

Sonic Healthcare Limited
ABN 24 004 196 909

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2015
Lodged with the ASX under Listing Rule 4.3A

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2015

Financial Results \$'000	2015 Statutory	% Change
Revenue from ordinary activities	4,200,525	Up 7.3%
Profit after tax from ordinary activities attributable to members	363,260	Down 5.6%
Dividends	2015 2014	% Change
Final dividend (cents per share)	41¢ 40¢	Up 2.5%
Final dividend franked amount per security	22.55¢ 22.00¢	
Interim dividend (cents per share)	29¢ 27¢	Up 7.4%
Interim dividend franked amount per security	15.95¢ 12.15¢	

The final dividend is scheduled to be paid on 22 October 2015 to shareholders registered as at close of business on 11 September 2015 (the record date). The 2015 final dividend includes no conduit foreign income. The Company's Dividend Reinvestment Plan ("DRP") will operate for this dividend.

The pricing period for DRP purposes will be 20 trading days, starting on 16 September 2015 and concluding on 13 October 2015 (both inclusive). The pricing methodology is the average VWAP over the pricing period, as determined in accordance with the DRP rules. A discount of 1.5% will apply to the price of shares issued under the DRP. The DRP application price will be announced to the ASX at the end of the pricing period. Sonic intends to satisfy DRP requirements for this dividend by issuing new shares.

DRP application forms must be received by Sonic's registry, Computershare Investor Services, by 5.00pm (AEST) on 14 September 2015 to be effective for this dividend. Application forms received after this time will only be effective for subsequent dividends to which the DRP may apply. Shareholders who wish to change their participation in the DRP are advised to visit Sonic's registry website (www.investorcentre.com) or to contact Computershare Investor Services on 1300 766 272. Changes to participation must also be received by 5.00pm (AEST) on 14 September 2015.

Sonic Healthcare Limited ("Sonic") has entered into a DRP Shortfall Placement Agreement with CBA Equities Limited ("CBA Equities") that will involve CBA Equities subscribing for shares with a value of up to 100% of any shortfall in DRP participation by Sonic shareholders. The subscription price to be paid by CBA Equities may not equate to the DRP subscription price.

Financial Results \$'000	2015 Constant Currency*	2015 Statutory	2014 Statutory	% Change 2015 Constant Currency v 2014 Statutory	2015 Statutory v 2014 Statutory
Revenue	4,121,470	4,200,525	3,913,475	5.3%	7.3%
Earnings before interest, tax, depreciation and intangibles amortisation (EBITDA) pre non-recurring restructure and acquisition costs	723,801	730,700	737,827	(1.9)%	(1.0)%
Non-recurring restructure and acquisition costs	(13,126)	(13,819)	(4,807)		
EBITDA	710,675	716,881	733,020		
Depreciation and lease amortisation	(134,460)	(135,971)	(124,150)	8.3%	
Earnings before interest, tax and intangibles amortisation (EBITA)	576,215	580,910	608,870	(5.4)%	
Amortisation of intangibles	(42,711)	(43,231)	(36,439)	17.2%	
Net interest expense	(49,453)	(52,132)	(57,465)	(13.9)%	
Income tax attributable to operating profit	(116,649)	(115,948)	(126,106)	(7.5)%	
Net (profit) attributable to minority interests	(6,296)	(6,339)	(3,876)		
Net profit attributable to shareholders of Sonic Healthcare Limited	361,106	363,260	384,984	(6.2)%	(5.6)%
Cash generated from operations (Refer Note 2(h))		512,084	556,358		
Earnings per share					
Basic earnings per share (cents per share)	90.0¢	90.5¢	96.2¢		
Diluted earnings per share (cents per share)	89.3¢	89.8¢	95.5¢		

* For an explanation of "Constant Currency" refer to 2(a) in the Commentary on Results.

