Sonic Healthcare Limited
ABN 24 004 196 909

PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2010
Lodged with the ASX under Listing Rule 4.3A

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2010

Financial Results
$'000

	2010 Constant Currency	2010 Statutory	2009 Statutory	% Change 2010 Constant Currency v 2009 Statutory	% Change 2010 Statutory v 2009 Statutory
Revenue from ordinary activities	**3,258,663**	**2,994,633**	3,013,731	**8.1%**	**(0.6)%**
Earnings before interest, tax, depreciation and intangibles amortisation (**EBITDA**)	**591,248**	**543,857**	425,125		
Depreciation and lease amortisation	**(98,518)**	**(93,089)**	(93,087)		
Earnings before interest, tax and intangibles amortisation (**EBITA**)	**492,730**	**450,768**	332,038		
Amortisation of intangibles	**(16,632)**	**(15,357)**	(8,196)		
Net interest expense	**(59,819)**	**(48,805)**	(74,234)		
Income tax attributable to Operating Profit	**(98,679)**	**(92,822)**	(77,053)		
Net Profit attributable to Outside Equity Interests	**(571)**	**(559)**	(1,195)		
Net Profit attributable to shareholders of Sonic Healthcare Limited	**317,029**	**293,225**	171,360	**85.0%**	**71.1%**
Net Profit adjusted for 2009 Non-recurring items	**317,029**		315,146	**0.6%**	
Cash generated from operations		**429,497**	429,952		

Dividends
Cents per share

	2010	2009
Final dividend	**35¢**	35¢
Final dividend franked amount per security	**12.25¢**	12.25¢
Interim dividend	**24¢**	22¢
Interim dividend franked amount per security	**8.4¢**	13.2¢

The record date for determining entitlements to the final dividend will be 14 September 2010. The final dividend will be paid on 28 September 2010. The Company's Dividend Reinvestment Plan (DRP) remains suspended for this dividend and until further notice. The 2010 final dividend includes no conduit foreign income.

Earnings per share
Cents per share

	2010 Constant Currency	2010 Statutory	2009 Statutory
Basic earnings per share	**81.7¢**	**75.5¢**	46.9¢
Diluted earnings per share	**81.1¢**	**75.0¢**	46.3¢

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

COMMENTARY ON RESULTS
For the year ended 30 June 2010

1. Key highlights

- Net profit in line with guidance given in May 2010.
- Ongoing organic growth in Sonic's key markets.
- Synergies driving margin expansion in the USA and Germany.
- Entered the Belgian laboratory market through the acquisition of the Medhold Group.
- Four synergistic pathology acquisitions completed; and funding available of ~A$465M for future acquisitions.
- Positive outlook with net profit expected to grow by 5-15% in 2011, excluding additional acquisitions (assuming 2010 currency exchange rates).

2. Explanation of results

(a) Constant currency

As a result of Sonic's expanding operations outside of Australia, Sonic is increasingly exposed to currency exchange rate translation risk i.e. the risk that Sonic's offshore earnings and assets fluctuate when reported in AUD.

The average currency exchange rates for the year to 30 June 2010 for the Australian dollar ("A$", "AUD" or "$") versus the currencies of Sonic's offshore earnings (USD, Euro, GBP, CHF, NZD) were significantly higher than in the comparative period, reducing Sonic's AUD reported earnings ("Statutory" earnings).

The underlying earnings in foreign currency are not affected, and as Sonic does not physically convert these earnings to AUD, there is no real economic effect of the currency rate volatility.

Sonic's results for the year have therefore also been presented on a "constant currency" basis (i.e. using the same exchange rates to convert the current period foreign earnings as applied in the comparative period) to give a true reflection of the Group's performance.

To manage currency translation risk Sonic uses "natural" hedging, under which foreign currency assets (businesses) are matched with same currency debt. Therefore:

- as the AUD value of offshore assets changes with currency movements, so does the AUD value of the debt; and
- as the AUD value of foreign currency EBIT changes with currency movements, so does the AUD value of the foreign currency interest expense.

As Sonic's foreign currency earnings grow and debt is repaid, the natural hedges become less effective, so AUD reported earnings do fluctuate. Sonic believes it is inappropriate to hedge translation risk (a non-cash risk) with real cash hedging instruments.

(b) 2009 Non-recurring items ("NRIs")

No adjustments for Non-recurring items have been made in the current year, however a number of non-recurring expenses occurred during the 2009 year, comprising:

AUD M	Pre tax	Tax	Post Tax
Impairment of New Zealand pathology intangibles (i)	120.1	-	120.1
Restucturing costs – New Zealand pathology (i)	22.8	(6.8)	16.0
Implementation of the direct billing system in Germany, following changes in German regulations	5.3	(1.6)	3.7
Implementation of the Apollo laboratory information system into Douglass Hanly Moir (NSW, Australia)	3.5	(1.1)	2.4
UK pre-acquisition related insurance claim	2.2	(0.6)	1.6
	153.9	(10.1)	143.8

(i) Refer to Sonic Healthcare's announcement to the Australian Securities Exchange on 18 August 2009 for further details of the New Zealand pathology items.

