

The background of the cover features several petri dishes containing bacterial cultures. The cultures are shown in various colors: yellow, pink, and orange. Some dishes have streaked patterns, while others show more uniform growth. A semi-transparent orange circle is overlaid on the right side of the image, containing the title text. The overall aesthetic is scientific and professional.

CONCISE ANNUAL REPORT 2010



SONIC
HEALTHCARE
LIMITED

CORPORATE DIRECTORY

Directors

Mr B.S. Patterson Chairman
Dr C.S. Goldschmidt Managing Director
Mr C.D. Wilks Finance Director
Mr R.P. Campbell
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.
Phone: +61 2 9855 5444
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: web.queries@computershare.com.au

Auditor

PricewaterhouseCoopers

Solicitors

Allens Arthur Robinson
Minter Ellison

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 listing

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



CONTENTS

02	CHAIRMAN'S LETTER
03	MANAGING DIRECTOR'S REPORT
09	DIRECTORS' REPORT
33	CORPORATE GOVERNANCE STATEMENT
44	CONCISE FINANCIAL REPORT
64	DIRECTORS' DECLARATION
65	INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
67	SHAREHOLDERS' INFORMATION



CHAIRMAN'S LETTER

My fellow shareholders,

The 2010 financial year has been a difficult one, with foreign currency headwind and changing market conditions in Australia. Whilst these issues are dealt with elsewhere in the Annual Report, in summary our profit this year showed only slight growth (excluding the currency effect), and we look forward to much stronger performance in 2011. Sonic's strong cash flows did however allow us to continue to grow the full year dividend, resulting in a one-off increase in our payout ratio.

Sonic Healthcare operates hundreds of laboratories, almost a hundred radiology clinics, thousands of couriers and thousands of collection centres across eight countries. This amazing infrastructure is a critical part of the healthcare systems in the countries in which we operate, none more so than in Australia. Family doctors, surgeons, and other specialist physicians could not care for their patients without the information and support provided by pathology and radiology. 70% of all medical diagnoses are based on pathology, and 100% of cancer diagnoses.

Sonic's greatest asset is its people, who provide outstanding service to our customers, referring physicians. Sonic employs over 22,000 around the world, including hundreds of outstanding pathologists and radiologists, and thousands of highly trained and dedicated scientists and technicians. Sonic's medical leadership culture and federation structure engenders loyalty and passion in our staff, and as a result our management teams are very experienced, capable and stable, a huge advantage to the company.

Recent developments in corporate governance in Australia are increasing focus on work force diversity, and in particular gender diversity. Over 75% of Sonic's work force is comprised of females, and approximately 50% of senior management roles are held by females. Sonic subsidiaries regularly win local business awards based on work force diversity.

I was delighted to welcome Kate Spargo and Dr Jane Wilson to the Sonic Healthcare Board of Directors from 1 July 2010. Kate and Jane are very experienced directors and business women and have already made very positive contributions to Sonic. The board now consists of a majority of independent, non-executive directors, a goal we have been working towards for some time.

Over the last few years Sonic has been investing heavily in infrastructure and market foot print in the USA and Western Europe, leading the consolidation of fragmented markets, just as we did in Australia throughout the 1990s. Having now reached critical mass, especially in the largest markets of the USA and Germany, the return on that investment is starting to accelerate; through synergy capture and other cost initiatives. With over 60 % of Sonic's pathology revenue now from outside Australia, the future for Sonic is bright, as we apply the same strategies that were so successful in Australia to those offshore markets.

I wish to thank my fellow directors for their input and support over the last twelve months. I particularly appreciate the tireless efforts of our senior management team to make Sonic the best company it can be, and to create value for shareholders.

Barry Patterson
Chairman



MANAGING DIRECTOR'S REPORT

The underlying resilience of Sonic Healthcare as a global medical diagnostics company was demonstrated clearly in the financial year to 30 June 2010.

The company experienced challenging market conditions in the Australian laboratory market, due to regulatory changes, but gained momentum in its other major laboratory markets of Europe and the USA, where ongoing above-market organic growth and strategic acquisitions provided the basis for strong revenue growth, synergy gains and margin expansion.

It is almost ten years since Sonic Healthcare commenced its strategy of international expansion – to move into selected global laboratory markets, armed with the strong corporate credo and leadership model of its well-established Australian operational base.



Today, Sonic is not only the market leader in Australia, but also in Germany and in Europe as a whole. In the USA, in just five years, Sonic has grown to become the clear number three player in the world's largest and most competitive laboratory market. Dominant positions are also held in the UK, Switzerland and more recently, in Belgium. These are sterling achievements, driven by the passion and sheer determination of thousands of Sonic people around the world.

