



SONIC
HEALTHCARE
LIMITED

CONCISE ANNUAL REPORT 2011

Corporate Directory

Directors

Mr R.P. Campbell, Chairman
Dr C.S. Goldschmidt, Managing Director
Mr C.D. Wilks, Finance Director
Dr P.J. Dubois
Mr C.J. Jackson
Mr L.J. Panaccio
Ms K.D. Spargo
Dr E.J. Wilson

Company Secretary

Mr P.J. Alexander

Principal registered office in Australia

14 Giffnock Avenue, Macquarie Park,
New South Wales, 2113, Australia.

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Fax: 61 2 9878 5066

Website: www.sonichealthcare.com

Share registry

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street, Adelaide,
South Australia, 5000, Australia.

Phone: 1300 556 161 (Within Australia)

Phone: 61 3 9415 4000 (Outside Australia)

Fax: 61 8 8236 2305

Website: www.computershare.com

Email: www.investorcentre.com/contact

Auditor

PricewaterhouseCoopers

Solicitors

Allens Arthur Robinson

Bankers

Australia and New Zealand Banking Group Limited
Citibank, N.A.

Commonwealth Bank of Australia

JPMorgan Chase Bank, N.A.

Macquarie Bank Limited

National Australia Bank Limited

The Bank of Tokyo-Mitsubishi UFJ, Ltd

The Hongkong and Shanghai Banking
Corporation Limited

The Royal Bank of Scotland plc

Westpac Banking Corporation

Stock exchange listings

Sonic Healthcare Limited (SHL) shares are listed
on the Australian Securities Exchange.

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\$3,096 Million
Revenue

Chairman's Letter

My fellow shareholders,

I am honoured to write to you as your Chairman for the first time, following the retirement of Barry Patterson from the Sonic Healthcare Board in late 2010. Barry was Chairman for eleven years and a Director for seventeen years, during which time the Company's market value increased from around \$20 million to more than \$4 billion. Barry is a hard act to follow, but I am delighted to have taken up the Chairman's role at a very exciting stage of Sonic's development.

The Sonic Board consists of four Independent Directors and four Executives. Kate Spargo and Jane Wilson joined the Board in July 2010 and have brought a wealth of valuable skills and experience. Their input and influence are already making a difference, and this will only increase as they become ever more familiar with the Company and its markets.

The 2011 financial year was a challenging one, with ongoing foreign currency headwind, weak economic conditions and extreme weather in many of Sonic's markets, and a full year's impact of regulatory changes in the Australian pathology market. Ignoring the effect of currency translation, revenue grew 10%, EBITDA by 11% as a result of margin expansion, and net profit by 6%.

The dividend per share was maintained at the prior year level, resulting in a payout ratio of 78% for the second year in a row, substantially higher than the long term trend of 70%. The Board recognises the importance of the dividend to our shareholders.

The Company has started to reap the benefits of the investments we have made over the last six years to gain critical mass in the USA and select Western European pathology markets, and we are now at a point where realisation of these benefits will accelerate over the coming years. Our strategy in these offshore markets continues to be to use the highly successful model of medical leadership culture and a federated structure to consolidate fragmented markets, just as we did in Australia.

Sonic is currently the largest participant in each of the Australian, German, UK and Belgium pathology markets, and number three in the USA and Switzerland. We are also the second largest player in New Zealand pathology and Australian radiology. By becoming one of the largest and most efficient operators in these markets we insulate ourselves against adverse regulatory changes and ultimately benefit as a result of further consolidation.

Geographic diversification also mitigates the risk of regulatory change and was part of the rationale for the Company to expand into its current overseas markets. With a presence in eight countries, the Board believes that it is now appropriate to focus the Company's efforts into synergy capture and earnings' growth, in order to drive shareholder returns to higher levels.

In conclusion, I am pleased to say that your Company is in a very strong financial position, with leading market positions and sound management, and is poised to deliver increasing shareholder value in the years ahead. I wish to acknowledge the work of my fellow Directors at Board level and to thank Sonic's management teams and staff for their contribution to Sonic's performance over the past year.



Peter Campbell
Chairman

\$295 Million
Net Profit



Managing Director's Report

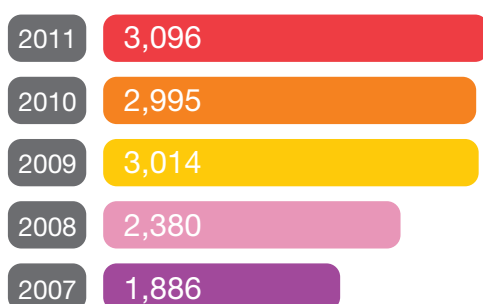
Sonic Healthcare has performed with distinction over the 2011 financial year, despite the challenging global financial markets and the headwind created by the strong Australian dollar. All Sonic divisions have delivered strong results, a credit to the expertise and dedication of our pathologists, radiologists, managers and staff around the world.

Perhaps the most pleasing aspect of the financial results for the year was the performance of our Australian pathology division in the second half of the year, with revenue growth of 6%, organic market share gains, and significant margin improvement. These results followed a first half impacted by low market growth rates, fee cuts and other regulatory interventions. The new five year funding agreement from 1 July 2011 between the industry and Government will provide much needed stability and predictability going forward. Sonic is the market leader in Australian pathology, 24% larger by revenue than our nearest competitor.

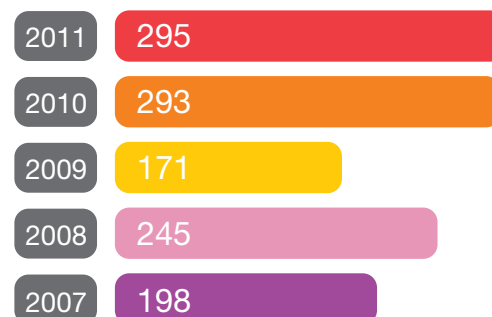
Our laboratory operations in the USA expanded further during the year, both through organic and acquisitional growth. In December 2010, Sonic acquired CBLPath, a leading anatomical pathology company based in New York. Then, in early calendar 2011, two high-quality clinical

laboratories in California (Physicians' Automated Laboratory and Central Coast Pathology Consultants) were added to Sonic's USA operations. These latter two laboratories have formed the base for a new "Western Division" of Sonic Healthcare USA. All three acquisitions have integrated smoothly with Sonic's existing operations and synergy activity is already well underway. Within six years Sonic has grown to be the third largest operator in the US laboratory market, with annual revenues of over US\$700 million. The US laboratory market remains fragmented, providing Sonic with substantial growth potential into the future. As a result of clear market differentiation based on our unique corporate culture, philosophy and operating structure, Sonic has established a solid foundation in the US laboratory market. Our management teams and their staff have embraced the Sonic model and will use it to drive further value for Sonic for years to come.

Gross Revenue \$M



Net Profit \$M

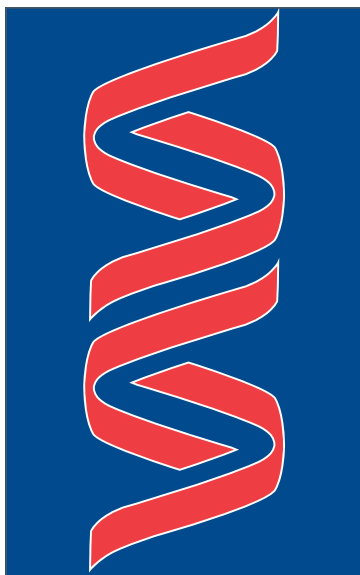


Sonic's growth in Germany continued during the year, along with significant margin expansion as cost synergies and other operational improvements continue to bear fruit. In January 2011, a German head office was established in Berlin, in order to accelerate our national synergy drive in coming years. Sonic is the market leader in Germany with annual revenues of around €400 million. With a current market share of less than 10%, this is another exciting growth market for Sonic.

Our subsidiaries in the UK, Ireland, Belgium and Switzerland also performed admirably during the year. The UK and Ireland are well positioned to grow via future government and private hospital outsourcing contracts, whilst in Belgium two acquisitions in January 2011 were seamlessly integrated into the Group, elevating Sonic to market leadership with further room for growth.

The Radiology division, IPN, and Sonic's New Zealand pathology operations also performed strongly during the year.

Sonic Healthcare's business model is centred on building a strong and successful company, in order to enhance value for all stakeholders. Our people represent the key stakeholder group and are pivotal to all outcomes of the model. Our management style, our unique Medical Leadership philosophy, our federated structure and our Core Values all serve to foster job satisfaction and fulfilment, to engender loyalty and passion towards the Company and to create the appropriate conditions for the delivery of outstanding customer service to referring clinicians and their patients.



Our Values

Commit to Service Excellence

To willingly serve all those with whom we deal; with unsurpassed excellence.

Treat each other with Respect & Honesty

To grow a workplace where trust, team spirit, and equity are an integral part of everything we do.

Demonstrate Responsibility & Accountability

To set an example, to take ownership of each situation to the best of our ability, and to seek help when needed.

Be Enthusiastic about Continuous Improvement

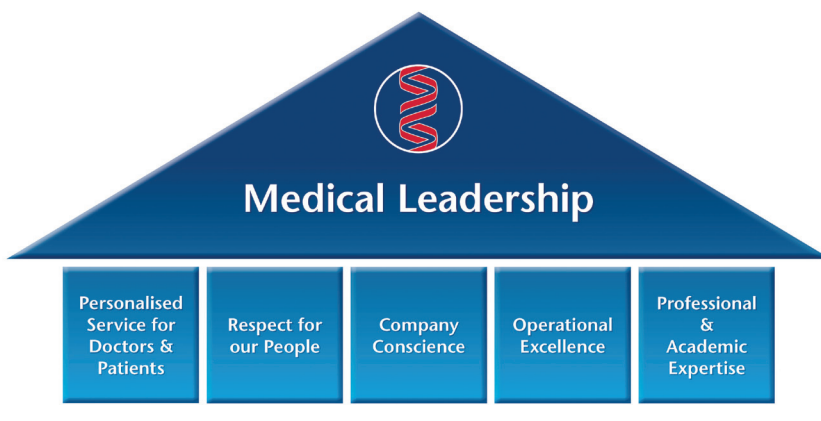
To never be complacent, to recognise limitations and opportunities for ourselves and processes; and to learn through these.

Maintain Confidentiality

To keep all information pertaining to patients, as well as professional and commercial issues, in strict confidence.



FOUNDATION PRINCIPLES



Sonic's Foundation Principles articulate the essence of the Company – who we are, what our brand and image are and how we wish to be perceived by our customers and the broader community.

The Foundation Principles provide a framework to facilitate the delivery of premium-level services in healthcare markets around the world. Sonic Healthcare operates via an extensive infrastructure comprising hundreds of laboratories, radiology clinics and primary care centres and thousands of collection centres and courier routes. Using this infrastructure, Sonic's 25,000 staff provide essential

healthcare services to over 75 million patients a year.

Sonic's business model is designed to enhance shareholder value by driving accretion in earnings per share and return on invested capital. The success of this model has been proven in Australia over the past two decades. Over the last six years the Company has invested heavily to establish significant market presences in large, fragmented northern hemisphere markets. In the early phases of Sonic's northern hemisphere expansion, earnings per share growth has been achieved despite the expected temporary

dilution in returns. With critical mass now achieved in the large markets of the USA and Germany, Sonic is poised to grow margins and to capture synergies from the acquired businesses and thereby enhance investment returns.

Sonic is privileged to operate in a stable, highly resilient, essential-service industry, with the strong underlying growth drivers of aging and growing populations, increasing focus on preventative medicine, increasing health awareness by consumers and new diagnostic technologies such as genetic testing. In addition, the laboratory industry lends itself to efficiency gains via incremental volumes layered onto existing infrastructure, together with ongoing automation and technology innovations. It is therefore a preferred industry during uncertain economic times.

Sonic's 25,000 staff provide essential healthcare services to over 75 million patients a year.

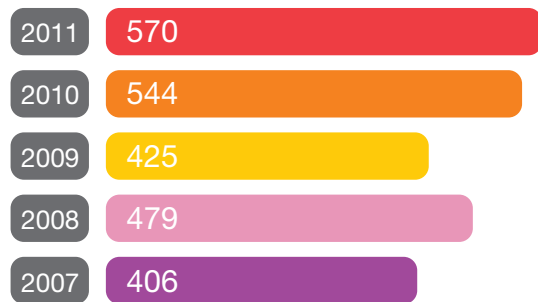
The Company is in the fortunate position to enjoy an investment grade balance sheet, dominant positions in large markets, passionate and stable management teams and great potential for ongoing revenue and earnings growth. The positive outlook for Sonic would not be possible without the loyalty and commitment of our people and the unique and deep-seated cultural attributes that characterise Sonic Healthcare as a company today. I take this opportunity to thank all Sonic's people for their outstanding work and for their contribution to Sonic's pre-eminent position today. I look forward to working collaboratively with the Sonic team to build on the Company's considerable achievements to date.



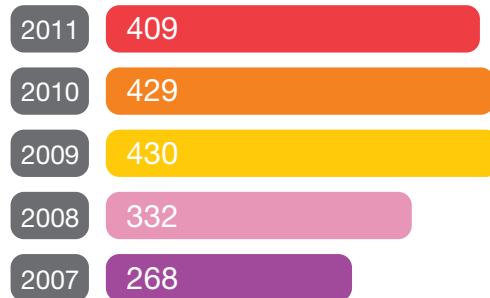
Dr Colin Goldschmidt
CEO and Managing Director



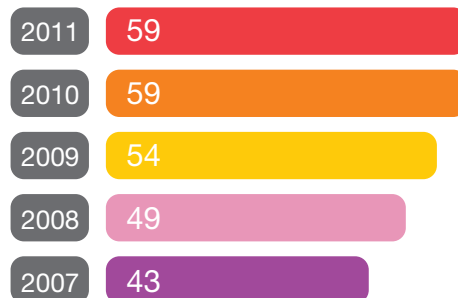
EBITDA \$M



Net Cash Flow from Operations \$M



Dividends Paid per Ordinary Share ¢



Financial History

As at 30 June	2011	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	3,096,379	2,994,633	3,013,731	2,380,327	1,886,081
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	570,095	543,857	425,125	478,568	405,667
Net profit after tax ¹	294,535	293,225	171,360	245,116	198,072
Net cash flow from operations	409,019	429,497	429,952	331,885	267,935
Total assets	4,712,897	4,863,725	4,761,246	3,629,001	2,900,462
Total liabilities	2,196,462	2,304,984	2,229,163	1,666,922	1,462,017
Net assets	2,516,435	2,558,741	2,532,083	1,962,079	1,438,445
Net interest bearing debt	1,535,626	1,501,091	1,198,335	1,238,185	1,139,296
Statistics					
Dividends paid per ordinary share (cents)	59.0	59.0	54.0	49.0	43.0
Diluted earnings per share (cents) ¹	75.5	75.0	46.3	73.5	65.5
Dividend payout ratio ¹	77.8%	78.2%	111.8%	66.1%	64.1%
Gearing ratio ²	37.9%	37.0%	32.1%	38.0%	43.9%
Interest cover (times) ²	7.4	9.4	6.5	6.4	6.9
Debt cover (times) ²	2.8	2.6	2.2	2.5	2.4
Net tangible asset backing per share (\$)	(2.30)	(2.34)	(1.72)	(2.21)	(2.37)

¹ after non-recurring items in 2009

² calculated using bank debt facility covenant definitions

Sonic Healthcare Limited

ABN 24 004 196 909

CONCISE
ANNUAL
REPORT

2011

Directors' Report

Your Directors present their report on the Group consisting of Sonic Healthcare Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Directors

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

Mr R.P. Campbell	<i>Chairman</i>
Dr C.S. Goldschmidt	<i>Managing Director</i>
Mr C.D. Wilks	<i>Finance Director</i>
Dr P.J. Dubois	
Mr C.J. Jackson	
Mr L.J. Panaccio	
Ms K.D. Spargo	
Dr E.J. Wilson	

Mr B.S. Patterson retired from the Board of Sonic Healthcare on 27 October 2010. Mr R.P. Campbell was appointed Chairman on 27 October 2010. Ms K.D. Spargo and Dr E.J. Wilson were both appointed to the Board on 1 July 2010.