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 2015

1. Headlines

- FY2015 result in line with July 2015 earnings update.
- FY2015 revenue growth of 7%, organic growth of ~5%, enhanced by accretive acquisitions.
- Strong growth in Germany, UK and Switzerland, US growth improving.
- Successful restructure of CBLPath in the US recently completed.
- Full year dividend up 4.5%.
- Revenue and EBITDA growth of ~20% expected in FY2016 (based on current fx 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 2015 for the Australian dollar ("A\$", "AUD" or "\$") versus the currencies of Sonic's offshore earnings varied from those in the comparative period, impacting Sonic's AUD reported earnings ("Statutory" earnings). The underlying earnings in foreign currency are not affected.

As in prior periods, in addition to the statutory disclosures, Sonic's results for the year have also been presented on a "Constant Currency" basis (i.e. using the same exchange rates to convert the current period foreign earnings into AUD as applied in the comparative period, being the average rates for that period). This facilitates comparability of the Group's performance, by providing a view on the underlying business performance without distortion caused by exchange rate volatility, so that an assessment can be made of the growth in earnings in local currencies. Constant Currency reporting also allows comparison to the guidance Sonic provides to the market about its prospective earnings.

In preparing the Constant Currency reporting, the foreign currency elements of each line item in the Income Statement (including net interest expense and tax expense) are restated using the relevant prior period average exchange rate. There is only this one adjustment to each line item so no reconciliation is required.

The average exchange rates used were as follows:

	2015 Statutory	2014 and Constant Currency
AUD/USD	0.8362	0.9185
AUD/EUR	0.6963	0.6770
AUD/GBP	0.5304	0.5651
AUD/CHF	0.7880	0.8305
AUD/NZD	1.0758	1.1061

To manage currency translation risk Sonic uses "natural" hedging, under which foreign currency assets (businesses) are matched to the extent possible 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, debt is repaid, and interest rates change, the natural hedges have only a partial effect, so AUD reported earnings do fluctuate. Sonic believes it is inappropriate to hedge translation risk (a non-cash risk) with real cash hedging instruments.

COMMENTARY ON RESULTS

For the year ended 30 June 2015

2. Explanation of results (continued)

(b) Revenue

Total revenue growth for the year was 5.3% at Constant Currency exchange rates (i.e. applying the average rates for the 2014 year to the current year results) and 7.3% including exchange rate impacts.

Revenue breakdown

AUD M

	2015 Statutory Revenue	% of 2015 Statutory Revenue	2015 Constant Currency Revenue	2014 Revenue	Growth 2015 Constant Currency v 2014
Laboratory – Australia	1,185	28%	1,185	1,131	4.8%
Laboratory – USA	930	22%	847	830	2.0%
Laboratory – Europe	1,272	30%	1,277	1,144	11.6%
Laboratory – NZ	34	1%	33	41	(19.5)%
Imaging – Australia (2014; and NZ)	414	10%	414	415	(0.2)%
Medical centres and occupational health – Australia	362	9%	362	349	3.7%
Revenue excluding interest income	4,197	100%	4,118	3,910	5.3%
Interest income	4		3	3	
Total revenue	<u>4,201</u>		<u>4,121</u>	<u>3,913</u>	5.3%

Revenue for the Laboratory division grew 6% at Constant Currency exchange rates.

Sonic's Australian Laboratory revenue growth of 5% included 0.5% relating to the SAN Pathology acquisition completed in December 2014. Fees and volumes were negatively impacted by Medicare changes from 1 November 2014. Sonic's growth was significantly stronger than market growth (as indicated by Medicare statistics), driven by Sonic's strong brands and market positioning.

Volume growth has returned to the US laboratory market, reflected in Sonic's US growth improving from 1% in the first half to 3% in the second half of FY2015 (versus the corresponding halves in the previous year).

Sonic's European operations experienced strong revenue growth in the UK (25%), Switzerland (5%) and Germany (11%), with German growth augmented by acquisitions (6% organic). Belgian revenue growth has returned after cycling through a one-off statutory fee cut (equating to approximately 7% of total Belgian revenues) that took effect from 1 November 2013.