Sonic Healthcare's successful international diversification has positioned the company for future growth and will facilitate broad exposure to the universal underlying growth drivers of laboratory medicine – the ageing of the population, the increasing focus on preventative medicine and the accelerating rollout of new diagnostic technologies, particularly in the area of genetic testing. Furthermore, Sonic's diversified operations, spanning eight countries and three continents, will also serve to mitigate potential future regulatory and other risks, thus providing additional insurance and security in the years ahead.

In February 2010, Sonic entered the Belgian laboratory market via the acquisition of the Medhold Group. Based in Antwerp and serving much of the Flanders region of Belgium, this well-established laboratory has an outstanding reputation for technical and medical excellence. We are honoured to team up with such a highly-regarded group and, together with our new partner, look forward to forging a growth path in this relatively fragmented laboratory market of Europe.

In Germany, Sonic completed the acquisition of the Hamburg-based Lademannbogen Laboratory group in January 2010, adding to the company's already-strong market presence in northern Germany. This laboratory holds an enviable position throughout Germany for its excellent service and scientific status, achieved over the several decades since its founding. Sonic's wider German laboratory division performed with distinction through the year. In particular, earnings margins expanded for the second successive year, indicating ongoing success and momentum in the drive for synergy capture.

In the USA, in just five years,
Sonic has grown to become
the clear number three player in
the world's largest and most
competitive laboratory market.



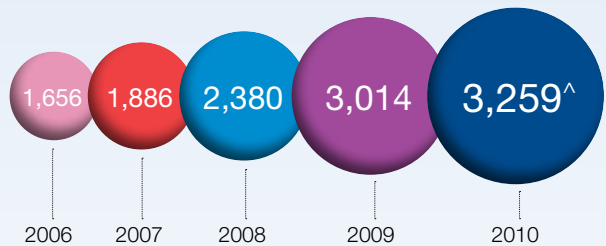


Sonic's German business now comprises more than 20% of total group revenues and I anticipate that this key segment will continue to expand, given the commitment of our people, our strong market position, our continuing organic growth and the active acquisition pipeline established to date. Due to the scale and expansion of our operations in Germany, a permanent Sonic Healthcare Germany head office will be established in Berlin from January 2011.

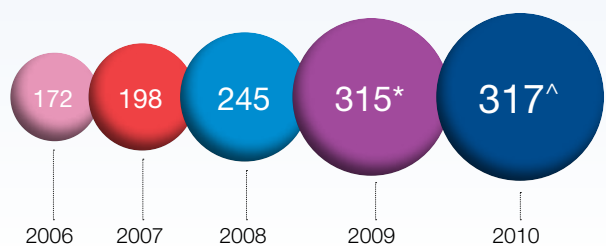
Sonic's USA division continued its strong performance through the year. Organic revenue growth of over 6% was well above that of Sonic's major US competitors. Furthermore, the division delivered further healthy margin expansion for the year, building on that achieved in the previous year. These results are indicative of effective synergy capture and ongoing integration of Sonic's seven operational divisions in the USA.

Three outstanding US laboratory companies were acquired through the year, each offering synergy and other integration benefits to Sonic's existing operations. The new laboratories are Rhode Island-based East Side Clinical Laboratories, Virginia-based Piedmont Medical Laboratory and Florida-based Axiom Laboratories. Sonic continues to grow strongly in the USA, both in physical terms as a business and also in terms of reputation and stature. We successfully continue to distinguish ourselves as a company with distinctive culture, values and operational characteristics, features which add momentum to our organic and acquisitional growth prospects.

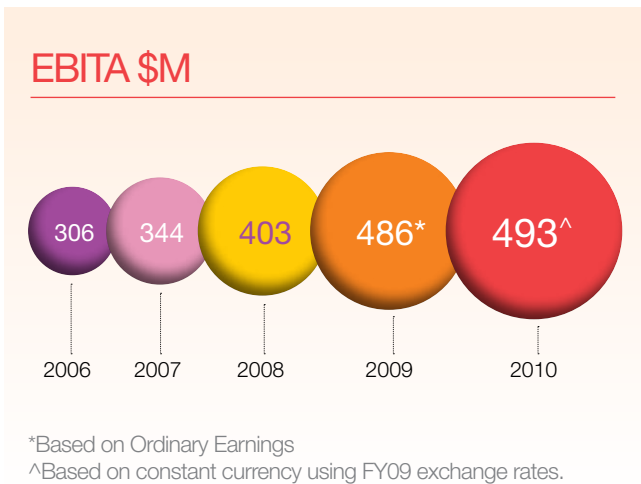
Gross Revenue \$M



Net Profit \$M



*Based on Ordinary Earnings
[^]Based on constant currency using FY09 exchange rates.