Principal activities

During the year the principal continuing activities of the Group consisted of the provision of medical diagnostic services and the provision of administrative services and facilities to medical practitioners.

Dividends

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

	2011	2010
	\$'000	\$'000
Interim dividend paid on 24 March 2011 (2010: 25 March 2010)	93,224	93,224
Final dividend paid on 21 September 2011 (2010: 28 September 2010)	136,489	135,950
Total dividend for the year	229,713	229,174

On 22 August 2011, the Board declared a final dividend in respect of the year ended 30 June 2011 of 35 cents per ordinary share, 28% franked (at 30%), paid on 21 September 2011 with a record date of 7 September 2011. An interim dividend of 24 cents per ordinary share, 28% franked (at 30%), was paid on 24 March 2011. These dividends included no conduit foreign income.

A final dividend of 35 cents per ordinary share was paid on 28 September 2010 in respect of the year ended 30 June 2010, out of profits of that year as recommended by the Directors in last year's Directors' Report. The interim dividend in respect of the year ended 30 June 2010 was 24 cents per ordinary share, paid on 25 March 2010.

As a result of the Group's international expansion future dividends will not be fully franked. It is expected that the 2012 interim dividend will be franked to at least 28%.

Dividend Reinvestment Plan ("DRP")

The Company's DRP remained suspended for the 2011 final dividend and until further notice.

Directors' Report

Review of operations

A summary of consolidated revenue and earnings is set out below:

	2011 Constant Currency* \$'000	2011 Statutory \$'000	2010 Statutory \$'000	% Change 2011 Constant Currency v 2010 Statutory
Revenue from ordinary activities	3,287,323	3,096,379	2,994,633	9.8%
Earnings before interest, tax, depreciation and intangibles amortisation (EBITDA)	605,219	570,095	543,857	11.3%
Depreciation and lease amortisation	(101,569)	(97,227)	(93,089)	9.1%
Earnings before interest, tax and intangibles amortisation (EBITA)	503,650	472,868	450,768	11.7%
Amortisation of intangibles	(18,713)	(17,691)	(15,357)	21.9%
Net interest expense	(73,704)	(64,774)	(48,805)	51.0%
Income tax attributable to operating profit	(100,217)	(95,914)	(92,822)	8.0%
Net profit attributable to minority interests	49	46	(559)	
Net profit attributable to shareholders of Sonic Healthcare Limited	311,065	294,535	293,225	6.1%
Cash generated from operations		409,019	429,497	

Earnings per share

Cents per share	2011 Constant Currency	2011 Statutory	2010 Statutory	% Change 2011 Constant Currency v 2010 Statutory
Basic earnings per share	80.1¢	75.8¢	75.5¢	6.1%
Diluted earnings per share	79.7¢	75.5¢	75.0¢	6.3%

* For an explanation of "constant currency" refer to 2(a) on the following page.

Directors' Report

Review of operations (continued)

1. Key highlights

- Net profit growth in line with guidance given in February 2011.
- Strong second half performance in Australian pathology with the return of volume growth, market share gains and margin improvement.
- Revenue growth, synergies and operational improvements driving margin expansion in all major markets.
- Five synergistic pathology acquisitions completed; and funding available for future acquisitions.
- Positive outlook with EBITDA expected to grow by 10-15% in 2012, excluding additional acquisitions (assuming 2011 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 2011 for the Australian dollar ("A\$", "AUD" or "\$") versus the currencies of Sonic's offshore earnings (USD, Euro, GBP, CHF and 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.

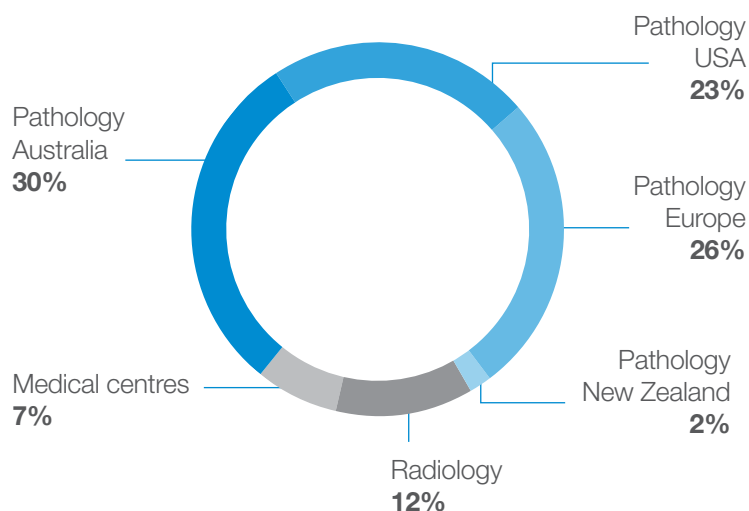
To manage currency translation risk Sonic uses "natural" hedging, under which foreign currency assets (businesses) are matched with same currency debt. Therefore:

- 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) Revenue

Total revenue growth for the year was 9.8% at constant currency exchange rates (i.e. applying the average rates for the 2010 year to the current year results).



Directors' Report

Review of operations (continued)

2. Explanation of results (continued)

(b) Revenue (continued)

Revenue breakdown AUD M	2011 Statutory Revenue	% of 2011 Statutory Revenue	2011 Constant Currency Revenue	2010 Statutory Revenue	Growth 2011 Constant Currency v 2010 Statutory
Pathology – Australia	923	30%	923	901	2.4%
Pathology – USA	721	23%	809	692	16.9%
Pathology – Europe	798	26%	896	776	15.5%
Pathology – NZ	65	2%	68	73	(6.8)%
Radiology	362	12%	363	357	1.7%
Medical centres	221	7%	221	182	21.4%
Revenue excluding interest income	3,090	100%	3,280	2,981	10.0%
Interest income	6		7	14	
Total revenue	3,096		3,287	2,995	9.8%

Australian pathology revenue grew by 2.4%, impacted by Government cuts to Medicare fees and unusually low industry volume growth in the September 2010 quarter. Revenue grew by 6.2% in the second half (versus second half of 2010). Sonic's organic volume growth was 5.4% for the year, versus market growth (per Medicare data) of 4.8%, evidencing market share gains.

Sonic's USA and European revenue growth was augmented by synergistic business acquisitions during the current period and prior year including:

- 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)
- CBLPath, New York, USA (1 December 2010)
- Physicians' Automated Laboratory, California, USA (31 December 2010)
- KBL-BML-Unilabo Laboratory, Belgium (6 January 2011)
- Woestyn Laboratory, Belgium (13 January 2011)
- Central Coast Pathology Consultants, California, USA (4 February 2011)

Directors' Report

Review of operations (continued)

2. Explanation of results (continued)

(b) Revenue (continued)

New Zealand pathology revenue declined as a result of Sonic's Auckland community laboratory contract finishing on 6 September 2009. The new Auckland contract awarded to Sonic in October 2009 is for ~10% of the previous volume.

Radiology revenue growth was 1.7%. Sonic remains the second largest participant in the Australian radiology market.

Sonic's medical centre business, Independent Practitioner Network ("IPN"), achieved revenue growth of 21.4% through a combination of strong organic growth in existing medical centres and greenfield sites (backed by successful doctor recruitment strategies), and acquisitions of additional centres. IPN's occupational health business performed very strongly during the year as it services the resources sector.

Revenue was impacted by currency exchange rate movements, which decreased reported (Statutory) revenue by A\$191M compared to the comparative period.

(c) EBITDA

EBITDA grew 11.3% at constant currency exchange rates versus the comparative period.

EBITDA from Australian pathology declined versus the prior year as a result of the impact of Government fee cuts (effective 1 November 2009) and new collection centre regulations. The new collection centre regulations have led to a blowout in the number of collection centres in the market of over 50%. Sonic has managed to continue to grow market share while opening relatively fewer new centres than its main competitors. Sonic's patient volume growth for the year (at 5.4%) was above market growth but lower than Sonic's long term trend due to the weak September 2010 quarter. Sonic's Australian pathology operations performed strongly in the second half of the year, with EBITDA margin increasing by 190 basis points ("bps") versus the second half of 2010.

EBITDA margin expansion of 60 bps was achieved in the USA, and 120 bps in Germany, where synergy capture from acquisitions in the last few years continues. This excludes margin dilution from the acquisitions of businesses during the current and prior year which have lower margins than the average of Sonic's existing operations in those markets.

Sonic's Radiology division's EBITDA margin grew by 100 bps as the result of ongoing focus on cost control, efficiency gains and Sonic Group synergies.

IPN's margins grew by 190 bps as a result of strong revenue growth.

EBITDA was impacted by the expensing of acquisition related costs, totalling A\$3M in the year (2010: A\$3M). There was also a one off cost in the year of A\$1.6M relating to a claim associated with an acquisition made by IPN prior to Sonic taking control.

Directors' Report

Review of operations (continued)

2. Explanation of results (continued)

(d) Interest expense and debt facilities

Net interest expense has increased 51% (A\$25M) on the comparative period (at constant currency rates) due to increased net debt relating to acquisitions completed since July 2009 (~A\$12M of additional interest), and higher rates as debt facilities are refinanced at current market margins (~A\$13M effect in the period), including the issue of additional notes to investors in the United States Private Placement ("USPP") market in January 2011, raising US\$250M of 10 year debt at a fixed coupon of 5.1%.

All of Sonic's bank and USPP 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 2011 comprised:

	Facility Limit M	Drawn M	AUD \$M Available
Notes held by USA investors – USD	US\$500	US\$500	-
Bank debt facilities			
– USD limits	US\$518	US\$443	70
– Euro limits	€679	€584	129
– AUD (Multicurrency) limits	A\$209	A\$27 ⁺	182
Minor debt/leasing facilities	n/a	A\$14 [*]	-
Cash	n/a	A\$(175) [*]	175
Available funds at 30 June 2011			556

+ Drawn as GBP15M and NZD7M

* Various currencies, majority of cash is AUD

Sonic's credit metrics at 30 June 2011 were as follows:

	30.6.11	31.12.10	30.6.10
Gearing ratio	37.9%	37.1%	37.0%
Interest cover (times)	7.4	8.0	9.4
Debt cover (times)	2.8	2.6	2.6

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

Directors' Report

Review of operations (continued)

2. Explanation of results (continued)

(d) Interest expense and debt facilities (continued)

Sonic's senior debt facility limits (including undrawn facilities) expire as follows:

	AUD M	USD M	Euro M
2012 (September and October)	15	310	215
2014	165	308	88
2015	179	-	186
2016	-	-	190
2017	-	95	-
2020	-	155	-
2021	-	250	-
	359	1,118	679

Sonic established an additional bank debt facility in September 2011 with a syndicate of its existing lenders with limits of A\$150M and US\$100M.

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

(e) Tax expense

The effective tax rate of 25% is in line with previous guidance, and is higher than the comparative period (24%) reflecting Sonic's growth in higher tax rate jurisdictions (USA and Belgium).

(f) Cashflow from operations

Cash generated from operations was in line with cash profit (net profit plus depreciation, intangibles amortisation, equity instrument expense and outside equity interests), but lower than in the comparative period due to a short term increase in trade debtors at year end. The temporary increase in debtors was due to:

- Systems issues encountered during the internal restructure of IPN's occupational health business
- Billing registration issues following the change of ownership of Sonic's newly acquired Californian business
- Delayed receipt of payments from German state funding bodies.

Directors' Report

Significant changes in the state of affairs

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

- Successful issue of notes to investors in the United States Private Placement market in January 2011 raising US\$250M of long term (10 year) debt
- Successful refinancing for periods of three and five years of a tranche of bank debt equivalent to ~A\$500M in March 2011.

Matters subsequent to the end of the financial year

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, other than as follows:

- On 22 August 2011 Sonic's Directors declared a final dividend of 35 cents (28% franked) per ordinary share, paid on 21 September 2011. Sonic's Dividend Reinvestment Plan remained suspended for this dividend.

Likely developments and expected results of operations

Sonic's main focus during the 2012 and future financial years will be to continue to grow shareholder value through both synergistic acquisitions and organic growth, and by extracting efficiencies from its existing businesses, particularly in our three major markets of Australia, Europe and the USA. Sonic continues to target further acquisitions in the USA and its existing countries of operation in Europe and expects significant growth in these large fragmented laboratory markets over the coming years.

On 23 August 2011 Sonic provided guidance in relation to forecast results for the 2012 financial year as follows:

Sonic expects to grow EBITDA by 10-15% over the 2011 level of A\$570M, on a constant currency basis (applying 2011 average currency exchange rates to 2012).

Net interest expense is expected to increase by approximately 30% over the 2011 level of A\$65M on a constant currency basis. About half of this increase relates to funding for acquisitions completed from July 2010 to date and the balance to higher margins following refinancing of debt facilities in 2011. Underlying floating interest rates are assumed to remain constant.

The effective tax rate is expected to rise to approximately 26% reflecting Sonic's expansion in countries with higher tax rates.

This guidance excludes the impact of future business acquisitions.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would prejudice Sonic's competitive position in the market place.

Directors' Report

Information on Directors

(a) Directors' profiles



Peter Campbell

Chairman

F.C.A., F.T.I.A., F.A.I.C.D.