COMMENTARY ON RESULTS
For the year ended 30 June 2010

2. Explanation of results (continued)

(c) Revenue

Total revenue growth for the year was 8.1% at constant currency exchange rates (i.e. applying the average rates for the 2009 year to the current year results).

Revenue split AUD M	**2010 Constant Currency Revenue**	**% of 2010 Constant Currency Revenue**	**2010 Statutory Revenue**	**% of 2010 Statutory Revenue**
Pathology – Australia	901	28%	901	31%
Pathology – US	818	25%	692	23%
Pathology – Europe	912	28%	776	26%
Pathology – NZ	74	2%	73	2%
Radiology	358	11%	357	12%
Medical centres	182	6%	182	6%
Revenue excluding interest income	3,245	100%	2,981	100%
Interest income	14		14	
Total revenue	3,259		2,995	

Pathology organic revenue growth AUD M	**2010**	**2009**	**Organic growth**
Australia (i) (ii)	900.6	880.5	**2.3%**
US (i) (ii)	778.1	732.2	**6.3%**
Europe (i) (ii)	845.7	812.8	**4.0%**
New Zealand (i) (ii)	74.1	114.3	**(35.2)%**
Effect of acquisitions (i) (ii)	109.1	(40.6)	
Exchange rate movement effect (i)	(262.7)	-	
Pathology revenue as reported	2,444.9	2,499.2	

Notes:

(i) The geographic revenue figures shown for 2010 are presented using 2009 currency exchange rates, and excluding the revenue of acquisitions completed in the 2010 year, the total of which is shown separately ($109.1M). The currency exchange rate effect of $(262.7)M is also shown separately.

(ii) The geographic revenue figures shown for 2009 have been adjusted (increased) to include a full year of revenue of acquisitions completed in the 2009 year. The total of these adjustments ($40.6M) is then reversed to reconcile back to the reported total.

Organic (non-acquisitional) revenue growth in Sonic's key pathology operations was above what Sonic believes are the relevant market growth rates. The organic growth rates in Australia and Europe were strong given the effect during the period of cuts to the Australian Medicare (effective 1 November 2009) and German EBM (effective from January and April 2009) fee schedules.

New Zealand pathology revenue declined significantly as a result of Sonic's Auckland community laboratory contract finishing on 6 September 2009.

COMMENTARY ON RESULTS
For the year ended 30 June 2010

2. Explanation of results (continued)

(c) Revenue (continued)

Revenue growth was augmented by synergistic business acquisitions during the current period and prior year including:

- GLP Medical Group, Hamburg, Germany (1 September 2008)
- Clinical Laboratories of Hawaii, USA (2 September 2008)
- Axiom Laboratories, Florida, USA (1 July 2009)
- Piedmont Medical Laboratory, Virginia, USA (31 July 2009)
- East Side Clinical Laboratory, Rhode Island, USA (30 November 2009)
- Labor Lademannbogen, Hamburg, Germany (4 January 2010)
- Medhold Group, Belgium (12 February 2010)
- Prime Health Group, Australia (31 March 2010)

Radiology organic revenue growth was 3.5%.

Sonic's medical centre business, Independent Practitioner Network ("IPN"), achieved revenue growth of 14% through a combination of organic growth, the Prime Health Group acquisition and other smaller acquisitions.

Revenue was impacted by currency exchange rate movements, which decreased reported (Statutory) revenue by $264M compared to the prior year.

(d) Margin analysis	2010	2009	Movement
EBITDA as a % of Revenue	**18.2%**	14.1%	410 bps*
EBITA as a % of Revenue	**15.1%**	11.0%	410 bps*

*bps = basis points of margin

The margins presented above are shown on a Statutory basis, without adjusting for the significant Non-recurring items (set out in 2.(b) above) in the comparative period or currency rate movements in the current period.

Margin expansion was strongest in the USA (50 bps) and Germany (20 bps, after adjusting the comparative period for a Non-recurring item), where synergy capture from acquisitions in the last few years continues. These results are particularly pleasing as these further improvements are following from >200 bps (USA) and >100 bps (Germany) of margin expansion in the comparative period. In addition, current period German margin expansion was impacted by fee cuts to the EBM fee schedule which took effect from January and April 2009 (equivalent to ~2% of German revenue).