Imaging revenue growth was impacted by the sale of Sonic's New Zealand practice in March 2014. Sonic's Australian Imaging business grew revenue by 3%.

Revenue growth for Sonic's medical centre business was 6%. Growth of the occupational health business was hampered by the downturn in the resources sector.

Currency exchange rate movements increased reported (Statutory) revenue by A\$79M compared to the prior year.

COMMENTARY ON RESULTS
For the year ended 30 June 2015

2. Explanation of results (continued)

(c) EBITDA

EBITDA pre non-recurring costs declined 1% (1.9% at Constant Currency exchange rates) versus the prior year.

The majority of the decline in EBITDA for the Laboratory division was due to non-recurring costs of \$11.3M related to the successful restructure of the CBLPath business in the US and exiting operations following contract expiries in Auckland and Wellington, New Zealand. Earnings in the Laboratory division were also impacted by fee changes in the current (mainly Australia) and prior year (US and Belgium; full year impact in FY2015), and specimen collection infrastructure costs in Australia.

Additional non-recurring business acquisition costs of \$2.5M are included in corporate costs (disclosed in the "Other" segment).

Sonic's Australian Imaging business reported margin expansion of 10 basis points as a result of revenue growth, cost control and efficiency programs.

EBITDA growth in Sonic's medical centre operations was offset by reduced earnings in the Occupational Health business as a result of the resources sector downturn.

Consumables cost increased slightly as a percentage of revenue despite ongoing success with procurement initiatives as a result of changes in mix in Sonic's total business. Underlying prices generally reduced.

(d) Depreciation and capital expenditure

Depreciation and leased asset amortisation has increased 8.3% on the comparative period (at Constant Currency rates) as a result of the growth of the business and investments in cutting edge technology, premises and equipment.

Capital expenditure on property, plant and equipment was higher than usual in FY2015 as a result of \$41M of progress payments made in relation to new hub laboratory facilities in Brisbane and Hawaii. In addition, as part of the establishment of the UK joint venture ("JV") with University College London Hospital ("UCLH") and Royal Free, the JV vehicle (which Sonic consolidates) was required to acquire laboratory equipment in use at UCLH and Royal Free.

(e) Intangibles amortisation

Intangibles amortisation mainly relates to internally developed and externally acquired software. Substantial investments into innovative software tools have been made over recent years, leading to a 17% increase in the amortisation charge.

(f) Interest expense and debt facilities

Net interest expense has decreased 13.9% (A\$8M) on the prior year (at Constant Currency rates) due to lower margins on refinanced debt, lower base interest rates and the expiry of interest rate hedges at higher historical rates.

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

Interest rate risk management arrangements are in place in accordance with Sonic's Treasury Policy.

COMMENTARY ON RESULTS
For the year ended 30 June 2015

2. Explanation of results (continued)

(f) Interest expense and debt facilities (continued)

Sonic's net interest bearing debt at 30 June 2015 comprised:

	Facility Limit M	Drawn M	AUD \$M Available
Notes held by USA investors – USD	US\$500	US\$500	-
Notes held by USA investors – Euro	€110	€110	-
Bank debt facilities			
- USD limits	US\$425	US\$361	83
- Euro limits	€630	€558	105
- GBP limits	£40	£40	-
- AUD (Multicurrency) limits	A\$250	A\$57 ⁺	193
Minor debt/leasing facilities	n/a	A\$(3)*	-
Cash	n/a	A\$(249)*	249
Available funds at 30 June 2015			630

⁺ Includes debt drawn in GBP

* Various currencies

Sonic's credit metrics at 30 June 2015 were as follows:

	30.6.15	31.12.14	30.6.14
Gearing ratio	37.2%	38.0%	35.9%
Interest cover (times)	11.2	11.9	10.7
Debt cover (times)	2.6	2.5	2.4

