tax paid at 30%	95,248	76,784
Interim dividend for the year ended 30 June 2008 of 20 cents (2007: 17 cents) per share paid on 26 March 2008 (2007: 28 March 2007), fully franked based on tax paid at 30%	66,695	50,270
	161,943	127,054

The Company's Dividend Reinvestment Plan (DRP) remained suspended for these dividends.

Dividends not recognised at the end of the year

On 20 August 2008 the directors declared a fully franked final dividend of 32 cents per share (2007: 29 cents), payable on 9 October 2008 with a record date of 12 September 2008. Based on the number of shares on issue at 21 August 2008, the aggregate amount of the proposed final dividend to be paid out of retained profits at the end of the year, but not recognised as a liability is:

106,728	95,248
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Australian franking credits available at the year end for subsequent financial years based on a tax rate of 30%

36,222	73,285
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The impact on the franking account of the dividend declared by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$45,741,000 (2007: \$40,821,000), based on the number of shares on issue at 21 August 2008. Franking credits arising from Australian tax paid after year end will maintain the franking account in surplus after payment of the 2008 final dividend.

As a result of the Company's international expansion, it is likely that future dividends, starting with the 2009 interim dividend, will not be fully franked.

Dividend Reinvestment Plan (DRP)

The Board has determined that the Company's Dividend Reinvestment Plan (DRP) will operate for the 2008 final dividend. Shares issued under the DRP will have a subscription price 2.5% below the average of the daily volume weighted average price of Sonic shares sold (excluding off-market trades) on each of the 10 consecutive trading days from and including the second trading day after the record date for participation in the DRP which is 12 September 2008. Shares will be allocated under the DRP on 9 October 2008. The balance of the 2008 final dividend which has not been reinvested by shareholders in the DRP will be fully underwritten.

Full details of the DRP are set out in the Sonic Healthcare Limited Dividend Reinvestment Plan booklet. To view a copy of the booklet, change current elections or register to participate in the DRP for the upcoming dividend prior to the record date of 12 September 2008, shareholders can visit www.computershare.com, click on Investor Centre/Reinvestment Plans and follow the prompts. Shareholders can also request a copy of the Dividend Reinvestment Plan or DRP election form by contacting Computershare Investor Services on 1300 556 161.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2008

Note 5	Earnings per share	2008 Cents	2007 Cents
	Basic earnings per share	75.0	66.6
	Diluted earnings per share	73.5	65.5

		2008 Shares	2007 Shares
Weighted average number of ordinary shares used as the denominator			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share		326,845,998	297,247,195
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share		333,379,534	302,285,149

Note 6	Contributed equity	2008 Shares	2007 Shares	2008 \$'000	2007 \$'000
Share capital					
	Ordinary shares	333,502,281	300,150,202	1,709,577	1,242,859

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
1/7/07	Opening balance	300,150,202		1,242,859
24/8/07	Shares issued under share placement	28,169,015		400,000
24/8/07	Shares issued to executives under remuneration arrangements	30,750		-
14/9/07	Shares issued as part consideration for the acquisition of Bioscientia Healthcare	116,674		1,805
23/11/07	Shares issued under Shareholder Purchase Plan	4,530,640		64,335
Various	Shares issued following exercise of employee options	505,000	Various	3,586
Various	Transfers from equity remuneration reserve	-		928
Various	Costs associated with share issues net of future income tax benefits	-		(3,936)
		<u>333,502,281</u>		<u>1,709,577</u>
30/6/08	Closing Balance	<u>333,502,281</u>		<u>1,709,577</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2008

Note 7 Unlisted share options

Exercise Price	Expiry Date	Options at 30.6.07	Options Exercised	Options Forfeited	Options Granted	Options at 30.6.08
\$6.01	07/02/2008	50,000	(50,000)	-	-	-
\$6.30	15/02/2008	312,000	(309,500)	(2,500)	-	-
\$7.57	19/12/2008	115,000	(28,000)	-	-	87,000
\$6.75	31/08/2009	3,000,000	-	-	-	3,000,000
\$7.50	26/11/2009	1,540,000	-	-	-	1,540,000
\$9.51	23/07/2009	10,000	-	-	-	10,000
\$9.56	23/07/2009	345,000	(117,500)	-	-	227,500
\$7.50	22/08/2010	1,540,000	-	-	-	1,540,000
\$12.69	24/05/2011	40,000	-	-	-	40,000
\$7.50	22/08/2011	1,540,000	-	-	-	1,540,000
\$13.10	15/09/2011	1,200,000	-	-	-	1,200,000
\$13.10	30/09/2011	1,400,000	-	-	-	1,400,000
\$13.10	30/09/2012	300,000	-	-	-	300,000
\$13.10	30/09/2013	300,000	-	-	-	300,000
\$13.00*	30/09/2012	-	-	-	1,000,000	1,000,000
\$13.00	13/06/2012	-	-	-	500,000	500,000
\$7.50	24/08/2012	-	-	-	1,540,000	1,540,000
\$14.16	03/08/2012	-	-	-	1,000,000	1,000,000
		11,692,000	(505,000)	(2,500)	4,040,000	15,224,500

* or where the closing market share price for Sonic's shares on 30 May 2012 is less than \$15.00, \$2.00 less than the closing price on that day.