Australian Pathology margins contracted by 320 bps (after adjusting the comparative period for a Non-recurring item) as a result of the Medicare fee cuts from 1 November 2009 and the related effects of temporary volume losses in Queensland and abnormally low market volume growth across the country. The volume loss in Queensland was triggered by the introduction of distinctive new billing arrangements. These were subsequently reversed, following which volumes have now fully recovered. Excluding Queensland, Sonic was able to fully offset the effect on average fees of the Medicare fee cuts by increasing patient billing in the specialist and hospital markets.

New Zealand Pathology margins were severely impacted by the loss of the Auckland contract, and the adverse funding system now operating in New Zealand, which comprises fixed fee contracts.

Sonic's Radiology division maintained earnings at the 2009 level despite difficult market conditions. Medicare fee increases applicable to bulk-billed (no patient co-payment) services came into effect from 1 November 2009 but were offset by impacts of competition on volumes and pricing.

Margins were also impacted by the expensing of acquisition related costs, totalling over A$3M in the year, following a change to accounting standards (AIFRS). Under accounting standards applying to previous periods these costs would have been capitalised into the carrying value of the acquisitions to which they relate.

COMMENTARY ON RESULTS
For the year ended 30 June 2010

2. Explanation of results (continued)

(e) Depreciation and lease amortisation

Depreciation and leased asset amortisation has increased 5.8% on the comparative period (at constant currency rates) as a result of business acquisitions and growth. As a percentage of revenue, depreciation and amortisation at 3.0% is constant versus the comparative period.

(f) Intangibles amortisation

Intangibles amortisation mainly relates to internally developed software.

(g) Interest expense and debt facilities

Net interest expense has decreased 19.4% on the comparative period (at constant currency rates) mainly due to the equity raisings conducted in November and December 2008, and the reductions in US LIBOR and EURIBOR base rates since late 2008.

All of Sonic's bank debt is drawn in foreign currencies as "natural" balance sheet hedging of Sonic's offshore operations (see *(a) Constant currency* above).

Interest rate hedging arrangements are in place in accordance with Sonic's Treasury policy.

Sonic's net interest bearing debt at 30 June 2010 comprised:

	Facility Limit M	Drawn M	AUD $M Available
Notes held by US investors – USD	US$250	US$250	-
Bank debt facilities			
- USD limits	US$541	US$466	88
- Euro limits	€632	€545	124
- AUD (Multicurrency) limits	A$251	A$153*	101
Minor debt / leasing facilities	n/a	A$15*	-
Cash	n/a	A$(300)*	300
Available funds at 30 June 2010			613

* Various currencies, cash mainly AUD

Sonic's credit metrics at 30 June 2010 were as follows:

	30.6.10	31.12.09	30.6.09
Gearing ratio	37.0%	31.3%	32.1%
Interest cover (times)	9.4	9.7	6.5
Debt cover (times)	2.6	1.9	2.2

Definitions:
- Gearing ratio = Net debt / [Net debt + equity] (bank covenant limit <55%)
- Interest cover = EBITA / Net interest expense (bank covenant limit >3.25)
- Debt cover = Net debt / EBITDA (bank covenant limit <3.5)
- Calculations as per Sonic's syndicated bank debt facility definitions

COMMENTARY ON RESULTS
For the year ended 30 June 2010

2. Explanation of results (continued)

(g) Interest expense and debt facilities (continued)

Sonic's senior debt facility limits expire as follows:

	AUD M	USD M	Euro M
November 2010	37	-	-
2011	19	182	205
2012	16	310	215
2014	-	49	26
2015	179	-	186
2017	-	95	-
2020	-	155	-
	251	791	632

Sonic successfully completed its debut issue of notes to investors in the United States private placement market in January 2010, raising US$250M of long term (7 and 10 years) debt. Sonic also refinanced a tranche of bank debt equivalent to ~A450M for 5 years in April 2010. Sonic's excellent relationships with its banks, its investment grade credit metrics, and its strong and reliable cash flows significantly reduce refinancing risk.

(h) Tax expense

The effective tax rate of 24% is in line with the guidance provided in August 2009, and is higher than the comparative period (21.6% after adjusting for Non-recurring items), which included adjustments relating to prior year over provisions. Ignoring the impact of future acquisitions, and any short term fluctuations, the effective tax rate for future periods is expected to be approximately 25%.

(i) Outside equity interests

The outside equity interest figures comprise minority interests in a number of small entities in the Group. The comparative period figure also included minority interests in IPN (up until 30 September 2008, when Sonic acquired the balance of the equity in IPN).

(j) Cashflow from operations

Growth in cash generated from operations was impacted by currency exchange rate movements. Cash generation was also impacted by the timing of cashflows at the beginning of the year, with some reversal from the extremely strong cash flows reported in the 2009 financial year. In addition, Australian Pathology trade receivables increased as a result of increased private billing. Cash generated from operations significantly exceeded cash profit (net profit plus depreciation, intangibles amortisation, equity instrument and outside equity interests), mainly as a result of the timing of tax payments.