**Non-executive, independent Director, appointed January 1993
(Chairman from 27 October 2010)**

Mr Campbell is a chartered accountant with his own practice based in Sydney. He is a Fellow of the Institute of Chartered Accountants in Australia, the Taxation Institute of Australia and the Australian Institute of Company Directors. He is a Registered Company Auditor. Mr Campbell is Chairman of the Remuneration and Nomination Committee and he is a member of the Audit Committee. Mr Campbell is currently a Non-executive Director of Silex Systems Limited (since 1996) and also of QRxPharma Limited (since April 2007). He was formerly a Non-executive Director of Admerex Limited (from January 2007 to October 2008).



Dr Colin Goldschmidt

CEO and Managing Director

M.B.B.Ch., F.R.C.P.A., F.A.I.C.D.

Executive Director, appointed January 1993

Dr Goldschmidt is the CEO and Managing Director of Sonic Healthcare. He is a qualified medical doctor who then undertook specialist pathology training in Sydney, before gaining his Specialist Pathologist qualification in 1986. Dr Goldschmidt practised for five years (1987-1992) as a histopathologist with Douglass Hanly Moir Pathology, Sonic's first acquisition, prior to his appointment as CEO of both Sonic Healthcare and Douglass Hanly Moir Pathology in 1993. He is a member of numerous medical and pathology associations and a member of Sonic's Risk Management Committee. He is also a Non-executive Director of Silex Systems Limited (since 1992), a listed company previously spun out of Sonic, and was formerly a Non-executive Director of Independent Practitioner Network Limited (2005-2008).



Christopher Wilks

Finance Director

B.Comm. (Univ Melb), A.S.A., F.C.I.S., F.A.I.C.D.

Executive Director, appointed December 1989

Mr Wilks has a background in chartered accounting and investment banking. He was previously a partner in a private investment bank and has held directorships for a number of public companies. Mr Wilks is a member of the Risk Management Committee. He is also a Director of Silex Systems Limited (since 1988), and was formerly a Non-executive Director of Independent Practitioner Network Limited (2005-2008).

Directors' Report

Information on Directors (continued)

(a) Directors' profiles (continued)



Dr Philip Dubois

M.B., B.S., F.R.C.R., F.R.A.N.Z.C.R., F.A.I.C.D.

Executive Director, appointed July 2001

Dr Dubois is Chairman of the Sonic Imaging Executive Committee and is Chairman and CEO of Queensland X-Ray. A neuroradiologist and nuclear imaging specialist, he is currently an Associate Professor of Radiology at University of Queensland Medical School. He has served on numerous government and craft group bodies. He is currently a Vice-President of the Australian Diagnostic Imaging Association (ADIA). Dr Dubois is a member of Sonic's Risk Management Committee. He is a Non-executive Director of Magnetica Limited (since December 2004).



Colin Jackson

O.A.M., F.C.P.A., F.C.A., F.A.I.C.D.

Executive Director, appointed December 1999

Mr Jackson has a background in professional accounting practice and laboratory management. He plays an active role at Sonic corporate level and, as President of the Australian Association of Pathology Practices, represents Sonic at a national industry level. Mr Jackson was the Chief Executive Officer of Diagnostic Services Pty Limited (Sonic's Tasmanian practice) for 11 years to 2006. He is a Fellow of the Australian Society of Certified Practising Accountants, the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia. Mr Jackson is a member of the Winston Churchill Fellowship Trust Selection Committee in Tasmania. He is Chairman of the Tasmanian Symphony Orchestra Foundation Limited. He is also a Director of the University of Tasmania Foundation and a member of the Tasmanian Board of the Australian Olympic Committee. Mr Jackson was formerly Chairman and a Non-executive Director of Independent Practitioner Network Limited (2004-2008).



Lou Panaccio

B.Ec., C.A., M.A.I.C.D.

Non-executive, independent Director, appointed June 2005

Mr Panaccio is a chartered accountant with strong management experience in business and healthcare services. He is currently Executive Chairman of Health Networks Australia, Executive Chairman (from July 2011) of Genera Biosystems Limited (Director from November 2010) and a Non-executive Chairman of the Inner Eastern Community Health Service in Victoria. Mr Panaccio was the Chief Executive Officer and an Executive Director of Melbourne Pathology for ten years to 2001. Mr Panaccio is Chairman of the Audit Committee, and a member of the Remuneration and Nomination Committee.

Directors' Report

Information on Directors (continued)

(a) Directors' profiles (continued)



Kate Spargo

L.L.B. (Hons), B.A., F.A.I.C.D.

Non-executive, independent Director, appointed July 2010

Ms Spargo has gained broad business experience as both a legal advisor, having worked in private practice and government, and as a director. Ms Spargo has been a director of both listed and unlisted companies over the last ten years and her current directorships include Australian Unity Limited, a healthcare finance and insurance mutual, SMEC Limited, an engineering company with operations in around 40 countries, Investec Bank (Australia) Limited, Pacific Hydro Pty Ltd and UGL Limited (from October 2010). Ms Spargo was a Director of Transfield Services Infrastructure Limited (from April 2007 until October 2010). She is Chair of the Accounting Professional and Ethical Standards Board Ltd. Ms Spargo is a member of the Audit Committee.



Dr Jane Wilson

M.B.B.S., M.B.A., F.A.I.C.D.

Non-executive, independent Director, appointed July 2010

Dr Wilson is a professional company director with a background in medicine, finance and banking and extensive experience across ASX listed companies, unlisted public companies and government bodies, serving as Queensland President and National Board Director of the Australian Institute of Company Directors ("AICD") and currently on the AICD Advisory Panel. Dr Wilson is Chair of IMBcom, a Director of CathRx Ltd, Universal Biosensors Inc. and Union College, Finance Director of the Winston Churchill Memorial Trust and the Managing Director of Barambah Wines. She is a member of the University of Queensland Senate, the Senate Finance Committee and the UQ Faculty of Health Sciences Board. Prior to becoming a professional director in 1995, Dr Wilson held senior executive positions with Macquarie, WilsonHTM Investment Group, The Harley St Imaging Centre and Greenslopes Hospital. Dr Wilson is Chair of the Risk Management Committee and a member of the Remuneration and Nomination Committee.

(b) Company Secretary



Paul Alexander

B.Ec., C.A., F.Fin.

Mr Alexander has been the Group Financial Controller of Sonic Healthcare Limited since 1997 and Sonic's Company Secretary since 2001. Prior to joining Sonic, Mr Alexander gained 10 years experience in professional accounting practice, mainly with Price Waterhouse, and was also Financial Controller and Company Secretary of a subsidiary of a multinational company for two years. Mr Alexander was formerly a Non-executive Director of Independent Practitioner Network Limited (2005-2008).

Directors' Report

Information on Directors (continued)

(c) Directors' interests in shares and options as at 29 September 2011

Director's name	Class of shares	Number of shares	Interest	Number of options
R.P. Campbell	Ordinary	10,000	Beneficially	-
Dr C.S. Goldschmidt	Ordinary	700,000	Personally	2,712,250
	Ordinary	30,243	Beneficially	-
C.D. Wilks	Ordinary	720,000	Personally	1,436,125
	Ordinary	88,122	Beneficially	-
Dr P.J. Dubois	Ordinary	-	-	-
C.J. Jackson	Ordinary	491,371	Personally	-
L.J. Panaccio	Ordinary	-	-	-
K.D. Spargo	Ordinary	5,000	Beneficially	-
Dr E.J. Wilson	Ordinary	2,000	Beneficially	-

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2011 (whilst each Director was a member), and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of Committees					
			Audit		Remuneration and Nomination		Risk Management	
	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held
R.P. Campbell	11	11	3	3	2	2	-	-
Dr C.S. Goldschmidt	11	11	-	-	-	-	2	2
C.D. Wilks	11	11	-	-	-	-	2	2
Dr P.J. Dubois	11	11	-	-	-	-	2	2
C.J. Jackson	11	11	-	-	-	-	-	-
L.J. Panaccio	11	11	3	3	1	1	-	-
K.D. Spargo	10	11	2	2	-	-	-	-
Dr E.J. Wilson	11	11	-	-	1	1	2	2
B.S. Patterson	4	4	1	1	1	1	-	-

Directors' Report

Insurance of officers

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

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

Environmental regulation

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

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor of the Group (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001*. In the opinion of the Directors none of the services provided undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

During the year the following fees were paid or payable for non-audit services provided by the auditors of the Group.

	2011 \$	2010 \$
PricewaterhouseCoopers – Australian firm		
Taxation, accounting and advisory services	16,350	206,000
Related practices of PricewaterhouseCoopers – Australian firm (including overseas PricewaterhouseCoopers firms)		
Taxation and accounting services	64,650	-

Directors' Report

Share options

Information on share options is detailed in Note 7 - Share options.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Remuneration Report

The Directors of Sonic Healthcare Limited present the Remuneration Report for the year ended 30 June 2011 in accordance with section 300A of the *Corporations Act 2001*.

Sonic Healthcare's remuneration packages are structured and set at levels that are intended to attract, motivate and retain Directors and executives capable of leading and managing the Group's operations, and to align remuneration with the creation of value for shareholders.

Remuneration of Non-executive Directors is determined by the Board within the maximum amount approved by the shareholders. At the Annual General Meeting on 18 November 2010 shareholders approved a maximum amount of \$1,000,000 for remuneration of Non-executive Directors. The base Non-executive Director fee is \$125,000 per annum (set in May 2009). A Committee fee of \$10,000 per annum applies for each Board Committee upon which a Director serves, other than the Remuneration and Nomination Committee, for which the fee was reduced during the year from \$10,000 to \$5,000 per annum. Options are not issued and bonuses are not payable to Non-executive Directors.

The Remuneration and Nomination Committee, consisting of 3 Non-executive independent Directors, makes specific recommendations to the Board on remuneration packages and other terms of employment for the Managing Director and Finance Director and advises the Board in relation to equity based incentive schemes for other employees. The Remuneration and Nomination Committee and Board also seek and consider advice from independent remuneration consultants where appropriate. Remuneration consultants are engaged by and report directly to the Remuneration and Nomination Committee, after consideration of any potential conflicts.

Sonic Healthcare's remuneration policy links the remuneration of the Managing Director and the Finance Director to Sonic's performance through the award of conditional entitlements. These conditional entitlements relate to the performance of the Group and thus align reward with the creation of value for shareholders.

Remuneration and other terms of employment for other executives are reviewed annually by the Managing Director having regard to performance against goals set at the start of the year, performance of the entity or function of the Group for which they have responsibility, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, performance related bonuses, share and option grants, and fringe benefits.

Cash bonuses and equity grants to other Executive Directors and employees are made at the discretion of the Managing Director, the Remuneration Committee and the Board of Directors based on individual and Company performance. These bonuses and equity grants reward the creation of value for shareholders.

Other than contributions to superannuation funds during employment periods and notice periods under normal employment law and in certain executive service contracts, the Group does not contract to provide retirement benefits to Directors or executives.

Directors' Report

Remuneration Report (continued)

Performance of the Group and relationship to remuneration

The table below summarises Sonic Healthcare's performance over the last five years and the changes in remuneration of executives:

	2007	2008	2009 ¹	2010 ²	2011 ²	Compound Average Annual Growth Rate ³
Ordinary earnings per share (cps)	65.5	73.5	85.2	75.0	75.5	5.2%
Net profit attributable to members (\$'000)	198,072	245,116	315,146	293,225	294,535	11.4%
Dividends paid per share (cps)	43	49	54	59	59	
Enterprise value ⁴ (\$'000)	5,659,558	6,090,643	5,928,856	5,552,415	6,534,718	
Total shareholder return ⁵	80.8%	26.9%	(3.0)%	(22.0)%	1.5%	
Change in total cash remuneration of executives ⁶	11.1%	11.6%	2.6%	(11.1)%	6.1%	
Change in total remuneration of executives ⁷	15.7%	18.9%	(1.4)%	(24.4)%	(9.9)%	

1 Net profit attributable to members and earnings per share are based on ordinary earnings and exclude certain non-recurring items in 2009.

2 2010 and 2011 earnings were negatively impacted by currency exchange rate movements. Applying 2009 exchange rates to 2010 foreign currency earnings, net profit for 2010 grew by 1%, and applying 2010 exchange rates to 2011 foreign currency earnings, net profit for 2011 grew by 6%.

3 The compound average annual growth rate is calculated over the five year period shown.

4 Enterprise value is the Company's market capitalisation (number of issued shares times closing share price) plus net interest bearing debt at 30 June.

5 Total shareholder return is calculated over a rolling 3 year performance period and assumes dividend reinvestment.

6 Change in total cash remuneration of executives is the percentage increase/(decrease) over the prior year of total cash remuneration of all Executive Directors and the five highest paid executives of the Group.

7 Change in total remuneration of executives is the percentage increase/(decrease) over the prior year of total remuneration (cash plus long service leave accrued plus the calculated value of equity remuneration) of all Executive Directors and the five highest paid executives of the Group.

The table above demonstrates the relationship between the performance of the Group and the remuneration of its executives.

Sonic Healthcare's reported performance in recent years has been significantly impacted by foreign currency headwind, with the strengthening AUD reducing the translated earnings of the Group's offshore operations, and by regulatory changes in the Australian pathology market. A new five year funding agreement with Government from 1 July 2011 has provided stability for Sonic's Australian pathology operations going forward.

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives

(a) Directors

The following persons were Directors of Sonic Healthcare Limited during the financial year:

Non-executive Directors

B.S. Patterson	<i>Chairman until his retirement from the Board on 27 October 2010</i>
R.P. Campbell	<i>Chairman from 27 October 2010</i>
L.J. Panaccio	
K.D. Spargo	<i>From 1 July 2010</i>
Dr E.J. Wilson	<i>From 1 July 2010</i>

Executive Directors

Dr C.S. Goldschmidt	<i>Managing Director</i>
C.D. Wilks	<i>Finance Director</i>
Dr P.J. Dubois	
C.J. Jackson	

All of the above persons, except K.D. Spargo and Dr E.J. Wilson, were also key management personnel during the year ended 30 June 2010.

(b) Other key management personnel

The Sonic Group operates via a decentralised federated structure whereby the Chief Executive Officers of individual operating entities have delegated authority for their local operations (each of which is immaterial to the Group as a whole). The Group's Australian and New Zealand pathology and radiology activities are co-ordinated and controlled through the Pathology Sonic Executive Committee and the Imaging Sonic Executive Committee ("PSEC" and "ISEC" respectively). Dr C.S. Goldschmidt is Chairman of PSEC and a member of ISEC, Dr P.J. Dubois is Chairman of ISEC and C.D. Wilks is a member of both PSEC and ISEC. A German Sonic Executive Committee ("GSEC") co-ordinates the Group's German operations. Dr C.S. Goldschmidt is Chairman of GSEC and C.D. Wilks is also a member. C.J. Jackson is an Executive Director of Sonic who is a member of PSEC, represents Sonic in industry matters and plays a role in Sonic's New Zealand operations, and various projects and initiatives.