Note 8 Reserves

	2008 \$'000	2007 \$'000
Foreign currency translation reserve	(54,643)	(19,340)
Hedge accounting reserve	852	2,641
Equity remuneration reserve	25,736	17,122
Share option reserve	15,285	11,974
Revaluation reserve	3,875	-
	(8,895)	12,397

Note 9 Retained earnings

	2008 \$'000	2007 \$'000
Retained earnings at the beginning of the financial year	164,220	93,202
Net profit attributable to members of Sonic Healthcare Limited	245,116	198,072
Dividends provided for or paid	(161,943)	(127,054)
Actuarial gains / (losses) on retirement benefit obligations (net of tax)	1,915	-
Retained earnings at the end of the financial year	249,308	164,220

Note 10 Net tangible asset backing

	2008	2007
Net tangible asset backing per ordinary security	(\$2.21)	(\$2.37)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2008

Note 11 Ratios

	<u>2008</u>	<u>2007</u>
Profit before tax/revenue		
Consolidated profit from ordinary activities before tax as a percentage of revenue	<u>13.9%</u>	<u>15.4%</u>
Profit after tax/equity interests		
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the year	<u>12.6%</u>	<u>14.0%</u>

Note 12 Non cash financing and investing activities

The following non-cash financing and investing activities occurred during the year and are not reflected in the Cash Flow Statement:

- Plant and equipment with an aggregate fair value of \$1,111,000 (2007: \$278,000) was acquired by means of finance leases and hire purchase agreements.
- 4,040,000 (2007: 4,780,000) options over unissued Sonic shares were issued. The value (\$3,311,000) of 1,000,000 of these options was included as part of the consideration for the Bioscientia Healthcare Group and the value (\$2,773,000) of 1,000,000 options was included as part of the consideration for the Medica Laboratory Group. In 2007, the value (\$4,791,000) of 2,000,000 options was capitalised into the cost of investment in Clinical Pathology Laboratories. Nil (2007: 40,000) were Queensland X-Ray options, and 2,040,000 (2007: 2,740,000) were issued in relation to incentive arrangements, along with 30,750 (2007: 30,750) ordinary shares.
- 116,674 Sonic ordinary shares with a value of \$1,805,000 were issued as part of the consideration for the Bioscientia Healthcare Group.
- In 2007, 6,939,630 IPN ordinary shares were issued in satisfaction of \$1M of the purchase price for medical centres.
- 6,672,000 (2007: 4,485,629) options over unissued IPN shares were issued. In 2007, 1,000,000 of these were issued as part of a medical centre acquisition. The remainder were issued in relation to incentive arrangements.

Note 13 Events occurring after reporting date

Since the end of the financial year, no 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 has arisen, other than as follows:

- As described in Sonic's announcement to the market dated 16 June 2008, Sonic has signed an agreement to acquire 100% of the GLP Medical Group based in Hamburg, Germany. Settlement of the transaction is expected in early September 2008.
- As described in Sonic's announcement to the market dated 30 June 2008, Sonic has signed agreements to acquire 100% of Clinical Laboratories of Hawaii and its associated anatomical pathology practice, Pan Pacific Pathologists, for a purchase price of ~US\$121 Million. Settlement of the transaction is expected in early September 2008.
- On 1 July 2008 Sonic completed the acquisition of 100% of the Labor 28 Group based in Berlin, Germany (refer to Sonic's announcements to the market dated 2 June 2008 and 2 July 2008).
- As described in Sonic's announcement to the market dated 2 July 2008, Sonic acquired the Laboratory Prof. Krech Group, its second acquisition in Switzerland.
- On 31 July 2008 Sonic established an additional A\$160M three year term debt facility with two of its existing bankers, to re-establish "headroom" for expansion.
- On 20 August 2008 Sonic's Directors declared a final dividend of 32 cents per ordinary share payable on 9 October 2008. Sonic's Dividend Reinvestment Plan has been reinstated for this dividend and the balance of the 2008 final dividend not reinvested by shareholders in the DRP will be fully underwritten.

COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

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

Identify other standards used

NIL

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

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

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

The entity has a formally constituted audit committee.

Signed: 
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(Company Secretary)

Date: 21 August 2008

Print name: PAUL ALEXANDER