(k) Guidance for 2011

Sonic expects to grow Net Profit by 5-15% over the 2010 level of A$293M, on a constant currency basis (applying 2010 average currency exchange rates to 2011). This guidance excludes the impact of future business acquisitions, and is dependent on the timing of resumption of normal market growth rates for Australian Pathology.

3. Final dividend and Dividend Reinvestment Plan (DRP)

The Board has declared a final dividend of 35 cents per share 35% franked (at 30%) to be paid on 28 September 2010. The record date will be 14 September 2010. This dividend includes no conduit foreign income.

The total dividend for the year is therefore 59 cents per share, a 3.5% increase on the prior year.

The Board has determined that the Company's Dividend Reinvestment Plan (DRP) remains suspended for this dividend and until further notice.

As a result of Sonic's international expansion future dividends will not be fully franked. It is expected that the 2011 interim dividend will be franked to ~28%.

FULL YEAR REPORT
For the year ended 30 June 2010

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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 2009 Annual Report, the 2009 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 2010

	Notes	2010 $'000	2009 $'000
Revenue from operations		**2,972,613**	2,995,605
Other income		**22,020**	18,126
Total Revenue		**2,994,633**	3,013,731
Labour and related costs (including $5,609,000 (2009: $7,632,000) of non-cash equity remuneration expense)		**(1,337,577)**	(1,314,637)
Consumables used		**(516,987)**	(524,205)
Operating lease rental expense		**(141,490)**	(141,443)
Impairment of New Zealand Pathology intangibles		**-**	(120,100)
Restructuring costs - New Zealand Pathology		**-**	(22,772)
Depreciation and amortisation of physical assets		**(93,089)**	(93,087)
Transportation		**(86,439)**	(91,042)
Repairs and maintenance		**(68,252)**	(65,240)
Utilities		**(67,708)**	(66,719)
Borrowing costs expense		**(62,787)**	(86,652)
Amortisation of intangibles		**(15,357)**	(8,196)
Other expenses from ordinary activities (including $3,033,000 (2009: $Nil) of acquisition costs)		**(218,341)**	(230,030)
Profit from ordinary activities before income tax expense		**386,606**	249,608
Income tax expense		**(92,822)**	(77,053)
Profit from ordinary activities after income tax expense		**293,784**	172,555
Net profit attributable to minority interests		**(559)**	(1,195)
Profit attributable to members of Sonic Healthcare Limited		**293,225**	171,360
Basic earnings per share (cents per share)	5	**75.5**	46.9
Diluted earnings per share (cents per share)	5	**75.0**	46.3

The above consolidated income statement should be read in conjunction with the accompanying notes, the 2009 Annual Report, the 2009 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 COMPREHENSIVE INCOME
For the year ended 30 June 2010

	2010 $'000	2009 $'000
Profit from ordinary activities after income tax expense	**293,784**	172,555
Other comprehensive income		
Exchange differences on translation of foreign operations	**(75,734)**	33,476
Cash flow hedges	**2,181**	(21,147)
Actuarial (losses) on retirement benefit obligations	**(917)**	(2,667)
Revaluation reserve reduction	**(603)**	-
Other comprehensive income for the period, net of tax	**(75,073)**	9,662
Total comprehensive income for the period	**218,711**	182,217
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	**218,107**	181,019
Minority interests	**604**	1,198
	218,711	182,217

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes, the 2009 Annual Report, the 2009 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 2010

	Notes	2010 $'000	2009 $'000
Current assets			
Cash assets and cash equivalents		**300,354**	557,932
Receivables		**406,988**	374,481
Inventories		**53,993**	51,872
Assets classified as held for sale		**9,688**	-
Other		**27,571**	28,019
Total current assets		**798,594**	1,012,304
Non-current assets			
Receivables		**3,222**	5,365
Other financial assets (investments)		**29,385**	22,423
Property, plant and equipment		**530,106**	492,956
Intangible assets		**3,466,457**	3,191,282
Deferred tax assets		**34,902**	35,256
Other		**1,059**	1,660
Total non-current assets		**4,065,131**	3,748,942
Total assets		**4,863,725**	4,761,246
Current liabilities			
Payables		**237,619**	234,301
Interest bearing liabilities		**448,827**	421,999
Current tax liabilities		**26,293**	9,264
Provisions		**124,236**	123,116
Other financial liabilities (interest rate hedging)		**34,746**	40,289
Other		**12,051**	11,814
Total current liabilities		**883,772**	840,783
Non-current liabilities			
Interest bearing liabilities		**1,352,618**	1,334,268
Deferred tax liabilities		**23,537**	5,768
Provisions		**40,430**	40,210
Other		**4,627**	8,134
Total non-current liabilities		**1,421,212**	1,388,380
Total liabilities		**2,304,984**	2,229,163
Net assets		**2,558,741**	2,532,083
Equity			
Parent entity interest			
Contributed equity	6	**2,345,145**	2,299,256
Reserves	8	**(78,357)**	4,557
Accumulated profits	9	**289,480**	226,346
Total parent entity interest		**2,556,268**	2,530,159
Minority interests		**2,473**	1,924
Total equity		**2,558,741**	2,532,083