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 senior bank debt facility definitions

As at 30 June 2015, Sonic's senior debt facility limits expire as follows (**note that the figures shown are the facility limits, not drawn debt**):

	AUD M	USD M	Euro M	GBP M
2016	-	-	-	40
2017	200	95	130	-
2018	50	65	230	-
2019	-	230	145	-
2020	-	285	125	-
2021	-	250	-	-
2024	-	-	110	-
	250	925	740	40

Sonic's excellent relationships with its banks, its investment grade credit metrics, and its strong and reliable cash flows significantly reduce refinancing risk.

COMMENTARY ON RESULTS
For the year ended 30 June 2015

2. Explanation of results (continued)

(g) Tax expense

The effective tax rate of 24% is slightly lower than previous guidance (~25%) due to overprovisions in prior years and to the performance of Sonic's businesses in higher tax rate jurisdictions relative to the performance of its operations in lower tax rate countries.

(h) Cashflow from operations

Gross operating cashflow equated to 95% of EBITDA, slightly lower than usual (2014: 98%), mainly due to the build up of working capital (debtors and accrued revenue) for the new (from 1 April 2015) UK JV.

3. Guidance for 2016

Sonic expects EBITDA of A\$815-840M for 2016 on a Constant Currency basis (applying 2015 average currency exchange rates to 2016), equivalent to A\$850-875M at current exchange rates.

Net interest expense is expected to increase by 5-10% from the 2015 level of A\$52M on a Constant Currency basis as a result of the Medisupport acquisition completed in July 2015. Underlying floating interest rates are assumed to remain constant at current levels.

The effective tax rate is expected to be approximately 25%.

This guidance excludes the impact of any future business acquisitions.

FULL YEAR REPORT
For the year ended 30 June 2015

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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 2014 Annual Report, the 2014 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 2015

	Notes	2015 \$'000	2014 \$'000
Revenue from operations		4,200,525	3,913,475
Labour and related costs (including \$2,039,000 (2014: \$2,559,000) of equity remuneration expense)		(1,951,456)	(1,787,547)
Consumables used		(650,956)	(596,973)
Operating lease rental expense		(260,455)	(225,052)
Depreciation and amortisation of physical assets		(135,971)	(124,150)
Transportation		(111,785)	(106,266)
Utilities		(101,353)	(90,272)
Repairs and maintenance		(99,630)	(88,353)
Borrowing costs expense		(55,928)	(60,710)
Amortisation of intangibles		(43,231)	(36,439)
Other expenses from ordinary activities (including \$2,480,000 (2014: \$2,133,000) of acquisition related costs)		(304,213)	(282,747)
Profit from ordinary activities before income tax expense		485,547	514,966
Income tax expense		(115,948)	(126,106)
Profit from ordinary activities after income tax expense		369,599	388,860
Net (profit) attributable to minority interests		(6,339)	(3,876)
Profit attributable to members of Sonic Healthcare Limited		363,260	384,984
Basic earnings per share (cents per share)	5	90.5	96.2
Diluted earnings per share (cents per share)	5	89.8	95.5

The above Consolidated Income Statement should be read in conjunction with the accompanying notes, the 2014 Annual Report, the 2014 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 2015

	2015 \$'000	2014 \$'000
Profit from ordinary activities after income tax expense	369,599	388,860
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	114,878	24,088
Cash flow hedges	164	1,550
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial (losses) on retirement benefit obligations	(8,803)	(2,561)
Other comprehensive income for the period, net of tax	106,239	23,077
Total comprehensive income for the period	475,838	411,937
Total comprehensive income attributable to:		
Members of Sonic Healthcare Limited	469,389	407,538
Minority interests	6,449	4,399
	475,838	411,937

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes, the 2014 Annual Report, the 2014 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 2015