Due to the prominent executive roles performed by Dr C.S. Goldschmidt, Dr P.J. Dubois, C.J. Jackson and C.D. Wilks, and the decentralised management structure, reassessment during the year concluded there are no other executives within the Group in the current or prior financial year meeting the definition of "key management personnel".

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives (continued)

(c) Remuneration of Directors and executives

Details of the nature and amount of each element of the remuneration of the key management personnel and other executives of the Group are set out below:

12 months to 30 June 2011

Name	Short-term employee benefits			Post-employment benefits	Total cash remuneration ²
	Salary & fees \$	Other benefits ¹ \$	Cash bonus \$	Superannuation \$	
Dr C.S. Goldschmidt ³ <i>Managing Director</i>	1,508,319	-	1,283,500	46,430	2,838,249
C.D. Wilks ³ <i>Finance Director</i>	663,857	-	641,750	36,865	1,342,472
Dr P.J. Dubois <i>Director</i>	492,587	9,336	135,000	50,000	686,923
C.J. Jackson <i>Director</i>	358,159	-	-	22,801	380,960
B.S. Patterson <i>Chairman and Non-executive Director (to 27 October 2010)</i>	47,017	-	-	4,650	51,667
R.P. Campbell <i>Chairman and Non-executive Director</i>	131,950	-	-	13,050	145,000
L.J. Panaccio <i>Non-executive Director</i>	127,400	-	-	12,600	140,000
Dr E.J. Wilson <i>Non-executive Director</i>	124,368	-	-	12,300	136,668
K.D. Spargo <i>Non-executive Director</i>	120,575	-	-	11,925	132,500
D. Byrne ^{5,7} <i>CEO The Doctors Laboratory</i>	426,518	48,445	513,160	85,304	1,073,427
Dr R. Prudo ^{5,7} <i>Executive Chairman The Doctors Laboratory</i>	469,173	54,955	257,351	93,835	875,314
Dr R.E. Connor ^{4,7} <i>CEO Sonic Healthcare USA, Inc. (to 31 December 2010)</i>	305,638	160	504,847	13,669	824,314
D. Schultz ^{4,7} <i>CEO Sonic Healthcare USA, Inc.</i>	352,435	10,883	403,877	18,201	785,396
G. Schottdorf ^{6,7} <i>CEO Schottdorf Group</i>	700,690	24,181	-	-	724,871

1 Other benefits include fringe benefits tax.

2 Excludes long service leave accruals and equity based remuneration.

3 Due to the timing of the fortnightly payroll cycle, an extra payment occurred in the 2011 year.

4 D. Schultz and Dr R.E. Connor (to 31 December 2010) are employed by Sonic Healthcare USA, Inc. and are remunerated in US dollars.

Dr R.E. Connor's salary includes the payout of accrued leave balances on retirement.

5 D. Byrne and Dr R. Prudo are employed by The Doctors Laboratory Limited (TDL) in the United Kingdom. They are remunerated in British Pounds.

6 G. Schottdorf is employed by the Schottdorf Group in Germany and is remunerated in Euros.

7 Denotes one of the five highest paid executives of the Group as required to be disclosed under the *Corporations Act 2001*.

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives (continued)

(c) Remuneration of Directors and executives (continued)

12 months to 30 June 2010

Name	Short-term employee benefits			Post-employment benefits	Total cash remuneration ² \$
	Salary & fees \$	Other benefits ¹ \$	Cash bonus \$	Superannuation \$	
Dr C.S. Goldschmidt ³ <i>Managing Director</i>	1,468,385	-	1,275,000	44,150	2,787,535
C.D. Wilks <i>Finance Director</i>	639,500	-	637,500	35,500	1,312,500
Dr P.J. Dubois <i>Director</i>	492,406	9,517	135,000	50,000	686,923
C.J. Jackson <i>Director</i>	406,982	-	-	21,479	428,461
B.S. Patterson <i>Chairman and Non-executive Director</i>	141,050	-	-	13,950	155,000
R.P. Campbell <i>Non-executive Director</i>	141,050	-	-	13,950	155,000
L.J. Panaccio <i>Non-executive Director</i>	122,850	-	-	12,150	135,000
Dr R.E. Connor ^{4,7} <i>CEO Sonic Healthcare USA, Inc.</i>	566,585	4,247	283,286	16,201	870,319
G. Schottdorf ^{6,7} <i>CEO Schottdorf Group</i>	797,739	28,096	-	-	825,835
D. Schultz ^{4,7} <i>President and COO Sonic Healthcare USA, Inc.</i>	385,290	11,991	407,932	17,985	823,198
Dr R. Prudo ^{5,7} <i>Executive Chairman The Doctors Laboratory</i>	496,764	60,628	-	99,353	656,745
D. Byrne ^{5,7} <i>CEO The Doctors Laboratory</i>	451,600	50,640	-	90,320	592,560

1 Other benefits include fringe benefits tax.

2 Excludes long service leave accruals and equity based remuneration.

3 Included in the remuneration for Dr C.S. Goldschmidt is a \$12,535 salary packaging adjustment relating to prior years.

4 D. Schultz and Dr R.E. Connor are employed by Sonic Healthcare USA, Inc. and are remunerated in US dollars.

5 D. Byrne and Dr R. Prudo are employed by The Doctors Laboratory Limited (TDL) in the United Kingdom. They are remunerated in British Pounds.

6 G. Schottdorf is employed by the Schottdorf Group in Germany and is remunerated in Euros.

7 Denotes one of the five highest paid executives of the Group as required to be disclosed under the *Corporations Act 2001*.

In addition to the cash remuneration disclosed above, the value of long service leave accrued for each relevant executive for the 12 months to 30 June 2011 was: Dr C.S. Goldschmidt \$25,331 (2010: \$27,409), C.D. Wilks \$11,293 (2010: \$10,879), and C.J. Jackson \$4,467 (2010: \$4,155).

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives (continued)

(c) Remuneration of Directors and executives (continued)

Under the remuneration arrangements for Dr C.S. Goldschmidt and C.D. Wilks which applied to 30 June 2011, options over unissued ordinary shares of Sonic Healthcare Limited vested upon the achievement of performance conditions (as set out in (d) below). The options issued in November 2008 under the Sonic Healthcare Limited Employee Option Plan (which formed part of remuneration for the three financial years 2009-2011) replaced the Executive Incentive Plan which governed the remuneration arrangements for the five financial years to 30 June 2008. Under the Executive Incentive Plan ordinary shares and options over unissued ordinary shares of Sonic Healthcare Limited were issuable upon the achievement of certain performance conditions. The fair values of options at the time of grant were determined and allocated equally over the service periods up to the vesting dates. In addition to the remuneration disclosed above, the calculated remuneration value of options for Dr C.S. Goldschmidt for the 12 month period to 30 June 2011 was \$1,709,787 (2010: \$2,921,160). In addition to the remuneration disclosed above, the calculated remuneration value of options for C.D. Wilks for the 12 month period 30 June 2011 was \$901,216 (2010: \$1,568,720).

Of the options issued under the Sonic Healthcare Limited Employee Option Plan and the Executive Incentive Plan, the maximum total value of the options yet to vest at 30 June 2011 for Dr C.S. Goldschmidt is \$367,170, and for C.D. Wilks \$189,565. These maximum values represent the fair value of the options determined at grant date which are yet to be expensed. The minimum total value of the options yet to vest is \$nil. None of the options issued in November 2008 under the Sonic Healthcare Limited Employee Option Plan had vested at 30 June 2011. Of the total options issued under the Executive Incentive Plan, 90% had vested at 30 June 2011. No options were forfeited in the 12 month period to 30 June 2011 under the Sonic Healthcare Limited Employee Option Plan or the Executive Incentive Plan. After year end 59.3% of the options issued in November 2008 under the Sonic Healthcare Limited Employee Option Plan to each of Dr C.S. Goldschmidt and C.D. Wilks were forfeited as performance conditions were not met.

Cash bonuses, ordinary shares and options over unissued ordinary shares of Sonic Healthcare Limited are performance related components of Dr C.S. Goldschmidt's and C.D. Wilks' remuneration. In aggregate, these components made up 65% of Dr C.S. Goldschmidt's remuneration for the 12 months to 30 June 2011 (2010: 73%), and 68% of C.D. Wilks' remuneration for the 12 months to 30 June 2011 (2010: 76%). Cash bonuses are performance related components of Dr P.J. Dubois' remuneration. These components made up 20% of Dr P.J. Dubois' remuneration for the 12 months to 30 June 2011 (2010: 20%).

The calculated value of options over unissued ordinary shares in Sonic Healthcare Limited accounted for 37% of Dr C.S. Goldschmidt's remuneration for the 12 months to 30 June 2011 (2010: 51%) and 40% of C.D. Wilks' remuneration for the 12 months to 30 June 2011 (2010: 54%).

No options over unissued ordinary shares in Sonic Healthcare Limited were issued to Dr C.S. Goldschmidt or C.D. Wilks during the 2011 or 2010 financial years. No options are issuable in future years to Dr C.S. Goldschmidt and C.D. Wilks under the Sonic Healthcare Limited Employee Option Plan or the Executive Incentive Plan relating to remuneration arrangements for the periods to 30 June 2011.

During the financial year C.D. Wilks exercised 340,000 options over ordinary shares in the Company issued as remuneration with an exercise price of \$7.50 (2010: 340,000). The total intrinsic value of the options at the date of exercise was \$936,000 (2010: \$2,179,400). In the prior year Dr C.S. Goldschmidt exercised 1,000,000 options over ordinary shares in the Company issued as remuneration with an exercise price of \$7.50. The total intrinsic value of the options at the date of exercise was \$6,410,000.

The relative proportions of conditional entitlements awarded as a percentage of total remuneration for executives for the 12 months to 30 June 2011 were; D. Schultz 51% (2010: 50%), D. Byrne 48% (2010: 0%), Dr R. Prudo 29% (2010: 0%), G. Schottdorf 0% (2010: 0%) and Dr R.E. Connor 61% (2010: 33%).

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives (continued)

(c) Remuneration of Directors and executives (continued)

The remuneration amounts disclosed relating to shares and options issued under the Sonic Healthcare Limited Employee Option Plan and the Executive Incentive Plan represent the assessed fair values at the date they were granted, allocated equally over the service periods up to the vesting dates. Fair values for these shares and options have been determined using a pricing model consistent with the Black Scholes methodology that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield, and risk-free interest rate for the term of the option. The fair value of the shares and options granted is adjusted to reflect market vesting conditions (using a Monte Carlo simulation) but excludes the impact of non-market vesting conditions.

(d) Service agreements

None of the Directors of Sonic Healthcare Limited has a service contract. Rather the terms and entitlements of employment are governed by normal employment law.

Dr P.J. Dubois has a cash bonus arrangement in place which is based on the satisfaction of performance conditions relating to the earnings of Queensland X-Ray, where he performs the role of CEO.

Remuneration arrangements for Dr C.S. Goldschmidt and C.D. Wilks were revised with effect from 1 July 2008 for the three years to 30 June 2011, following a detailed review by the Remuneration Committee. The key terms of the revised arrangements are set out below. The long term incentive component of the revised remuneration arrangements for the 2009, 2010 and 2011 financial years was approved by shareholders at the 2008 Annual General Meeting. 1,750,000 options were issued to Dr C.S. Goldschmidt and 875,000 were issued to C.D. Wilks under the Sonic Healthcare Limited Employee Option Plan. The options have an exercise price of \$12.98 (Sonic's five day VWAP at the time of the 2008 Annual General Meeting) and vesting was subject to the fulfilment of two separate performance conditions with a 50% weighting for each (that is, 50% of the options were subject to the first performance condition and the other 50% were subject to the second performance condition).

Performance condition one required a compound annual growth rate of EPS for the three years ending 30 June 2011 of 10%, which required a 2011 EPS of at least 97.83 cents. This performance condition was not met and the relevant 50% of the total number of options have been forfeited after year end. EPS was defined as diluted earnings per share, adjusted for significant items (as agreed by the Board, and including the effects of changes in applicable accounting standards from those in effect for the 2009 financial year), intangible asset write offs/provisions for impairment which represent more than 5% of the Group's pre-tax profit for the year, and material capital restructurings that have occurred over the relevant period, as determined by the Board.

Under performance condition two, Sonic's performance was ranked by percentile according to its Total Shareholder Return (TSR) against the TSRs of the companies forming the S&P ASX 100 Accumulation Index, excluding Banks and Resource companies, over the performance period from 1 July 2008 to 30 June 2011. A TSR below the 50th percentile would result in nil options vesting, a TSR of the 50th percentile would result in 50% of options vesting, with a progressive scale of an additional 2% for each percentile increase to the 75th percentile. A TSR of the 75th percentile and above would result in 100% of the relevant options vesting. Sonic achieved a percentile rank of 65.7% and therefore 81.4% of the relevant options (1,068,375 options) achieved the performance condition. The other 244,125 options were forfeited after year end. The remaining options expire on 22 November 2013, 60 months from the date of issue.

Base salaries for Dr C.S. Goldschmidt and C.D. Wilks were also revised from 1 July 2008, having remained unchanged for the previous five years.

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives (continued)

(d) Service agreements (continued)

Dr C.S. Goldschmidt (July 2008 to June 2011)

- Base salary, inclusive of superannuation of \$1,500,000 per annum.

Short term incentive:

- Bonus, paid half yearly based on a 1,700,000 multiple of EPS (as defined above) for each 6 month period. For the 6 months to 31 December 2008, 50% of the bonus was required to be paid in Sonic shares acquired on market by the Sonic Healthcare Employee Share Trust. The shares would vest from the plan after 24 months or upon leaving the Company, whichever was the earlier. As 24 months had passed 100% of these shares vested during the 2011 year.

Long term incentive:

- 1,750,000 options for the three years 2009-2011, exercisable at \$12.98 subject to the performance conditions outlined above. As described above 712,250 of these options satisfied the performance conditions, with the balance being forfeited.

C.D. Wilks (July 2008 to June 2011)

- Base salary, inclusive of superannuation of \$675,000 per annum.

Short term incentive:

- Bonus, paid half yearly based on a 850,000 multiple of EPS (as defined above) for each 6 month period. For the 6 months to 31 December 2008, 50% of the bonus was required to be paid in Sonic shares acquired on market by the Sonic Healthcare Employee Share Trust. Shares would vest from the plan after 24 months or upon leaving the Company, whichever was the earlier. As 24 months had passed 100% of these shares vested during the 2011 year.

Long term incentive:

- 875,000 options for the three years 2009-2011, exercisable at \$12.98 subject to the performance conditions outlined above. As described above 356,125 of these options satisfied the performance conditions, with the balance being forfeited.