The above consolidated balance sheet should be read in conjunction with the accompanying notes, the 2009 Annual Report, the 2009 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 2010

	2010 $'000	2009 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**3,045,853**	3,058,303
Payments to suppliers and employees (inclusive of goods and services tax)	**(2,523,465)**	(2,488,891)
	522,388	569,412
Interest received	**13,982**	12,418
Borrowing costs	**(51,435)**	(89,388)
Income taxes paid	**(55,438)**	(62,490)
Net cash inflow from operating activities	**429,497**	429,952
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	**(429,559)**	(447,254)
Payments for property, plant and equipment	**(139,313)**	(121,154)
Proceeds from sale of non current assets	**5,105**	3,197
Payments for investments	**(1,860)**	(15,780)
Payments from restructuring and surplus leased space provisions	**(9,835)**	(169)
Payments for intangibles	**(36,042)**	(29,363)
Repayment of loans by other entities	**6,394**	3,163
Loans to other entities	**(4,444)**	(4,555)
Net cash (outflow) from investing activities	**(609,554)**	(611,915)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**31,557**	537,730
Proceeds from borrowings	**927,738**	827,692
Repayment of borrowings	**(799,608)**	(557,074)
Dividends paid to company's shareholders	**(229,174)**	(148,268)
Dividends paid to minority interests in controlled entities	**(239)**	(339)
Net cash (outflow) / inflow from financing activities	**(69,726)**	659,741
Net (decrease) / increase in cash and cash equivalents	**(249,783)**	477,778
Cash and cash equivalents at the beginning of the financial year	**557,932**	63,865
Effects of exchange rate changes on cash and cash equivalents	**(7,795)**	16,289
Cash and cash equivalents at the end of the financial year	**300,354**	557,932

The above consolidated cash flow statement should be read in conjunction with the accompanying notes, the 2009 Annual Report, the 2009 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 CHANGES IN EQUITY
For the year ended 30 June 2010

	Share capital $'000	Reserves $'000	Retained profits $'000	Total $'000	Minority interests $'000	Total $'000
Balance at 1 July 2009	2,299,256	4,557	226,346	2,530,159	1,924	2,532,083
Profit for period	-	-	293,225	293,225	559	293,784
Other comprehensive income for the period	-	(74,201)	(917)	(75,118)	45	(75,073)
Total comprehensive income for the period	-	(74,201)	292,308	218,107	604	218,711
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(229,174)	(229,174)	-	(229,174)
Shares issued	40,445	(8,857)	-	31,588	-	31,588
Transaction costs on shares issued, net of tax	(21)	-	-	(21)	-	(21)
Transfers to share capital	5,465	(5,465)	-	-	-	-
Share based payments	-	5,609	-	5,609	-	5,609
Minority interest on acquisition of subsidiary	-	-	-	-	189	189
Dividends paid to minority interests in controlled entities	-	-	-	-	(244)	(244)
Balance at 30 June 2010	2,345,145	(78,357)	289,480	2,556,268	2,473	2,558,741
Balance at 1 July 2008	1,709,577	(8,895)	249,308	1,949,990	12,089	1,962,079
Profit for period	-	-	171,360	171,360	1,195	172,555
Other comprehensive income for the period	-	12,327	(2,667)	9,660	2	9,662
Total comprehensive income for the period	-	12,327	168,693	181,020	1,197	182,217
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(191,655)	(191,655)	-	(191,655)
Shares issued	589,090	-	-	589,090	-	589,090
Transaction costs on shares issued, net of tax	(5,515)	-	-	(5,515)	-	(5,515)
Transfers to share capital	6,104	(6,104)	-	-	-	-
Share based payments	-	7,632	-	7,632	-	7,632
IPN option cancellation	-	(1,545)	-	(1,545)	-	(1,545)
Options forming part of consideration for business combinations	-	1,142	-	1,142	-	1,142
Reduction of IPN minority interests	-	-	-	-	(11,030)	(11,030)
Dividends paid to minority interests in controlled entities	-	-	-	-	(332)	(332)
Balance at 30 June 2009	2,299,256	4,557	226,346	2,530,159	1,924	2,532,083

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes, the 2009 Annual Report, the 2009 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 2010

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 2009, the 2009 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 accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as noted below.