	Notes	2015 \$'000	2014 \$'000
Current assets			
Cash assets and cash equivalents		249,393	232,137
Receivables		671,126	575,999
Inventories		76,066	65,153
Other		45,527	39,730
Total current assets		1,042,112	913,019
Non-current assets			
Receivables		17,710	12,235
Other financial assets		62,384	67,865
Property, plant and equipment		791,119	691,877
Intangible assets		4,427,381	4,084,964
Deferred tax assets		30,318	27,622
Other		91	24
Total non-current assets		5,329,003	4,884,587
Total assets		6,371,115	5,797,606
Current liabilities			
Payables		402,468	350,071
Interest bearing liabilities		1,397	450,388
Current tax liabilities		18,270	44,093
Provisions		168,954	158,053
Other financial liabilities (interest rate hedging)		-	235
Other		3,941	18,354
Total current liabilities		595,030	1,021,194
Non-current liabilities			
Interest bearing liabilities		2,223,985	1,520,539
Deferred tax liabilities		112,464	89,991
Provisions		63,576	47,582
Other		34,376	9,306
Total non-current liabilities		2,434,401	1,667,418
Total liabilities		3,029,431	2,688,612
Net assets		3,341,684	3,108,994
Equity			
Parent entity interest			
Contributed equity	6	2,561,817	2,538,517
Reserves	8	(13,510)	(119,941)
Retained earnings	9	741,507	664,067
Total parent entity interest		3,289,814	3,082,643
Minority interests		51,870	26,351
Total equity		3,341,684	3,108,994

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes, the 2014 Annual Report, the 2014 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 2015

	2015 \$'000	2014 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	4,180,442	3,941,176
Payments to suppliers and employees (inclusive of goods and services tax)	(3,497,816)	(3,222,663)
Gross operating cash flow	682,626	718,513
Interest received	3,796	3,245
Borrowing costs	(48,896)	(57,403)
Income taxes paid	(125,442)	(107,997)
Net cash inflow from operating activities	512,084	556,358
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	(46,115)	(134,349)
Payments for property, plant and equipment	(197,478)	(154,452)
Proceeds from sale of non current assets	22,724	24,721
Payments for investments	(2,836)	(4,398)
Payments for intangibles	(66,688)	(67,593)
Repayment of loans by other entities	9,017	6,433
Loans to other entities	(7,613)	(9,732)
Net cash (outflow) from investing activities	(288,989)	(339,370)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related taxes)	12,869	36,895
Proceeds from borrowings	452,394	797,530
Repayment of borrowings	(411,167)	(784,720)
Transaction with non-controlling interest	7,973	-
Dividends paid to Company's shareholders	(277,017)	(256,269)
Dividends paid to minority interests in controlled entities	(4,399)	(3,716)
Net cash (outflow) from financing activities	(219,347)	(210,280)
Net increase in cash and cash equivalents	3,748	6,708
Cash and cash equivalents at the beginning of the financial year	232,137	219,729
Effects of exchange rate changes on cash and cash equivalents	13,508	5,700
Cash and cash equivalents at the end of the financial year	249,393	232,137

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes, the 2014 Annual Report, the 2014 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 2015