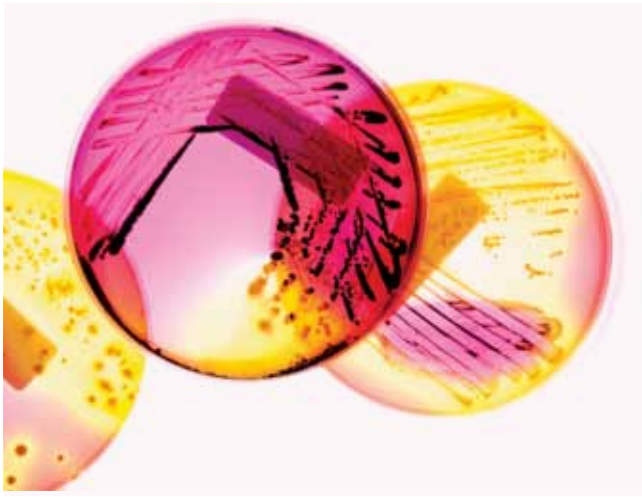


Sonic's Australian laboratory operations continue to hold pre-eminent brand status in the country, through the relentless delivery of exceptional professional services.

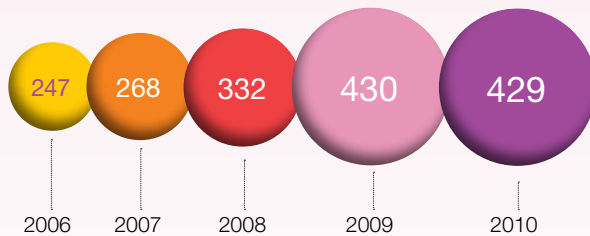
The Australian laboratory market was subject to stress and dislocation as a result of government-initiated regulatory changes. An unexpected 5% cut to government-funded test fees was instituted in November 2009, with resultant revenue declines for all market players. These changes were compounded by a simultaneous fall in market demand, possibly triggered by publicity surrounding mooted patient co-payments for laboratory tests – or by lower GP consultation rates. Sonic's position was further exacerbated by new billing policies in its Queensland operation – implemented as a counter-measure to the fee cuts – which resulted in a temporary loss of local market share, subsequently recovered in full.

As the largest and strongest player in the Australian laboratory market, Sonic is well equipped to handle changes of this nature, unprecedented as they were. However, the unavoidable revenue impacts of the combined fee cuts and temporary volume declines forced the company to revise downwards its earnings guidance for the full-year by approximately 10%, with a concurrent fall in Sonic's share price. However, Sonic's Australian laboratory operations continue to hold pre-eminent brand status in the country, through the relentless delivery of exceptional professional services.

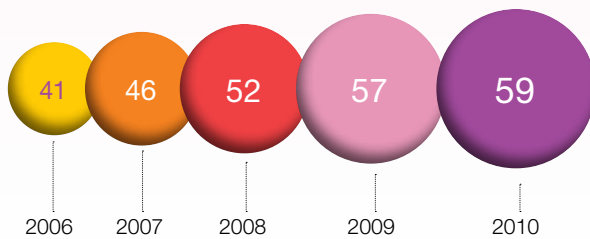
The company's laboratory divisions in the UK, Switzerland and New Zealand all performed well through the year and continue to contribute to overall group success. Likewise, Sonic Imaging, IPN (Sonic's medical centre operator in Australia), Sonic Clinical Trials, Sonic Clinical Institute, Lifescreen and Sonic Food & Water Testing all continue to deliver outstanding services, adding depth and strength to Sonic Healthcare as a high-quality global healthcare company.



Net Operating Cash Flow \$M



Dividends per Share ¢



Inside the company, we refer to a concept termed “The Sonic Difference”. It broadly denotes Sonic’s deep-seated and dearly-held corporate culture, encompassing a unique Medical Leadership model, our Core Values, Foundation Principles and federated structure. In combination, these features represent the true underpinning strength of the organisation. They serve to unite our people around a common and differentiating corporate philosophy.

The small SonicConnect team – whose role it is to promote the Sonic Difference to Sonic’s 22,000-plus global workforce – has been highly active over the course of the year, conducting leadership workshops in Australia and New Zealand, through the US, the UK and most recently, in Germany. Our people’s positive response to these programs – and their enthusiastic endorsement of the company’s culture and values – continues to be overwhelming. I wish to thank all of Sonic’s staff for their commitment to the company and for standing so resolutely for integrity, professional service, patient care, technical excellence, continuous improvement and financial strength. With this innate and inner strength, the company can only prosper into the future.

Dr Colin Goldschmidt
CEO and Managing Director

The logo for Sonic Healthcare Limited, featuring the company name in a white, sans-serif font. The text is arranged in three lines: "SONIC" on the top line, "HEALTHCARE" on the middle line, and "LIMITED" on the bottom line. The logo is positioned in the upper right quadrant of the cover, set against a background of overlapping circles in shades of purple, orange, and yellow.