New arrangements from 1 July 2011

Remuneration arrangements for Dr C.S. Goldschmidt, Managing Director and Chief Executive Officer and C.D. Wilks, Finance Director and Chief Financial Officer were revised (subject to shareholder approval at the 2011 Annual General Meeting of the equity elements) with effect from 1 July 2011 following a comprehensive review by the Remuneration and Nomination Committee. As part of the review, the Remuneration and Nomination Committee directly engaged Aon Hewitt as independent remuneration consultants to provide market benchmarking analysis and to advise on possible remuneration arrangements. As part of their advice Aon Hewitt considered the level of total and individual components of remuneration and made detailed comparisons by percentile band to a core comparator group of 22 ASX listed companies of comparable size and complexity to Sonic, including significant offshore operations. These comparisons showed that Dr C.S. Goldschmidt's total remuneration for 2011 was well below the median whilst C.D. Wilks' was around the 75th percentile. A cross check was then made to a March 2011 PricewaterhouseCoopers publication referencing CEO and CFO remuneration for all companies in the ASX 100. The proposed remuneration levels and split between components for the executives described below reflect the Aon Hewitt advice and take Dr C.S. Goldschmidt's maximum potential remuneration to the median level of historical actual remuneration of the comparator group and C.D. Wilks' into the upper quartile. The Board believes this is appropriate for C.D. Wilks as the role he performs within Sonic is broader than the usual Chief Financial Officer role.

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives (continued)

(d) Service agreements (continued)

The proposed remuneration arrangements for the five years from 1 July 2011 are as follows:

Fixed remuneration

The fixed remuneration component, being \$1,800,000 per annum for Dr C.S. Goldschmidt and \$800,000 per annum for C.D. Wilks, comprises base salary and employer superannuation contributions, but excludes long service leave accruals. The executives may take part of their base salary as other benefits, such as motor vehicles, including any associated fringe benefits tax. Fixed remuneration for the executives had remained unchanged for the three years to 30 June 2011 and the new levels reflect a rebalancing of the components of remuneration and take into consideration the comparison with the core comparator group.

Fixed remuneration will be reviewed annually, taking into account the executives' performance, Company performance and comparative market data.

Short Term Incentives ("STI")

The executives will be eligible for an annual cash bonus of up to \$1,265,000 for Dr C.S. Goldschmidt and \$600,000 for C.D. Wilks (the "maximum STI") based on achievement of pre-determined goals.

Up to 70% of the maximum STI will be based on the Company achieving year on year growth in Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") as follows:

Annual EBITDA Growth	% of 70% of STI payable	Amount Payable	
		Dr C.S. Goldschmidt	C.D. Wilks
Less than 6.0%	0%	-	-
6.0%	40%	\$354,200	\$168,000
Greater than 6.0% and less than 12.0%	pro rata	pro rata	pro rata
12.0% or greater	100%	\$885,500	\$420,000

EBITDA growth has been chosen as a performance criteria as it is consistent with the way Sonic has given market guidance for the 2012 financial year and is likely to give future guidance, and it is a clearer measure of operational performance than net profit or earnings per share as it is not distorted by changes in income tax or interest rates.

The Board will ensure the growth calculation is performed on a consistent basis (for example, removing the impact of a change of accounting standards).

Up to 30% (\$379,500 for Dr C.S. Goldschmidt and \$180,000 for C.D. Wilks) of the maximum STI will be awarded after an assessment of performance based on qualitative factors including:

- Promotion of and adherence to Sonic's Core Values and Foundation Principles.
- Medical leadership.
- Federation model.
- Risk management.
- External standing and reputation (including stakeholder management, brand and quality).
- Financial leadership and innovation (for C.D. Wilks).

The assessment will be made by the Remuneration and Nomination Committee and a recommendation made to the Board for final determination.

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives (continued)

(d) Service agreements (continued)

Long Term Incentives ("LTI")

Conditional on approval by shareholders at the 2011 Annual General Meeting ("AGM"), the executives will be issued the following LTI:

	Dr C.S. Goldschmidt	C.D. Wilks
Maximum annual value of LTI	\$1,800,000	\$900,000
Consisting of:		
Options over shares in Sonic Healthcare Limited	60%	60%
Performance rights over shares in Sonic Healthcare Limited	40%	40%

The LTI options and performance rights will vest and expire as follows (subject to performance conditions):

% of total	Earliest Vesting Date* (years from grant date)	Performance conditions measurement period	Expiry date (years from grant date)
Up to 30%	3	3 years to 30 June 2014	5
Up to 30%	4	4 years to 30 June 2015	6
Up to 40%	5	5 years to 30 June 2016	7

* Options can only vest when the market price of Sonic shares is higher than the exercise price.

The number of options issued will be determined based on a Black Scholes methodology valuation at the time of grant (proposed to be the date of the 2011 AGM), and the exercise price of the options will be determined using the Volume Weighted five day Average market Price ("5 day VWAP") for Sonic shares preceding the date of grant. The valuation will not allow for any discount relating to performance conditions.

Example valuation:			
Notional valuation date	26 September 2011		
Sonic 5 day VWAP share price	\$11.37		
Exercise price of options	\$11.37		
Share price volatility	29.2%		
Estimated dividend yield	5.51%		
Maximum life of the options (grant date to expiry assuming vesting)	5 years	6 years	7 years
Risk free rate (based on Australian Government bonds)	3.63%	3.77%	3.83%
Average value of options	\$1.916	\$1.983	\$2.015
Options that would be issued to Dr C.S. Goldschmidt using these assumptions	845,511	816,944	1,071,960
Options that would be issued to C.D. Wilks using these assumptions	422,755	408,472	535,980

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives (continued)

(d) Service agreements (continued)

Long Term Incentives ("LTI") (continued)

The number of performance rights to be issued will be determined by dividing 40% of the maximum annual value of LTI by the 5 day VWAP for Sonic shares preceding the date of grant and multiplying by 5 years. For example, based on a 5 day VWAP of A\$11.37, Dr C.S. Goldschmidt would be issued 316,622 (\$1,800,000 times 40% divided by \$11.37 times 5) performance rights and C.D. Wilks would be issued 158,311 performance rights.

The proposed options and performance rights will be subject to challenging performance conditions designed to align the interests of the executives with those of shareholders. There are two separate performance conditions to be applied with a 50% weighting for each (that is, 50% of the options and 50% of the performance rights are subject to the first performance condition, and the other 50% of each are subject to the second performance condition). The performance conditions are as follows:

Performance Condition 1 ("PC1") – 50% weighting – Compound Average Growth Rate ("CAGR") in Return on Invested Capital ("ROIC")

CAGR ROIC	Percentage of Options and Rights that vest
Less than 3.0% p.a.	Nil options and rights to which PC1 applies
3.0% p.a.	30% of options and rights to which PC1 applies
Greater than 3.0% and less than 9.0% p.a.	Pro rata between 30% and 100% of options and rights to which PC1 applies
9.0% p.a. or greater	100% of options and rights to which PC1 applies

ROIC is calculated as Earnings before Interest and Tax ("EBIT") less related tax and minority interests divided by capital employed. It is expressed as a percentage and the hurdle growth rates are growth in this percentage.

Growth in ROIC has been chosen as a performance hurdle following the input of several of the Company's larger shareholders and potential shareholders who, along with the Board, believe that the Company's primary focus in coming years should be improvement in the return from the substantial investments the Company has made in its offshore markets.

Performance Condition 2 ("PC2") – 50% weighting – Sonic's Total Shareholder Return ("TSR") against the S&P ASX 100 Accumulation Index, excluding Banks and Resource companies

TSR Target	Percentage of Options and Rights that vest
Below the 50 th percentile	Nil options and rights to which PC2 applies
50 th percentile	50% of options and rights to which PC2 applies
50 th to 75 th percentile	Progressive scale of an additional 2% for each percentile increase
75 th percentile	100% of options and rights to which PC2 applies

Under PC2, Sonic's performance is ranked by percentile according to its TSR against the TSRs of the component companies of the reference group (being the S&P ASX 100 Accumulation Index, excluding Bank and Resource companies) over the relevant performance periods (see below).

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives (continued)

(d) Service agreements (continued)

Long Term Incentives ("LTI") (continued)

Relative TSR has been chosen as a performance hurdle as it provides a direct link between executive remuneration and shareholder return relative to the Company's peers. A relative measure is important, as it removes from the assessment broad market share price movements which are out of the control of the executives. The executives will not derive any value from the relevant portion of the LTI unless the Company's performance is at least at the median of the benchmark group.

Options and performance rights for which the performance conditions are not satisfied will be forfeited immediately after the performance measurement is finalised. There will be no retesting.

Should one of the executives cease employment with the Group prior to vesting of some or all of their LTI, the Board will have discretion based on whether the executive is judged to be a "good leaver" to enable the executive to retain the portion of the LTI which vests (subject to the performance conditions) within two years of cessation of employment. To be judged a "good leaver" the executive would need to provide sufficient notice, assist with succession planning and transition and make themselves reasonably available to assist/answer queries of their replacement for a period post employment. The Board views this arrangement to be in the best interests of the Company and its shareholders, as the executives will be incentivised to minimise disruption/loss of value associated with their departure. Cessation of employment in all other circumstances will trigger forfeiture of all unvested entitlements.

Sonic Healthcare ordinary shares to be awarded on exercise/conversion of the options and performance rights may be satisfied by the issue of new shares or the purchase of shares on-market.

Service agreements for other executives

D. Schultz

No formal service contract exists. The terms and entitlements of employment are governed by normal employment law with a cash bonus awarded based on the satisfaction of performance conditions relating to the earnings of the Group's USA operations.

D. Byrne

Following the expiry of the initial term of the service contract established on the acquisition of TDL, a rolling service contract prevails with a twelve month notice period by either party. A cash bonus is awarded based on the satisfaction of performance conditions relating to the earnings of TDL (capped at 200% of base salary).

Dr R. Prudo

Following the expiry of the initial term of the service contract established on the acquisition of TDL, a rolling service contract prevails with a twelve month notice period by either party. A cash bonus is awarded based on the satisfaction of performance conditions relating to the earnings of TDL (capped at 200% of base salary).

G. Schottdorf

Following the acquisition of the Schottdorf Group, a rolling service contract was established with a twelve month notice period by either party. A cash bonus is awarded (capped at €330,000) based on the satisfaction of performance conditions relating to the earnings of the Schottdorf Group.

Dr R.E. Connor

Until retirement on 31 December 2010 the terms and conditions of employment were governed by normal employment law with a cash bonus awarded based on the satisfaction of performance conditions relating to the earnings of the Group's USA operations.

Directors' Report

Remuneration Report (continued)

Key management personnel and other executives (continued)

(e) Securities trading policy

Under the Sonic Securities Trading Policy, all Sonic Healthcare employees are prohibited from buying or selling Sonic Healthcare securities (including shares, options, debt securities) at any time they are aware of any material price sensitive information that has not been made public, and are reminded of the laws against "insider trading".

Certain "Designated Officers", including all Directors and senior executives (and specified related parties), are also prohibited from trading in periods other than in 8 week windows following the release of half year and full year results, and 2 week periods following Sonic Healthcare's provision to the market at any time of definitive guidance regarding the next annual result to be released. Exceptions to this prohibition can be approved by the Chairman (for other Directors) or the Managing Director (for all other employees) in circumstances of severe financial hardship (as defined in the policy). All trading by Designated Officers must be notified to the Company Secretary. Prohibitions also apply to trading in financial instruments related to Sonic Healthcare shares and to trading in the shares of other entities using information obtained through employment with Sonic. In addition the Managing Director and Finance Director are required to obtain approval from the Chair of the Sonic Board of Directors before selling any shares.

Designated Officers are prohibited from entering into transactions in products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. Designated Officers are required to commit to this by signing the Securities Trading Policy and will forfeit their equity reward should they be found to be in breach.

All Sonic Healthcare securities dealings by Directors are promptly notified to the Australian Securities Exchange (ASX) in accordance with Sonic's Continuous Disclosure obligations.

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



Dr C.S. Goldschmidt
Director



C.D. Wilks
Director

Sydney
29 September 2011

Auditor's Independence Declaration



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As lead auditor for the audit of Sonic Healthcare Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sonic Healthcare Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'M Lunn', with a long, sweeping underline.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
29 September 2011

Corporate Governance Statement

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

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

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

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

Sonic's Board and management are committed to governance which recognises that all aspects of the Group's operations are conducted ethically, responsibly and with the highest standards of integrity. The Board has adopted practices and policies designed to achieve these aims. In August 2007, the ASX Corporate Governance Council published its second edition of Corporate Governance Principles and Recommendations (Revised Recommendations) to apply to financial years commencing on or after 1 January 2008. Sonic supports the Revised Recommendations in advancing good corporate governance and has applied them during the year. Sonic's Board continues to review and improve Sonic's compliance with the Revised Recommendations, implementing change in a prudent manner. Sonic's website (www.sonichealthcare.com) includes a Corporate Governance section which sets out the information required by the Revised Recommendations plus other relevant information, including copies of all Policies, Charters and Codes referred to herein. Sonic has also implemented changes to comply with the amendments to the Revised Recommendations issued on 3 June 2010.

Sonic's Code of Ethics and Core Values (discussed below) set out the fundamental principles that govern the way that all Sonic people conduct themselves. Sonic's Core Values apply equally to every employee of Sonic and were formulated with significant input from Sonic's staff. They have been embraced throughout the Group. Sonic's Core Values are:

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

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place throughout the year. Any issues of current non-compliance with the Revised Recommendations are specifically noted and explained.

Corporate Governance Statement

1. Board of Directors

(a) Role of the Board

The Board of Directors is accountable to shareholders for the performance of the Company and the Group and is responsible for the corporate governance practices of the Group. The Board's principal objective is to increase shareholder value while ensuring that the Group's overall activities are properly managed.

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

The Board's overall responsibilities include:

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

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

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

The role and responsibilities of the Board, the functions reserved for the Board and those delegated to management have been formalised in the Sonic Board Charter.

Corporate Governance Statement

1. Board of Directors (continued)

(b) Composition of the Board

The Directors of the Company in office at the date of this statement are:

Name	Age	Term of office (Years)	Position	Expertise	Committees
Mr Peter Campbell	66	18	Chairman, Non-executive, independent Director	Finance and accounting, computing and company management	Chair of Remuneration and Nomination Committee and a member of Audit Committee
Dr Colin Goldschmidt	57	18	Managing Director	Healthcare industry and company management	Member of Risk Management Committee
Mr Chris Wilks	53	21	Finance Director	Finance, accounting, banking, secretarial and company management	Member of Risk Management Committee
Dr Philip Dubois	65	10	Executive Director	Radiology industry and company management	Member of Risk Management Committee
Mr Colin Jackson	63	11	Executive Director	Finance, pathology industry and company management	
Mr Lou Panaccio	54	6	Non-executive, independent Director	Finance, pathology industry and company management	Chair of Audit Committee and a member of Remuneration and Nomination Committee
Ms Kate Spargo	59	1	Non-executive, independent Director	Law, governance and company oversight	Member of Audit Committee
Dr Jane Wilson	53	1	Non-executive, independent Director	Medicine, finance, governance and company oversight	Chair of Risk Management Committee and member of Remuneration and Nomination Committee

The composition of Sonic's Board is consistent with the principle of medical management and leadership, which has been a core strategy of Sonic since 1992. Sonic's Managing Director is a qualified pathologist, and the Board also includes a radiologist and a general practitioner, ensuring that it has the capacity to understand complex medical issues and be in close touch with the medical marketplace. The presence of medical practitioners on Sonic's Board also gives comfort both to referring doctors (Sonic's customers) and to owners of diagnostic practices which Sonic seeks to acquire. This strategy has resulted in a Board which has a relatively high proportion of Executive Directors.