	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Minority interests \$'000	Total \$'000
Balance at 1 July 2014	2,538,517	(119,941)	664,067	3,082,643	26,351	3,108,994
Profit for period	-	-	363,260	363,260	6,339	369,599
Other comprehensive income for the period	-	114,932	(8,803)	106,129	110	106,239
Total comprehensive income for the period	-	114,932	354,457	469,389	6,449	475,838
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(277,017)	(277,017)	-	(277,017)
Shares issued	21,573	(8,631)	-	12,942	-	12,942
Transfers to share capital	1,800	(1,800)	-	-	-	-
Share based payments	-	2,039	-	2,039	-	2,039
Acquisition of treasury shares	(100)	-	-	(100)	-	(100)
Allocation of treasury shares	27	-	-	27	-	27
Minority interests on formation of subsidiary	-	-	-	-	23,491	23,491
Acquisition of minority interests	-	(109)	-	(109)	-	(109)
Dividends paid to minority interests in controlled entities	-	-	-	-	(4,421)	(4,421)
Balance at 30 June 2015	2,561,817	(13,510)	741,507	3,289,814	51,870	3,341,684
Balance at 1 July 2013	2,468,102	(111,131)	537,913	2,894,884	23,217	2,918,101
Profit for period	-	-	384,984	384,984	3,876	388,860
Other comprehensive income for the period	-	25,115	(2,561)	22,554	523	23,077
Total comprehensive income for the period	-	25,115	382,423	407,538	4,399	411,937
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(256,269)	(256,269)	-	(256,269)
Shares issued	55,255	(18,360)	-	36,895	-	36,895
Transfers to share capital	15,160	(15,160)	-	-	-	-
Share based payments	-	2,559	-	2,559	-	2,559
Minority interests on acquisition of subsidiary	-	(2,904)	-	(2,904)	2,953	49
Acquisition/disposal of minority interests	-	(60)	-	(60)	(540)	(600)
Dividends paid to minority interests in controlled entities	-	-	-	-	(3,678)	(3,678)
Balance at 30 June 2014	2,538,517	(119,941)	664,067	3,082,643	26,351	3,108,994

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, the 2014 Annual Report, the 2014 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 2015

Note 1 Summary of significant accounting policies

This financial report has been prepared in accordance with International Financial Reporting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standards Board 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 2014, the 2014 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.

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) Laboratory**
Pathology/clinical laboratory services provided in Australia, New Zealand, the United Kingdom, the United States of America, Germany, Switzerland, Belgium and Ireland.
- (ii) Imaging**
Radiology and diagnostic imaging services provided in Australia. Imaging operations in New Zealand ceased in March 2014.
- (iii) Other**
Includes the corporate office function, medical centre operations and occupational health services, and other minor operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 2 Segment information (continued)

Year ended 30 June 2015	Laboratory \$'000	Imaging \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue (Constant Currency)	3,342,331	414,324	371,271	(10,252)	4,117,674
Currency exchange movement	79,055	-	-	-	79,055
Segment revenue (Statutory)	3,421,386	414,324	371,271	(10,252)	4,196,729
Interest income					3,796
Total revenue					4,200,525
Segment EBITA (Constant Currency)	510,671	55,393	10,151	-	576,215
Currency exchange movement	4,695	-	-	-	4,695
Segment EBITA (Statutory)	515,366	55,393	10,151	-	580,910
Amortisation expense					(43,231)
Unallocated net interest expense					(52,132)
Profit before tax					485,547
Income tax expense					(115,948)
Profit after income tax expense					369,599
Depreciation expense	87,508	29,701	18,762	-	135,971
Year ended 30 June 2014	Laboratory \$'000	Imaging \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue	3,146,401	415,163	358,114	(9,448)	3,910,230
Interest income					3,245
Total revenue					3,913,475
Segment EBITA	532,066	56,381	20,423	-	608,870
Amortisation expense					(36,439)
Unallocated net interest expense					(57,465)
Profit before tax					514,966
Income tax expense					(126,106)
Profit after income tax expense					388,860
Depreciation expense	77,536	29,941	16,673	-	124,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 3 Business combinations

A number of small acquisitions of subsidiaries/business assets occurred in the period. The contribution these acquisitions made to the Group's profit during the period was immaterial individually and in total. It is impracticable to determine the contribution these 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 acquisitions were merged with other entities in the Group. The accounting for these business combinations 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:

	Total \$'000
Consideration - cash paid	42,579
Less: Cash of entities acquired	(300)
	42,279
Deferred consideration	6,121
Total consideration	48,400
Debtors and other receivables	2,830
Prepayments	86
Inventory	208
Deferred tax assets	794
Property, plant and equipment	4,330
Identifiable intangibles	977
Trade payables	(68)
Sundry creditors and accruals	(1,090)
Borrowings	(925)
Provisions	(2,682)
	4,460
Goodwill	43,940

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 able to be individually identified or recognised separately from goodwill. None of the purchased goodwill recognised is expected to be deductible for income tax purposes.