AASB 101 *Presentation of Financial Statements*

With effect from 1 July 2009, the Group has adopted the revised AASB 101 *Presentation of Financial Statements*. This statement requires the presentation of a new Statement of Comprehensive Income separate from changes in equity arising from transactions with shareholders. This amended standard impacts presentation only and has no effect on reported results.

AASB 8 *Operating Segments*

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The application of the new standard has resulted in no changes to the reportable segments previously presented. However segment performance is monitored internally based on EBITA. This performance measure differs from previous annual financial statements for the financial year ended 30 June 2009 which was based on EBIT. Segment disclosures in note 2 have been amended accordingly, together with comparative amounts.

AASB 3 *Business Combinations (revised 2008)*

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes. All purchase consideration is now recorded at fair value at the acquisition date, with contingent payables classified as debt, if it meets the definition of debt, and subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be reliably measured and were accounted for as an adjustment to the cost of the acquisition.

Acquisition related costs are now expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

Where a business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest is remeasured at fair value as at the acquisition date through profit or loss.

The changes were implemented prospectively from 1 July 2009 and the impact on the results of the Group is disclosed in note 3.

Working capital deficiency

Sonic is required to disclose $443M of debt drawn under bank debt facilities which expire in November 2010 ($37M) and March 2011 ($406M) as a current liability as at 30 June 2010. As a result the Consolidated Balance Sheet shows a deficiency of working capital of $85.2M. Sonic intends to refinance or extend most or all of this debt, and foresees no difficulties in doing so given the strong relationships Sonic has with its existing syndicate of banks (as evidenced by the April 2010 refinancing of ~$450M of bank facilities), its prudent credit metrics, and its strong and reliable operating cashflows. Any portion of the debt not refinanced will be repaid out of existing unutilised credit lines. The financial report has therefore been prepared on a "going concern" basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2010

Note 2 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (the chief operating decision makers) in assessing performance and determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Chief Executive Officer and the Board of Directors on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return. The Group has the following reportable segments.

(i) Pathology
Pathology/clinical laboratory services provided in Australia, New Zealand, the United Kingdom, the United States of America, Germany, Switzerland and Belgium.

(ii) Radiology
Radiology and diagnostic imaging services provided in Australia and New Zealand.

(iii) Other
Includes the corporate office function, medical centre operations (IPN), and other minor operations.

Year ended 30 June 2010	**Pathology $'000**	**Radiology $'000**	**Other $'000**	**Eliminations $'000**	**Consolidated $'000**
Total segment revenue	2,444,868	357,119	184,106	(5,442)	2,980,651
Interest income					13,982
Total revenue					**2,994,633**
Segment result EBITA	428,069	33,770	(11,071)	-	450,768
Amortisation expense					(15,357)
Unallocated net interest expense					(48,805)
Profit before tax					**386,606**
Income tax expense					(92,822)
Profit after income tax expense					**293,784**
Depreciation expense	51,405	30,965	10,719	-	93,089

Year ended 30 June 2009	**Pathology $'000**	**Radiology $'000**	**Other $'000**	**Eliminations $'000**	**Consolidated $'000**
Total segment revenue	2,499,250	345,395	161,951	(5,283)	3,001,313
Interest income					12,418
Total revenue					**3,013,731**
Segment EBITA before non-recurring items	464,549	34,754	(13,391)	-	485,912
Non-recurring items	(153,874)	-	-	-	(153,874)
Segment EBITA after non-recurring items	310,675	34,754	(13,391)	-	332,038
Amortisation expense					(8,196)
Unallocated net interest expense					(74,234)
Profit before tax					**249,608**
Income tax expense					(77,053)
Profit after income tax expense					**172,555**
Depreciation expense	56,247	29,864	6,976	-	93,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2010

Note 3 Business combinations

Acquisition of subsidiaries / business assets

Acquisitions in the period include:
- On 31 July 2009, Sonic acquired 100% of Piedmont Medical Laboratory, based in Virginia, USA.
- On 30 November 2009, Sonic acquired 100% of East Side Clinical Laboratory, based in Rhode Island, USA.
- On 4 January 2010, Sonic acquired 100% of the Lademannbogen Laboratory Group, based in Hamburg, Germany.
- On 12 February 2010, Sonic acquired 100% of the Medhold Group, based in Antwerp, Belgium.
- IPN, a member of the Group, acquired Prime Health Group and a number of medical centre businesses during the period.

The contribution these acquisitions made to the Group's profit during the period was immaterial individually and in total, however the effect of acquisitions on pathology revenue is noted in section 2 of the Commentary on Results. The initial accounting for the East Side, Lademannbogen and Medhold business combinations has only been determined provisionally at the date of this report, as the Group is still in the process of determining final fair values of the identifiable assets, liabilities and contingent liabilities acquired. The accounting for a number of the other acquisitions has been finalised at the date of this report.