Dr Dubois and Mr Jackson were appointed to the Board following acquisitions of practices in which they held leadership positions. Their presence on the Board has played an important role in consolidating several of the larger independent practices acquired by Sonic into a cohesive group.

In addition, the Sonic Board comprises members with a diverse mix of business skills, including industry specific management skills and experience, and broader management experience, finance and legal skills and expertise in corporate governance.

Sonic's Non-executive Directors, including the Chairman, are considered independent and perform major roles in the Board Committees.

Corporate Governance Statement

1. Board of Directors (continued)

(b) Composition of the Board (continued)

For the reasons described above Sonic does not comply with ASX Corporate Governance Council Revised Recommendation 2.1: "A majority of the board should be independent Directors". On 1 July 2010 two additional independent Directors were appointed creating a five to four majority of independent Directors, however following the retirement of the Chairman on 27 October 2010, the Board now comprises four independent and four Executive Directors.

The Board has resolved that the position of Chairman of the Board be held by an independent Director, and the position of Chairman and Managing Director will be held by different persons. The Board has also resolved that the mere fact that a Director has been in office for a period greater than 10 years does not change that Director's status as an independent. The Board has specifically considered the position of Mr Peter Campbell and has determined that he is independent.

The size and composition of the Board is determined by the full Board acting on recommendations of the Remuneration and Nomination Committee. Sonic's constitution requires that the Board comprise no more than 12 and no fewer than 3 Directors at any time. Sonic's constitution also requires all Directors, other than the Managing Director, to offer themselves for re-election at an Annual General Meeting, such that they do not hold office without re-election for longer than three years.

(c) Board meetings

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

(d) Independent professional advice and access to information

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

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

(e) Conflicts of interest of Directors

The Board has guidelines dealing with disclosure of interests by Directors and participation and voting at Board meetings where any such interests are discussed. In accordance with the *Corporations Act 2001*, any Director with a material personal interest in a matter being considered by the Board does not receive the relevant Board papers, must not be present when the matter is being considered, and may not vote on the matter.

(f) Securities trading

Under Sonic's Securities Trading Policy, all Sonic employees are prohibited from buying or selling or otherwise trading Sonic Healthcare securities (including shares, options, debt securities) at any time they are aware of any material price sensitive information that has not been made public, and are reminded of the laws against "insider trading". Certain "Designated Officers", including all Directors and senior executives (and specified related parties), are also prohibited from trading in periods other than in 8 week windows following the release of half year and full year results, and 2 week periods following the provision to the market at any time by Sonic of definitive guidance regarding the next annual result to be released. Exceptions to this prohibition can be approved by the Chairman (for other Directors) or the Managing Director (for all other employees) in circumstances of severe financial hardship (as defined in the Policy). All trading by Designated Officers must be notified to the Company Secretary. Prohibitions also apply to trading in financial instruments related to Sonic's securities, including products which limit the economic risk of option or share holdings in Sonic, and to trading in the securities of other entities using information obtained through employment with Sonic. In addition, the Managing Director and Finance Director are required to obtain approval from the Chair of the Sonic Board before selling any shares. All Sonic securities dealings by Directors are promptly notified to the Australian Securities Exchange (ASX).

Corporate Governance Statement

2. Board Committees

To assist the Board in fulfilling its duties, there are currently three Board Committees whose terms of reference and powers are determined by the Board. Details of Committee meetings and attendances are set out in the Directors' Report. Mr B.S. Patterson was Chair of the Remuneration Committee and the Nominations Committee and was a member of the Audit Committee until 27 October 2010, at which time he retired from the Sonic Board.

(a) Audit Committee

The principal role of the Audit Committee is to provide the Board, investors, owners and stakeholders with confidence that the financial reports for the Company represent a true and fair view of the Company's financial condition and operational results in all material respects, and are in accordance with relevant accounting standards.

The responsibilities of the Audit Committee are set out in its Charter and include:

- assisting the Board in its oversight responsibilities by monitoring and advising on:
 - the integrity of the financial statements of the Company,
 - the Company's accounting policies and practices in accordance with current and emerging accounting standards,
 - the external auditors' independence and performance,
 - compliance with legal and regulatory requirements and related policies,
 - compliance with the policy framework in place from time to time, and
 - internal controls, and the overall efficiency and effectiveness of financial operations.
- providing a forum for communication between the Board, executive management and external auditors.
- providing a conduit to the Board for external advice on audit and internal controls.

Members of the Audit Committee are:

- Mr L.J. Panaccio (Chair from 27 October 2010, member for the full year)
- Mr R.P. Campbell (Chair until 27 October 2010)
- Ms K.D. Spargo (from 30 September 2010)

The Charter requires that the Audit Committee comprises between three and six members, all of whom must be independent Directors, and that the Chair of the Committee is not to be the Chair of the Sonic Board.

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

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year, and more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chair of the Audit Committee or the Chair of the Board.

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

Corporate Governance Statement

2. Board Committees (continued)

(b) Risk Management Committee

Members of the Risk Management Committee are:

- Dr E.J. Wilson (Chair from 27 October 2010)
- Dr C.S. Goldschmidt
- Dr P.J. Dubois
- Mr C.D. Wilks (Chair until 27 October 2010)

The Risk Management Committee's responsibilities are set out in its Charter and include:

- assisting the Board in its oversight responsibilities by monitoring and advising on:
 - the identification and management of risks, including but not limited to:
 - > business risks, including financial and strategic risks,
 - > operational risks, including business continuity and practice management risks,
 - > insurable risks, including legal liability claims and property losses,
 - > hazard risks, including environmental and OH&S risks.
 - internal controls and treatments for identified risks including the Company's insurance program.
 - the Company's overall risk management program.
- providing a forum for communication between the Board, management and external risk management advisors.
- providing a conduit to the Board for external advice on risk management.

The Committee meets at least twice per year.

(c) Remuneration and Nomination Committee

During the 2011 financial year the Remuneration Committee and the Nominations Committee were merged into the one Board Committee.

The Remuneration and Nomination Committee operates under a formal Charter and meets on an as required basis. The Remuneration and Nomination Committee's role, as set out in its Charter, is to:

- review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director, Finance Director and Non-executive Directors,
- advise the Board in relation to equity-based incentive schemes for other employees,
- ensure appropriate disclosure is provided to shareholders in relation to remuneration policies and that equity-based remuneration is within plans approved by shareholders.
- review the Board and Board Committee structures,
- advise the Board on the recruitment, appointment and removal of Directors,
- assess and promote the enhancement of competencies of Directors,
- review Board succession plans,
- make recommendations to the Board in relation to workforce and Board diversity and measurable objectives in relation to gender diversity, and monitor progress toward achievement of those objectives.

Corporate Governance Statement

2. Board Committees (continued)

(c) Remuneration and Nomination Committee (continued)

Members of the Remuneration and Nomination Committee are:

- Mr R.P. Campbell (Chair from 27 October 2010, member for the full year)
- Mr L.J. Panaccio (from 30 September 2010)
- Dr E.J. Wilson (from 30 September 2010)

The Charter requires that the Remuneration and Nomination Committee comprises at least three members, all of whom are to be independent Directors. The Remuneration and Nomination Committee, when deemed necessary, directly obtains independent advice on the appropriateness of remuneration.

The current remuneration for Non-executive Directors is \$125,000 per annum plus \$10,000 per annum for each Board Committee upon which they serve (\$5,000 for the Remuneration and Nomination Committee). The maximum total remuneration per annum for Non-executive Directors of \$1,000,000 was approved by shareholders in November 2010. Options are not issued and bonuses are not payable to Non-executive Directors. No retirement benefit schemes (other than statutory superannuation) apply to Non-executive Directors. Further details of Sonic's remuneration policies for Executive Directors and senior executives of the Company, and the relationship between such policy and the Company's performance are provided in the Directors' Report.

3. Approach to diversity

As a medical diagnostic company, Sonic Healthcare's business relies on the services provided to referrers and patients by thousands of Sonic staff every day. In addition, in seeking to continually improve Sonic's services and financial performance, the Company relies on the input and expertise of its many managers, pathologists, radiologists, other medical practitioners and staff. It is therefore critical that Sonic's workforce brings a broad range of experiences, talents and viewpoints to the business. Diversity is valued as it assists the Company to meet its objectives, and ensures that Sonic's people reflect our customers and the communities we serve.

Sonic Healthcare strives to maintain a healthy, safe and productive environment which is free from discrimination and harassment based on race, colour, religion, gender, sexual orientation, age, national origin or disability. In addition, the Company is committed to the continued development and implementation of initiatives to remove barriers that disadvantage any person or group such that everyone is able to compete on equal terms. Within Sonic, recruitment, development, promotion and remuneration are based on merit. These principles are an integral part of Sonic's corporate culture, and are encapsulated in the Sonic Core Values.

The Remuneration and Nomination Committee of the Sonic Board recommends annually measurable objectives for promoting and maintaining gender diversity and measures and reports on progress towards achievement of those objectives. The CEO has discretion with regard to the specific initiatives to be implemented by management to achieve the objectives.

The proportion of female employees to male employees within the Group at 30 June 2011 was 77% female and 23% male. 44% of senior leadership positions are held by females, and 25% of Sonic's Directors are female (50% of Non-executive Directors).

The Company's current objective in relation to gender diversity is to monitor and maintain the percentage of females in senior leadership positions at a level of at least 40%.

Corporate Governance Statement

4. Identifying and managing business risks

Sonic recognises that risk management is an integral part of good management and corporate governance practice and is fundamental to driving shareholder value across the business.

Sonic views the management of risk as a core managerial capability. Risk management is strongly promoted internally and forms part of the performance evaluation of key executives.

(a) Responsibilities

The Board determines the overall risk profile of the business and is responsible for monitoring and ensuring the maintenance of adequate risk management policies, controls and reporting mechanisms.

To assist the Board in fulfilling its duties, it is aided by the Audit Committee and the Risk Management Committee. The Board has delegated to these Committees responsibility for ensuring:

- the Company's material business risks, including strategic, financial, operational and compliance risks, are identified,
- systems are in place to assess, manage, monitor and report on those risks, and that those systems are operating effectively,
- management compliance with Board approved policies,
- internal controls are operating effectively across the business, and
- all Group companies are in compliance with laws and regulations relating to their activities.

The Audit Committee and Risk Management Committee update the Board on all relevant matters.

Management is responsible for the identification, assessment and management of business risks. During the year, management reported on these matters, including the effectiveness of the management of Sonic's material business risks, to the Audit Committee and Risk Management Committee, who then reported these matters to the Board.

(b) Risk management policies, systems and processes

Sonic's activities across all of its operating entities are subject to regular review and continuous oversight by executive management and the Board Committees. The Chief Executive Officers of the individual operating companies are responsible for the identification and management of risk within their business. To assist in this, executive management has developed an effective control environment to help manage the significant risks to its operations, both locally and overseas. This environment includes the following components:

- clearly defined management responsibilities, management accountabilities and organisational structures,
- established policies and procedures that are widely disseminated to, and understood by, employees,
- regular internal review of policy compliance and the effectiveness of systems and controls, in particular, through Sonic's Business Assurance Program, an internal audit function,
- comprehensive training programs for staff in relation to operational practices and compliance requirements,
- strong management reporting framework for both financial and operational information,
- creation of an open culture to share risk management information and to continuously improve the effectiveness of Sonic's risk management approach,
- benchmarking across operations to share best practice and further reduce the operational risk profile,
- Sonic Core Values, a unifying code of conduct embraced by Sonic employees,
- centrally administered Group insurance program ensuring a consistent and adequate approach across all operating areas, and
- the employment of a professional Risk Manager to co-ordinate the Company's approach to material business risk management.

Corporate Governance Statement

4. Identifying and managing business risks (continued)

(c) Regulatory compliance

Sonic's pathology, radiology and medical centre activities are subject to Commonwealth and State law in Australia, and similar regulatory control in offshore locations. These laws cover such areas as laboratory and collection centre operations, workplace health and safety, radiation safety, privacy of information and waste management.

Sonic's network of pathology laboratories, collection centres and radiology centres are required to meet and remain compliant with set performance criteria determined by Government and industry bodies.

To support this, Sonic's operating policies and procedures are overseen by internal quality assurance and workplace health and safety managers who review operational compliance.

In addition, practising pathologists and radiologists are required to be registered and licensed in accordance with Medical Board and Government regulations. The accreditation and licensing of locations, equipment and personnel is subject to regular, random audits by Government experts and medical peer groups. Sonic also undertakes internal reviews to ensure continued best practice and compliance.

Sonic's established procedures, focus on best practice, medical leadership model, structured staff training and the external review activities serve to mitigate operational risk and support regulatory compliance.

(d) Managing Director and Finance Director certification

Sonic has adopted a policy requiring the Managing Director and the Finance Director to provide the Board with written certification in relation to its financial reporting processes. For the 2011 financial year, the Managing Director and Finance Director made the following certifications:

- that the financial records of the Company have been properly maintained,
- that the financial statements and notes comply in all material respects with the accounting standards,
- that the financial statements and notes give a true and fair view, in all material respects, of the Company's financial condition and operational results, and
- that the statements above are founded on a sound system of risk management and internal control which operates effectively in all material respects in relation to financial reporting risks.

5. Ethical standards

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

6. Continuous disclosure

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Sonic has formalised its policies and procedures on information disclosure in a Policy on Continuous Disclosure. The Policy focuses on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities, and sets out management's responsibilities and reporting procedures in this regard.

All information disclosed to the ASX is then immediately posted on the Company's website. Presentations to analysts on aspects of the Company's operations are released to the ASX and posted on the Company's website.

Corporate Governance Statement

7. The role of shareholders

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

- the Annual Report is available to all shareholders on the Company's website and is distributed to those shareholders who elect to receive it. The Board ensures that the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of likely future developments, in addition to the other disclosures required by law; and
- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders.

To further facilitate communication with shareholders, the Company has established electronic shareholder communication processes via its Share Registry. Shareholders are able to access online annual reports, notices of meetings, proxy forms and voting, and receive electronic statements (e.g. holding statements) by email. The Company has an arrangement with eTree by which it donates \$1 to Landcare Australia for each shareholder email address recorded.