Acquisition related costs of \$2,480,000 are included in other expenses in the Income Statement. The fair value of acquired debtors and other receivables is \$2,830,000. The gross contractual amount due is \$2,830,000 of which \$nil is expected to be uncollectable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 4 Dividends

	2015	2014
	\$'000	\$'000
Total dividends paid on ordinary shares during the year		
Final dividend for the year ended 30 June 2014 of 40 cents (2013: 37 cents) per share paid on 23 September 2014 (2013: 24 September 2013), franked to 55% (2013: 45%)	160,449	148,056
Interim dividend for the year ended 30 June 2015 of 29 cents (2014: 27 cents) per share paid on 25 March 2015 (2014: 25 March 2014), franked to 55% (2014: 45%)	116,568	108,213
	277,017	256,269

Dividends not recognised at the end of the year

On 17 August 2015 the directors declared a final dividend of 41 cents per share (2014: 40 cents) franked to 55% (2014: 55%), payable on 22 October 2015 with a record date of 11 September 2015. Based on the number of shares expected to be on issue at the record date, the aggregate amount of the proposed final dividend to be paid out of retained earnings at the end of the year, but not recognised as a liability is:

165,002	160,449
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Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan will operate for the FY2015 final dividend. The Company has entered into a DRP Shortfall Placement Agreement with CBA Equities Limited ("CBA Equities") under which CBA Equities will subscribe for shares with a value up to 100% of any shortfall in DRP participation by shareholders in relation to the FY2015 final dividend.

	2015	2014
	Cents	Cents
Note 5 Earnings per share		
Basic earnings per share	90.5	96.2
Diluted earnings per share	89.8	95.5

	2015	2014
	Shares	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	401,419,782	400,128,497
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	404,380,891	403,180,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 6 Contributed equity

	2015 Shares	2014 Shares	2015 \$'000	2014 \$'000
Share capital				
Fully paid ordinary shares	401,991,556	400,811,556	2,561,890	2,538,517
Other equity securities				
Treasury shares	(4,309)	-	(73)	-
	401,987,247	400,811,556	2,561,817	2,538,517

Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
1/7/14	Opening balance	400,811,556		2,538,517
Various	Shares issued following exercise of employee options	1,180,000	Various	21,573
Various	Transfers from equity remuneration reserve	-		1,800
30/6/15	Closing balance	<u>401,991,556</u>		<u>2,561,890</u>

Movements in other equity securities:

1/7/14	Opening balance	-	-
14/10/14	Acquisition of treasury shares	(5,902)	(100)
3/3/15	Allocation of shares	<u>1,593</u>	<u>27</u>
		<u>(4,309)</u>	<u>(73)</u>