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

	Medhold Group $'000	**Other $'000**	**Total $'000**
Consideration - cash paid	277,676	147,203	**424,879**
Less: Cash of entities acquired	(15,030)	(2,581)	**(17,611)**
	262,646	144,622	**407,268**
Deferred consideration	-	12,687	**12,687**
Total consideration	262,646	157,309	**419,955**
Carrying / fair value of identifiable net assets of subsidiaries acquired:			
Debtors & other receivables	15,606	18,878	**34,484**
Prepayments	1,129	719	**1,848**
Inventory	2,062	3,066	**5,128**
Deferred tax assets	-	448	**448**
Property, plant & equipment	7,447	22,453	**29,900**
Other non-current receivables	-	286	**286**
Investments	-	104	**104**
Identifiable intangibles	222	1,513	**1,735**
Trade payables	(5,767)	(5,658)	**(11,425)**
Sundry creditors and accruals	(11,860)	(4,258)	**(16,118)**
Income tax payable	(2,961)	(984)	**(3,945)**
Borrowings	(82,349)	(1,250)	**(83,599)**
Lease liabilities	(126)	(269)	**(395)**
Provisions	(2,284)	(1,116)	**(3,400)**
	(78,881)	33,932	**(44,949)**
Goodwill	341,527	123,377	**464,904**

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 related costs of $3,033,000 are included in other expenses in the Statement of Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2010

Note 4 Dividends

	2010 $'000	2009 $'000
Total dividends paid on ordinary shares during the year		
Final dividend for the year ended 30 June 2009 of 35 cents (2008: 32 cents) per share paid on 28 September 2009 (2008: 9 October 2008), franked to 35% (2008: 100%)	**135,950**	107,203*
Interim dividend for the year ended 30 June 2010 of 24 cents (2009: 22 cents) per share paid on 25 March 2010 (2009: 26 March 2009), franked to 35%. (2009: 60%)	**93,224**	84,452
	229,174	191,655

* Sonic's dividend reinvestment plan operated for this dividend

Dividends not recognised at the end of the year

	2010 $'000	2009 $'000
On 23 August 2010 the directors declared a final dividend of 35 cents per share (2009: 35 cents) franked to 35% (2009: 35%), payable on 28 September 2010 with a record date of 14 September 2010. Based on the number of shares on issue at 23 August 2010, 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:	**135,950**	135,950
Australian franking credits available at the year end for subsequent financial years based on a tax rate of 30%	**10,796**	9,312

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 $20,392,000 (2009: $20,392,000), based on the number of shares on issue at 23 August 2010. Franking credits arising from Australian tax paid after year end will maintain the franking account in surplus after payment of the 2010 final dividend.

As a result of the Company's international expansion future dividends will not be fully franked. It is expected that the 2011 interim dividend will be franked to ~28%.

Dividend Reinvestment Plan (DRP)

The company's DRP remains suspended for the 2010 final dividend and until further notice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2010

Note 5 Earnings per share

	2010 Cents	2009 Cents
Basic earnings per share	**75.5**	46.9
Diluted earnings per share	**75.0**	46.3

Weighted average number of ordinary shares used as the denominator

	2010 Shares	2009 Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**388,140,826**	365,367,618
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**390,882,177**	369,722,154

Note 6 Contributed equity

	2010 Shares	2009 Shares	2010 $'000	2009 $'000
Share capital				
Ordinary shares	**388,429,875**	383,970,875	**2,345,145**	2,299,256

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1/7/09	Opening balance	383,970,875		2,299,256
Various	Shares issued following exercise of employee options	4,459,000	Various	40,445
Various	Transfers from equity remuneration reserve	-		5,465
Various	Costs associated with share issues net of future income tax benefits	-		(21)
30/6/10	Closing balance	388,429,875		2,345,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2010

Note 7 Unlisted share options

Exercise Price	Expiry Date	Options at 30.6.09	Options Exercised	Options Granted	Options Forfeited	Options at 30.6.10
$6.75	31/08/2009	3,000,000	(3,000,000)	-	-	**-**
$7.50	26/11/2009	140,000	(140,000)	-	-	**-**
$9.51	23/07/2009	10,000	(10,000)	-	-	**-**
$9.56	23/07/2009	64,000	(64,000)	-	-	**-**
$7.50	22/08/2010	1,540,000	(1,200,000)	-	-	**340,000**
$12.69	24/05/2011	40,000	(20,000)	-	-	**20,000**
$7.50	22/08/2011	1,540,000	-	-	-	**1,540,000**
$13.10	15/09/2011	1,075,000	(25,000)	-	(25,000)	**1,025,000**
$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	200,000	-	-	-	**200,000**
$7.50	24/08/2012	1,540,000	-	-	-	**1,540,000**
$14.16	03/08/2012	1,000,000	-	-	-	**1,000,000**
$13.30	25/05/2013	500,000	-	-	-	**500,000**
$13.65	31/05/2013	110,000	-	-	-	**110,000**
$7.50	22/08/2013	1,540,000	-	-	-	**1,540,000**
$12.98	22/11/2013	2,625,000	-	-	-	**2,625,000**
$11.10	27/01/2014	1,500,000	-	-	-	**1,500,000**
$10.57	10/04/2015	-	-	1,000,000	-	**1,000,000**
		19,424,000	(4,459,000)	1,000,000	(25,000)	**15,940,000**