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

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

8. External auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. Sonic requires its external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the auditor's report. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

9. Performance evaluation of the Board, its Committees and Directors, and key executive officers

(a) The Board and its Committees

The Board carries out an annual evaluation of its own performance in meeting its key responsibilities in accordance with the Board Charter, by undertaking the following activities:

- the Chairman discusses with each Director their individual performance and ideas for improvement based on surveys completed by each Director assessing their own and each other Directors' performance, and
- the Board as a whole discusses and analyses its own performance, including suggestions for change or improvement and assessment of the extent to which the Board has discharged its responsibilities as set out in the Board Charter.

The performance review covers matters such as contribution to strategy development, interaction with management, operation and conduct of meetings, and specific performance objectives for the year ahead.

The Board also obtains feedback on their performance and operations from key people such as the external auditors.

Each Committee of the Board is required to undertake an annual performance evaluation and report the results of this review to the Board.

Performance evaluation results are discussed by the Board, and initiatives are undertaken, where appropriate, to strengthen the effectiveness of the Board's operation and that of its Committees. The Board periodically reviews the skills, experience and expertise of its Directors and its practices and procedures for both the present and future needs of the Company.

Corporate Governance Statement

9. Performance evaluation of the Board, its Committees and Directors, and key executive officers (continued)

(b) The Managing Director and Finance Director

The performances of the Managing Director and Finance Director are formally reviewed by the Board. The performance criteria include:

- economic results of the Group,
- fulfilment of objectives and duties,
- personnel and resource management,
- personal conduct and Sonic Core Values,
- corporate governance and compliance,
- risk management, and
- feedback from clients and investors.

Performance evaluation results are considered by the Remuneration and Nomination Committee in determining the level and structure of remuneration for the Managing Director and Finance Director.

(c) Key executives

The Managing Director evaluates key executives at least annually with qualitative and quantitative measures against agreed business and personal objectives. These business and personal objectives are consistent with those used in the performance reviews for the Managing Director and Finance Director.

CONCISE FINANCIAL REPORT

30 JUNE 2011

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Independent Auditor's Report to the Members

The Concise Financial Report is an extract from the full Financial Report for the year ended 30 June 2011. The financial statements and specific disclosures included in the Concise Financial Report have been derived from the full Financial Report. The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Sonic Healthcare Limited and its controlled entities as the full Financial Report. Further financial information can be obtained from the full Financial Report.

The full Financial Report and auditor's report can be accessed via the internet on our website: www.sonichealthcare.com. Alternatively, members can call +61 2 9855 5444 and request a copy of the full Financial Report and auditor's report, which will be sent free of charge.

Consolidated Income Statement

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Revenue from operations	3	3,082,883	2,972,613
Other income		13,496	22,020
Total revenue		3,096,379	2,994,633
Labour and related costs		(1,389,869)	(1,337,577)
Consumables used		(512,518)	(516,987)
Operating lease rental expense		(155,716)	(141,490)
Depreciation and amortisation of physical assets		(97,227)	(93,089)
Transportation		(87,560)	(86,439)
Utilities		(73,990)	(67,708)
Borrowing costs expense		(71,074)	(62,787)
Repairs and maintenance		(68,365)	(68,252)
Amortisation of intangibles		(17,691)	(15,357)
Other expenses from ordinary activities		(231,966)	(218,341)
Profit from ordinary activities before income tax expense		390,403	386,606
Income tax expense		(95,914)	(92,822)
Profit from ordinary activities after income tax expense		294,489	293,784
Net loss/(profit) attributable to minority interests		46	(559)
Profit attributable to members of Sonic Healthcare Limited		294,535	293,225
		Cents	Cents
Basic earnings per share	6	75.8	75.5
Diluted earnings per share	6	75.5	75.0

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	2011 \$'000	2010 \$'000
Profit from ordinary activities after income tax expense	294,489	293,784
Other comprehensive income		
Exchange differences on translation of foreign operations	(121,688)	(75,734)
Cash flow hedges	10,924	2,181
Actuarial gains/(losses) on retirement benefit obligations	1,319	(917)
Revaluation reserve reduction	-	(603)
Other comprehensive income for the period, net of tax	(109,445)	(75,073)
Total comprehensive income for the period	185,044	218,711
Total comprehensive income attributable to:		
– Members of Sonic Healthcare Limited	185,216	218,107
– Minority interests	(172)	604
	185,044	218,711

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2011

	2011 \$'000	2010 \$'000
Current assets		
Cash and cash equivalents	174,687	300,354
Receivables	402,876	406,988
Inventories	53,357	53,993
Assets classified as held for sale	9,189	9,688
Other	27,806	27,571
Total current assets	667,915	798,594
Non-current assets		
Receivables	2,734	3,222
Other financial assets	46,396	29,385
Property, plant and equipment	531,529	509,592
Investment properties	20,517	20,514
Intangible assets	3,408,001	3,466,457
Deferred tax assets	35,357	34,902
Other	448	1,059
Total non-current assets	4,044,982	4,065,131
Total assets	4,712,897	4,863,725
Current liabilities		
Payables	233,675	237,619
Interest bearing liabilities	3,864	448,827
Current tax liabilities	27,941	26,293
Provisions	117,742	124,236
Other financial liabilities	14,359	34,746
Other	3,637	12,051
Total current liabilities	401,218	883,772
Non-current liabilities		
Interest bearing liabilities	1,706,449	1,352,618
Deferred tax liabilities	45,230	23,537
Provisions	37,664	40,430
Other	5,901	4,627
Total non-current liabilities	1,795,244	1,421,212
Total liabilities	2,196,462	2,304,984
Net assets	2,516,435	2,558,741
Equity		
Parent Company interest		
Contributed equity	2,345,584	2,345,145
Reserves	(187,356)	(78,357)
Retained earnings	356,160	289,480
Total Parent Company interest	2,514,388	2,556,268
Minority interests	2,047	2,473
Total equity	2,516,435	2,558,741

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Share capital \$'000	Reserves \$'000	Retained earnings \$'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	-	-	-	-	(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 2010	2,345,145	(78,357)	289,480	2,556,268	2,473	2,558,741
Profit for period	-	-	294,535	294,535	(46)	294,489
Other comprehensive income for the period	-	(110,638)	1,319	(109,319)	(126)	(109,445)
Total comprehensive income for the period	-	(110,638)	295,854	185,216	(172)	185,044
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(229,174)	(229,174)	-	(229,174)
On market purchase to satisfy exercise of options	-	(948)	-	(948)	-	(948)
Adjustment to tax benefits associated with past share issues	(901)	-	-	(901)	-	(901)
Transfers to share capital	1,340	(1,340)	-	-	-	-
Share based payments	-	3,927	-	3,927	-	3,927
Dividends paid to minority interests	-	-	-	-	(254)	(254)
Balance at 30 June 2011	2,345,584	(187,356)	356,160	2,514,388	2,047	2,516,435

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

For the year ended 30 June 2011

	2011 \$'000	2010 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	3,156,904	3,045,853
Payments to suppliers and employees (inclusive of goods and services tax)	(2,606,117)	(2,523,465)
	550,787	522,388
Interest received	6,300	13,982
Borrowing costs	(72,130)	(51,435)
Income taxes paid	(75,938)	(55,438)
Net cash inflow from operating activities	409,019	429,497
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	(279,979)	(429,559)
Payments for property, plant and equipment	(135,767)	(139,313)
Proceeds from sale of non-current assets	2,810	5,105
Payments for investments	(22,847)	(1,860)
Payments from restructuring and surplus leased space provisions	-	(9,835)
Payments for intangibles	(34,981)	(36,042)
Repayment of loans by other entities	4,769	6,394
Loans to other entities	(2,908)	(4,444)
Net cash (outflow) from investing activities	(468,903)	(609,554)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related taxes)	1,649	31,557
Payments for shares acquired by the Sonic Healthcare Employee Share Trust	(3,498)	-
Proceeds from borrowings	568,401	927,738
Repayment of borrowings	(401,779)	(799,608)
Dividends paid to Company's shareholders	(229,174)	(229,174)
Dividends paid to minority interests in subsidiaries	(249)	(239)
Net cash (outflow) from financing activities	(64,650)	(69,726)
Net (decrease) in cash and cash equivalents	(124,534)	(249,783)
Cash and cash equivalents at the beginning of the financial year	300,354	557,932
Effects of exchange rate changes on cash and cash equivalents	(1,133)	(7,795)
Cash and cash equivalents at the end of the financial year	174,687	300,354

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2011

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This Concise Financial Report relates to the Group consisting of Sonic Healthcare Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011. The accounting policies adopted have been consistently applied to all years presented.

Notes to the Consolidated Concise Financial Statements

Note 1 Presentation currency

The presentation currency used in this Concise Financial Report is Australian dollars.

Note 2 Segment information

Business segments

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, Belgium and Ireland.
- (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.

2011	Pathology \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Total \$'000
Revenue					
External sales	2,505,313	362,251	209,019	-	3,076,583
Inter-segment sales	505	181	5,674	(6,360)	-
Other income	996	2	12,498	-	13,496
Total segment revenue	2,506,814	362,434	227,191	(6,360)	3,090,079
Interest income					6,300
Total revenue					3,096,379
Result					
Segment result	436,386	39,406	(2,924)	-	472,868
Amortisation of intangibles					(17,691)
Unallocated net interest expense					(64,774)
Profit before tax					390,403
Income tax expense					(95,914)
Profit after income tax expense					294,489
Depreciation	56,145	29,759	11,323	-	97,227
Other non-cash expenses	(24,947)	642	5,724	-	(18,581)

Notes to the Consolidated Concise Financial Statements

Note 2 Segment information (continued)

Business segments (continued)

2010	Pathology \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Total \$'000
Revenue					
External sales	2,436,508	356,702	165,421	-	2,958,631
Inter-segment sales	2,671	230	2,541	(5,442)	-
Other income	5,689	187	16,144	-	22,020
Total segment revenue	2,444,868	357,119	184,106	(5,442)	2,980,651
Interest income					13,982
Total revenue					2,994,633
Result					
Segment result	428,069	33,770	(11,071)	-	450,768
Amortisation of intangibles					(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	51,405	30,965	10,719	-	93,089
Other non-cash expenses	(6,903)	1,488	7,011	-	1,596

Geographical information

	Revenues from sales to external customers*		Non-current assets**	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Australia	1,470,107	1,396,011	1,562,999	1,522,136
United States of America	721,428	693,236	1,117,048	1,177,838
Germany	541,463	576,775	630,265	666,945
Other	343,585	292,609	699,313	663,310
Total	3,076,583	2,958,631	4,009,625	4,030,229

* Note that changes between years are affected by exchange rate movements and the timing of business acquisitions.

** Note that this includes all non-current assets other than financial instruments and deferred tax assets.

Notes to the Consolidated Concise Financial Statements

Note 3 Revenue

	2011 \$'000	2010 \$'000
Services revenue		
Medical services revenue	3,058,289	2,935,895
Other revenue		
Interest received or due and receivable	6,300	13,982
Rental income	12,947	13,559
Other revenue	5,347	9,177
	24,594	36,718
Revenue from operations	3,082,883	2,972,613

Note 4 Dividends

	2011 \$'000	2010 \$'000
Total dividends paid on ordinary shares during the year		
Final dividend for the year ended 30 June 2010 of 35 cents (2009: 35 cents) per share paid on 28 September 2010 (2009: 28 September 2009), 35% (2009: 35%) franked	135,950	135,950
Interim dividend for the year ended 30 June 2011 of 24 cents (2010: 24 cents) per share paid on 24 March 2011 (2010: 25 March 2010), 28% (2010: 35%) franked	93,224	93,224
	229,174	229,174
Dividends not recognised at year end		
In addition to the above dividends, since year end the Directors declared a final dividend of 35 cents (2010: 35 cents) per ordinary share, franked to 28% based on tax paid at 30%. The aggregate amount of the final dividend paid on 21 September 2011 out of retained profits at the end of the year, but not recognised as a liability is:	136,489	135,950
Franked dividends		
The 2011 final dividend declared after the year end was 28% franked out of existing franking credits and out of franking credits arising from the payment of income tax in the year ending 30 June 2012.		
Franking credits available at the year end for subsequent financial years based on a tax rate of 30%	12,245	10,796
The consolidated amounts include franking credits that would be available if distributable profits of subsidiaries not part of the Australian tax group were paid as dividends.		
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, was a reduction in the franking account of \$16,379,000 (2010: \$20,393,000).		
Dividend Reinvestment Plan ("DRP")		
The Company's DRP remained suspended for the 2011 final dividend and until further notice.		

Notes to the Consolidated Concise Financial Statements

Note 5 Business combinations

Acquisition of subsidiaries/business assets

Acquisitions in the period included:

- On 1 December 2010, Sonic acquired 100% of CBLPath, based in New York, USA.
- On 31 December 2010, Sonic acquired 100% of the Physicians' Automated Laboratory, based in California, USA.
- On 6 January 2011, Sonic acquired 100% of KBL-BML-Unilabo Laboratory, based in Antwerp, Belgium.
- On 13 January 2011, Sonic acquired 100% of the Woestyn Laboratory, based in Mouscron, Belgium.
- On 4 February 2011, Sonic acquired 100% of Central Coast Pathology Consultants, based in California, USA.
- IPN, a member of the Group, acquired a number of medical centre businesses during the period.

The acquisitions outlined above represent valuable synergistic acquisitions for Sonic, adding further momentum to Sonic's growth in these regions. 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 majority of the acquisitions were integrated with other entities in the Group. The initial accounting for 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. Therefore no comparisons of book and fair values are shown.

Notes to the Consolidated Concise Financial Statements

Note 5 Business combinations (continued)

Acquisition of subsidiaries/business assets (continued)

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

	Total \$'000
Consideration - cash paid	275,980
Less: Cash of entities acquired	(10,672)
	265,308
Deferred consideration	6,984
Total consideration	272,292
Carrying/fair value of identifiable net assets acquired:	
Debtors & other receivables	13,117
Prepayments	1,728
Inventory	1,955
Income tax receivable	3,142
Deferred tax assets	1,616
Property, plant & equipment	11,760
Other non-current receivables	29
Identifiable intangibles	1,026
Trade payables	(5,527)
Sundry creditors and accruals	(4,550)
Deferred tax liabilities	(512)
Borrowings	(808)
Lease liabilities	(1,401)
Provisions	(1,961)
	19,614
Goodwill	252,678

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. \$50,413,000 of the purchased goodwill recognised is expected to be deductible for income tax purposes, over a fifteen year period.

Acquisition related costs of \$2,974,000 are included in other expenses in the Consolidated Statement of Comprehensive Income. The fair value of acquired debtors and other receivables is \$13,117,000. The gross contractual amount due is \$17,214,000, of which \$4,097,000 is expected to be uncollectable.