Note 7 Unlisted share options / performance rights

Exercise Price	Expiry Date	Balance at 1.7.14	Exercised	Granted	Forfeited	Expired	Balance at 30.6.15
\$10.57	10/04/2015	307,500	(307,500)	-	-	-	-
\$11.13	03/01/2016	315,000	(72,500)	-	-	-	242,500
\$11.43	18/11/2016	1,341,058	-	-	(756,652)	-	584,406
\$11.14	20/12/2016	600,000	(300,000)	-	-	-	300,000
\$11.14	07/03/2017	500,000	(500,000)	-	-	-	-
\$11.43	18/11/2017	1,302,250	-	-	-	-	1,302,250
\$15.43	18/10/2018	400,000	-	-	(65,000)	-	335,000
\$11.43	18/11/2018	1,705,263	-	-	-	-	1,705,263
\$15.21	13/12/2018	600,000	-	-	-	-	600,000
\$11.14	07/03/2019	1,000,000	-	-	-	-	1,000,000
\$12.57	02/07/2019	125,000	-	-	-	-	125,000
\$17.32	27/11/2019	-	-	706,108	-	-	706,108
\$18.84	30/11/2019	-	-	1,000,000	-	-	1,000,000
Performance Rights	01/10/2015	-	(1,593)	1,593	-	-	-
Performance Rights	18/11/2016	141,732	-	-	(82,205)	-	59,527
Performance Rights	18/11/2017	141,732	-	-	-	-	141,732
Performance Rights	18/11/2018	188,976	-	-	-	-	188,976
Performance Rights	27/11/2019	-	-	100,085	-	-	100,085
		<u>8,668,511</u>	<u>(1,181,593)</u>	<u>1,807,786</u>	<u>(903,857)</u>	<u>-</u>	<u>8,390,847</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 8 Reserves

	2015 \$'000	2014 \$'000
Foreign currency translation reserve	34,942	(79,758)
Hedging reserve	-	(164)
Equity remuneration reserve	(44,676)	(36,284)
Share option reserve	16,427	16,427
Revaluation reserve	3,272	3,272
Transactions with minority interests	(23,475)	(23,434)
	(13,510)	(119,941)

Movements

Foreign currency translation reserve

Balance 1 July	(79,758)	(103,782)
Net exchange movement on translation of foreign subsidiaries	114,700	24,024
Balance	34,942	(79,758)

Hedging reserve

Balance 1 July	(164)	(1,714)
Revaluation (net of deferred tax)	(30)	(204)
Transfer to net profit (net of deferred tax)	194	1,754
Balance	-	(164)

Equity remuneration reserve

Balance 1 July	(36,284)	(5,323)
Share based payments	2,039	2,559
Employee share scheme issue	(8,631)	(18,360)
Transfer to share capital (options exercised)	(1,800)	(15,160)
Balance	(44,676)	(36,284)

Share option reserve

Balance 1 July	16,427	16,427
Movement	-	-
Balance	16,427	16,427

Revaluation reserve

Balance 1 July	3,272	3,272
Movement	-	-
Balance	3,272	3,272

Transactions with minority interests

Balance 1 July	(23,434)	(20,011)
Put option relating to minority interests	-	(2,904)
Acquisition of minority interests	(109)	(60)
Net exchange movement	68	(459)
Balance	(23,475)	(23,434)

Note 9 Retained earnings

	2015 \$'000	2014 \$'000
Retained earnings at the beginning of the financial year	664,067	537,913
Net profit attributable to members of Sonic Healthcare Limited	363,260	384,984
Dividends provided for or paid	(277,017)	(256,269)
Actuarial (losses) on retirement benefit obligations (net of tax)	(8,803)	(2,561)
Retained earnings at the end of the financial year	741,507	664,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

Note 10 Receivables

Certain regional funding bodies ("KVs") in Germany short paid quarterly billing up to the September 2012 quarter, after which the statutory insurance payment system moved to a national funding structure. As at 30 June 2015 Sonic is carrying ~€15M in debtors in relation to these short payments. Sonic is pursuing recovery of these debtors and legal advice supports full recoverability.

Note 11 Net asset backing

	2015	2014
Net tangible asset backing per ordinary security	(\$2.70)	(\$2.43)
Net asset backing per ordinary security	\$8.31	\$7.76

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:

- the acquisitions of the Swiss medical laboratory group, Medisupport S.A. and the Belgian based KLD laboratory as described in Sonic's announcements to the market dated 15 June and 6 July 2015; and
- as announced to the market on 14 August 2015, the new provincial government of Alberta decided not to proceed with the laboratory services contract for which Sonic had been chosen as the preferred proponent.

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 report 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 2015

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Interpretations 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: 18 August 2015

Print name:

PAUL ALEXANDER