* 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2010

Note 8 Reserves

	2010 $'000	2009 $'000
Foreign currency translation reserve	**(96,948)**	(21,169)
Hedge accounting reserve	**(18,114)**	(20,295)
Equity remuneration reserve	**17,006**	25,719
Share option reserve	**16,427**	16,427
Revaluation reserve	**3,272**	3,875
	(78,357)	4,557

Movements

	2010 $'000	2009 $'000
Foreign currency translation reserve		
Balance 1 July	**(21,169)**	(54,643)
Net exchange movement on translation of foreign subsidiaries	**(75,779)**	33,474
	(96,948)	(21,169)
Hedging reserve		
Balance 1 July	**(20,295)**	852
Revaluation (net of deferred tax)	**(13,338)**	(28,379)
Transfer to net profit (net of deferred tax)	**15,519**	7,232
Balance	**(18,114)**	(20,295)
Equity remuneration reserve		
Balance 1 July	**25,719**	25,736
Share based payments	**5,609**	7,632
Movements relating to IPN options cancellation	**-**	(1,545)
Employee share scheme issue	**(8,857)**	-
Transfer to share capital (options exercised)	**(5,465)**	(6,104)
Balance	**17,006**	25,719
Share option reserve		
Balance 1 July	**16,427**	15,285
Options forming part of consideration for business combinations	**-**	1,142
Balance	**16,427**	16,427
Revaluation reserve		
Balance 1 July	**3,875**	3,875
Recognition of deferred tax	**(603)**	-
Balance	**3,272**	3,875

Note 9 Retained earnings

	2010 $'000	2009 $'000
Retained earnings at the beginning of the financial year	**226,346**	249,308
Net profit attributable to members of Sonic Healthcare Limited	**293,225**	171,360
Dividends provided for or paid	**(229,174)**	(191,655)
Actuarial (losses) on retirement benefit obligations (net of tax)	**(917)**	(2,667)
Retained earnings at the end of the financial year	**289,480**	226,346

Note 10 Net tangible asset backing

	2010	2009
Net tangible asset backing per ordinary security	**($2.34)**	($1.72)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2010

Note 11 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 $3,021,000 (2009: $1,555,000) was acquired by means of finance leases and hire purchase agreements.

- 1,000,000 (2009: 5,865,000) options over unissued Sonic shares were issued in relation to incentive arrangements along with nil (2009: 39,349) shares. In 2009, an additional 500,000 options were issued and the value of which ($1,142,000) was included as part of the consideration for the Labor 28 Group.

Note 12 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:

On 23 August 2010 Sonic's directors declared a final dividend of 35 cents per ordinary share, franked to 35%, payable on 28 September 2010 with a record date of 14 September 2010. Sonic's Dividend Reinvestment Plan was suspended for this dividend and until further notice. The final dividend includes no conduit foreign income.

Forward-looking statements

This Preliminary Final Report (Appendix 4E) may include forward-looking statements about our financial results, guidance and business prospects that may involve risks and uncertainties, many of which are outside the control of Sonic Healthcare. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that they are made and which reflect management's current estimates, projections, expectations or beliefs and which involve risks and uncertainties that could cause actual results and outcomes to be materially different. Risks and uncertainties that may affect the future results of the company include, but are not limited to, adverse decisions by Governments and healthcare regulators, changes in the competitive environment and billing policies, lawsuits, loss of contracts and unexpected growth in costs and expenses. The statements being made in this presentation do not constitute an offer to sell, or solicitation of an offer to buy, any securities of Sonic Healthcare. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Sonic Healthcare). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward-looking statement will be achieved. Actual future events may vary materially from the forward-looking statements and the assumptions on which the forward-looking statements are based. Given these uncertainties, readers are cautioned to not place undue reliance on such forward-looking statements.

COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

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

Identify other standards used | NIL

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

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

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

The entity has a formally constituted audit committee.

Signed: …………………………………………… Date: 24 August 2010
(Company Secretary)

Print name: PAUL ALEXANDER