Notes to the Consolidated Concise Financial Statements

Note 5 Business combinations (continued)

Acquisition of subsidiaries/business assets (continued)

The purchase price for Central Coast Pathology Consultants includes a performance based earn-out of up to an additional US\$2.8M payable approximately two years after settlement. In addition there was a US\$2M earn-out included in the purchase price for Physician's Automated Laboratory, Inc. This was paid, in full, five months after settlement.

In the prior year the purchase price for the Lademannbogen Laboratory Group included a performance based earn-out of up to an additional €4.5M payable eighteen months after settlement. The full €4.5M was paid in the 2011 financial year.

There were no subsequent changes to the accounting for the business combinations in the 2010 financial year from those included in the 2010 financial statements.

Note 6 Earnings per share

	2011 Cents	2010 Cents
Basic earnings per share	75.8	75.5
Diluted earnings per share	75.5	75.0

	2011 Shares	2010 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	388,429,875	388,140,826
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	390,196,374	390,882,177

Options over ordinary shares are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

Details of the options exercised and issued in the period between the reporting date and the date of this report are detailed in Note 7.

	2011 \$'000	2010 \$'000
Reconciliations of earnings used in calculating earnings per share		
Net profit	294,489	293,784
Net loss/(profit) attributable to minority interests	46	(559)
Earnings used in calculating basic and diluted earnings per share	294,535	293,225

Notes to the Consolidated Concise Financial Statements

Note 7 Share options

(a) Shares under option

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

(i) Sonic Healthcare Limited Employee Option Plan

Grant date	Expiry date	Issue price of shares	Number of options at date of report
13/08/07	13/06/12	\$13.00	200,000
31/07/08	31/05/13	\$13.65	110,000
21/11/08	22/11/13	\$12.98	1,068,375
27/03/09	27/01/14	\$11.10	1,500,000
10/06/10	10/04/15	\$10.57	1,000,000
3/03/11	3/01/16	\$11.13	700,000
Total			4,578,375

The above options granted are able to be exercised subject to the following vesting periods:

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

The grant of options on 21 November 2008 related to the long term incentive component for the remuneration of Dr C.S. Goldschmidt and C.D. Wilks for the three years ending on 30 June 2011, and have different vesting conditions. The options vest on 22 November 2011 subject to the fulfilment of two separate performance conditions with a 50% weighting for each (that is, 50% of the options were subject to the first performance condition and the other 50% were subject to the second performance condition). Performance condition one required a Compound Average Growth Rate of EPS for the three years ending 30 June 2011 of 10% p.a., which required a 2011 EPS of at least 97.83 cents. This performance condition was not met and the relevant 50% of the total number of options have been forfeited after year end. Under performance condition two, Sonic's performance was ranked by percentile according to its Total Shareholder Return (TSR) against the TSRs of the companies forming the S&P ASX 100 Accumulation Index, excluding Banks and Resource companies, over the performance period from 1 July 2008 to 30 June 2011. A TSR below the 50th percentile would result in nil options vesting, a TSR of the 50th percentile will result in 50% of options vesting with a progressive scale of an additional 2% for each percentile increase up to the 75th percentile. A TSR of the 75th percentile and above would result in 100% of the options vesting. Sonic achieved a percentile rank of 65.7% and therefore 81.4% of the relevant options (1,068,375 options) achieved the performance condition. The other 244,125 options were forfeited after year end. The remaining options expire 60 months from the date of issue.

1,025,000 options granted on 15 November 2006 expired (unexercised) on 15 September 2011.

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

(ii) Queensland X-Ray (QXR) options

Pursuant to Sonic's agreement with the vendors of QXR, Sonic is to issue a total of 1,000,000 options to staff of QXR of which 825,000 options have been issued at the date of this report. The vesting and other conditions for these options are the same as those for the Sonic Healthcare Limited Employee Option Plan. At the date of this report nil options are on issue.

Notes to the Consolidated Concise Financial Statements

Note 7 Share options (continued)

(a) Shares under option (continued)

(iii) Executive Incentive Plan

At the date of this report the following options are on issue:

Grant date	Expiry date	Issue price of shares	Number of options at date of report
24/08/07	24/08/12	\$7.50	1,540,000
22/08/08	22/08/13	\$7.50	1,540,000
Total			3,080,000

Executive Incentive Plan options expire 60 months after issue and are able to be exercised subject to the following vesting periods:

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

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

(iv) Clinical Pathology Laboratories, Inc. (CPL)

2,000,000 options over unissued ordinary Sonic shares were granted on 15 November 2006. Each option is convertible into one ordinary share as set out below at an exercise price of \$13.10:

- 1,400,000 may be exercised after 1 October 2010, expiring 30 September 2011
- 300,000 may be exercised after 1 October 2011, expiring 30 September 2012
- 300,000 may be exercised after 1 October 2012, expiring 30 September 2013

All of the 2,000,000 options remain unexercised as at the date of this report. No option holder has any right under the option to participate in any other issue of the Company or of any other entity.

(v) Medica Laboratory Group

1,000,000 options over unissued ordinary Sonic shares were granted on 13 August 2007 as part of the Medica acquisition consideration. Each option is convertible into one ordinary share as set out below on or before 30 September 2012 at an exercise price of \$13.00 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.

- Up to 20% may be exercised after 30 May 2008
- Up to 40% may be exercised after 30 May 2009
- Up to 60% may be exercised after 30 May 2010
- Up to 80% may be exercised after 30 May 2011
- Up to 100% may be exercised after 30 May 2012

All of the 1,000,000 options remain unexercised as at the date of this report. No option holder has any right under the option to participate in any other issue of the Company or of any other entity.

Notes to the Consolidated Concise Financial Statements

Note 7 Share options (continued)

(a) Shares under option (continued)

(vi) Bioscientia Healthcare Group

1,000,000 options over unissued ordinary Sonic shares were granted on 3 October 2007 as part of the Bioscientia acquisition consideration. Each option is convertible into one ordinary share as set out below on or before 3 August 2012 at an exercise price of \$14.16:

- Up to 50% may be exercised after 3 April 2010
- Up to 75% may be exercised after 3 April 2011
- Up to 100% may be exercised after 3 April 2012

All of the 1,000,000 options remain unexercised as at the date of this report. No option holder has any right under the option to participate in any other issue of the Company or of any other entity.

(vii) Labor 28 Group

500,000 options over unissued ordinary Sonic shares were granted on 25 July 2008 as part of the Labor 28 acquisition consideration. Each option is convertible into one ordinary share as set out below on or before 25 May 2013 at an exercise price of \$13.30:

- Up to 50% may be exercised after 25 January 2011
- Up to 75% may be exercised after 25 January 2012
- Up to 100% may be exercised after 25 January 2013

All of the 500,000 options remain unexercised as at the date of this report. No option holder has any right under the option to participate in any other issue of the Company or of any other entity.

(b) Shares issued on the exercise of options up to the date of this report

(i) Sonic Healthcare Limited Employee Option Plan options

A total of nil ordinary shares of Sonic were issued during the year ended 30 June 2011 and to the date of this report on the exercise of options granted under the Sonic Healthcare Limited Employee Option Plan.

(ii) Queensland X-Ray (QXR) options

A total of nil ordinary shares of Sonic were issued during the year ended 30 June 2011 and to the date of this report on the exercise of QXR options.

(iii) Executive Incentive Plan options

A total of 340,000 of Executive Incentive Plan options were exercised during the year ended 30 June 2011, however these were satisfied with existing shares purchased on market by the Sonic Healthcare Employee Share Trust.

A further 1,540,000 options were exercised since that date, but prior to the date of this report, resulting in the issue of 1,540,000 ordinary shares. The amount paid by the option holders per share was \$7.50.

No amounts are unpaid on any of these shares.

Notes to the Consolidated Concise Financial Statements

Note 8 Events occurring after reporting date

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, other than as follows:

- On 22 August 2011 Sonic's Directors declared a final dividend of 35 cents (28% franked) per ordinary share, paid on 21 September 2011. Sonic's Dividend Reinvestment Plan remained suspended for this dividend. The final dividend included no conduit foreign income.

Directors' Declaration

The Directors declare that in their opinion, the Concise Financial Report of the Group for the year ended 30 June 2011 as set out on pages 48 to 64 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

The Concise Financial Report is an extract from the full Financial Report for the year ended 30 June 2011. The financial statements and specific disclosures included in the Concise Financial Report have been derived from the full Financial Report.

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full Financial Report, which is available on request.

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



Dr C.S. Goldschmidt
Director



C.D. Wilks
Director

Sydney
29 September 2011

Independent Auditor's Report to the Members



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ABN 52 780 433 757

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DX 77 Sydney
Australia

Telephone +61 2 8266 0000
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Independent Auditor's Report to the Members of Sonic Healthcare Limited **Report on the Concise Financial Report**

The accompanying Concise Financial Report of Sonic Healthcare Limited (the Company) comprises the Consolidated Balance Sheet as at 30 June 2011, the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended and related notes, derived from the audited Financial Report of the Company for the year ended 30 June 2011. The Concise Financial Report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' responsibility for the Concise Financial Report

The Directors are responsible for the preparation and presentation of the Concise Financial Report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the Concise Financial Report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the Concise Financial Report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the Financial Report of the Company for the year ended 30 June 2011. Our audit report on the Financial Report for the year was signed on 29 September 2011 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement.

Our procedures in respect of the Concise Financial Report included testing that the information in the Concise Financial Report is derived from, and is consistent with, the Financial Report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the Financial Report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the Concise Financial Report complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the Concise Financial Report.

Our audit did not involve an analysis of the prudence of business decisions made by Directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent Auditor's Report to the Members



Independent Auditor's Report to the Members of Sonic Healthcare Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the Concise Financial Report of the Company for the year ended 30 June 2011 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on the Remuneration Report

The following paragraphs are copied from our report on the Remuneration Report for the year ended 30 June 2011.

We have audited the Remuneration Report included in pages 23 to 35 of the Directors' Report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the Financial Report and Remuneration Report of Sonic Healthcare Limited (the Company) for the year ended 30 June 2011 included on the Sonic Healthcare Limited web site. The Company's Directors are responsible for the integrity of the Sonic Healthcare Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the Financial Report and Remuneration Report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the Financial Report or the Remuneration Report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited Financial Report and Remuneration Report to confirm the information included in the audited Financial Report and Remuneration Report presented on this web site.

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
29 September 2011

Shareholders' Information

1. Information relating to shareholders

(a) Distribution schedule as at 16 September 2011

	No. of holders ordinary shares
1 – 1,000	17,584
1,001 – 5,000	15,850
5,001 – 10,000	1,376
10,001 – 100,000	724
100,001 and over	101
	35,635
Voting rights	
– on a show of hands	1/member
– on a poll	1/share
Percentage of total shares held by the twenty largest registered holders	77.02%
Number of holders holding less than a marketable parcel	584

(b) Substantial shareholders as at 16 September 2011

The Company has received substantial shareholding notices to 16 September 2011 in respect of the following holdings:

	No. of securities	Percentage held
The Capital Group Companies, Inc.	46,262,112	11.91%
Manning & Napier Advisors, Inc. and affiliates	28,791,564	7.42%

Shareholders' Information

1. Information relating to shareholders (continued)

(c) Names of the twenty largest registered holders of equity securities as at 16 September 2011

	No. of securities	Percentage held
J P Morgan Nominees Australia Limited	90,327,103	23.16%
National Nominees Limited	70,808,720	18.16%
HSBC Custody Nominees (Australia) Limited	69,154,028	17.73%
Jardvan Pty Ltd	15,958,704	4.09%
Citicorp Nominees Pty Limited	14,384,365	3.69%
Cogent Nominees Pty Limited	7,758,390	1.99%
JP Morgan Nominees Australia Limited <Cash Income A/C>	5,649,998	1.45%
Perpetual Trustee Company Limited	3,936,159	1.01%
Polly Pty Ltd	3,816,646	0.98%
Australian Reward Investment Alliance	3,337,814	0.86%
AMP Life Limited	3,223,431	0.83%
Argo Investments Limited	2,224,483	0.57%
Goodoil Investments Pty Ltd <Timothy Roberts Invest A/C>	1,973,717	0.51%
Quintal Pty Ltd <Harken Family A/C>	1,521,138	0.39%
Queensland Investment Corporation	1,468,992	0.38%
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	1,065,255	0.27%
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	982,266	0.25%
Mrs Jennifer Margaret Robson	930,168	0.24%
Cogent Nominees Pty Limited <SMP Accounts>	904,540	0.23%
Dr Anthony John Clarke	885,000	0.23%
	300,310,917	77.02%

Shareholders' Information

2. Unquoted equity securities as at 16 September 2011

	No. on issue	No. of holders
Options over unissued ordinary shares	12,158,375	66

3. Share Registry

Computershare Investor Services Pty Limited

Registered address: Level 5, 115 Grenfell Street, Adelaide, SA 5000

Postal address: GPO Box 1903, Adelaide, SA 5001

Enquiries within Australia: 1300 556 161

Enquiries outside Australia: +61 3 9415 4000

Investor enquiries facsimile: +61 3 9473 2408

Email: www.investorcentre.com/contact

Shareholders with enquiries should email, telephone or write to the Share Registry.

Separate shareholdings may be consolidated by advising the Share Registry in writing or by completing a Request to Consolidate Holdings form which can be found online at the above website.

Shareholders who are issuer sponsored holders should notify the Share Registry of a change of address without delay. Shareholders who are broker sponsored on the CHESS sub-register must notify their sponsoring broker of a change of address.

Direct payment of dividends into a nominated account may be arranged with the Share Registry. Shareholders are encouraged to use this option by completing a payment instruction form online or advising the Share Registry in writing with particulars.

The Annual Report is produced for your information. However, should you receive more than one or wish to be removed from the mailing list for the Annual Report, please advise the Share Registry. You will continue to receive any Notices of Meetings and Proxy Forms.

Supporting the environment through eTree

Sonic Healthcare Limited is a participating member of eTree and is proud to support this environmental scheme encouraging security holders to register to access all their communications electronically. Our partnership with eTree is an ongoing commitment to driving sustainable initiatives that help security holders contribute to a greener future.

For every email address registered at www.eTree.com.au/sonichealthcare, a donation of \$1 is made to Landcare Australia. With your support of the eTree project, Sonic Healthcare has decreased its Annual Report and print production by ~10%. The result, in conjunction with Landcare Australia, is thousands of new trees being planted in reforestation projects around Australia and New Zealand. Furthermore, the ongoing benefits of this initiative include a reduction in energy and water resources associated with paper production.

We also encourage you to visit eTree if your email address has changed and you need to update it. For every updated registration, \$1 will be donated to Landcare Australia. To register, you will need your Security Holder Reference Number (SRN) or Holder Identification Number (HIN).

4. Annual General Meeting

The Annual General Meeting will be held in Grand Ballroom 2 at the Shangri-La Hotel, 176 Cumberland Street, The Rocks, Sydney at 10.00am on Friday 18 November 2011.



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