SONIC
HEALTHCARE
LIMITED

The title of the report, "CONCISE ANNUAL REPORT 2010", is displayed in a large, bold, sans-serif font. The text is arranged in four lines: "CONCISE" on the first line, "ANNUAL" on the second line, "REPORT" on the third line, and "2010" on the fourth line. The text is positioned in the center-left of the cover, overlaid on a large orange circle. The colors of the text transition from orange to yellow to white.

CONCISE
ANNUAL
REPORT
2010

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 2010.

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 B.S. Patterson	<i>Chairman</i>
Dr C.S. Goldschmidt	<i>Managing Director</i>
Mr C.D. Wilks	<i>Finance Director</i>
Mr R.P. Campbell	
Dr P.J. Dubois	
Mr C.J. Jackson	
Mr L.J. Panaccio	

Ms K.D. Spargo and Dr E.J. Wilson were appointed as directors on 1 July 2010 and continue in office at the date of this report.

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:

	2010 \$'000	2009 \$'000
Interim dividend paid	93,224	84,452
Final dividend paid on 28 September 2010	135,950	135,950
Total dividend for the year	229,174	220,402

On 23 August 2010, the board declared a final dividend in respect of the year ended 30 June 2010 of 35 cents per ordinary share, 35% franked (at 30%) paid on 28 September 2010 with a record date of 14 September 2010. An interim dividend of 24 cents per ordinary share 35% franked (at 35%) was paid on 25 March 2010. These dividends included no conduit foreign income.

A final dividend of 35 cents per ordinary share was paid on 28 September 2009 in respect of the year ended 30 June 2009, 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 2009 was 22 cents per ordinary share, paid on 26 March 2009.

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

Dividend Reinvestment Plan ("DRP")

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

DIRECTORS' REPORT

Review of operations

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

	2010 Constant Currency \$'000	2010 Statutory \$'000	2009 Statutory \$'000	% Change 2010 Constant Currency v 2009 Statutory
Revenue from ordinary activities	3,258,663	2,994,633	3,013,731	8.1%
Earnings before interest, tax, depreciation and intangibles amortisation (EBITDA)	591,248	543,857	425,125	
Depreciation and lease amortisation	(98,518)	(93,089)	(93,087)	
Earnings before interest, tax and intangibles amortisation (EBITA)	492,730	450,768	332,038	
Amortisation of intangibles	(16,632)	(15,357)	(8,196)	
Net interest expense	(59,819)	(48,805)	(74,234)	
Income tax attributable to Operating Profit	(98,679)	(92,822)	(77,053)	
Net Profit attributable to Outside Equity Interests	(571)	(559)	(1,195)	
Net Profit attributable to shareholders of Sonic Healthcare Limited	317,029	293,225	171,360	85.0%
Net Profit adjusted for 2009 Non-recurring items	317,029		315,146	0.6%
Cash generated from operations		429,497	429,952	

Earnings per share

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

Review of operations (continued)

1. Key highlights

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

2. Explanation of results

(a) Constant currency

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

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

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

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

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

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

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

DIRECTORS' REPORT

Review of operations (continued)

2. Explanation of results (continued)

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

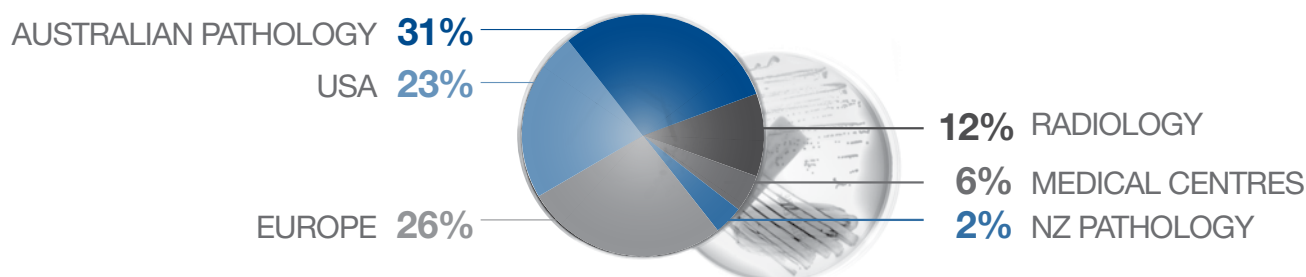
No adjustments for Non-recurring items have been made in the current year, however a number of non-recurring expenses occurred during the 2009 year, comprising:

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

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

(c) Revenue

Revenue split AUD M	2010 Statutory Revenue	% of 2010 Statutory Revenue
Pathology – Australia	901	31%
Pathology – USA	692	23%
Pathology – Europe	776	26%
Pathology – NZ	73	2%
Radiology	357	12%
Medical centres	182	6%
Revenue excluding interest income	2,981	100%



Review of operations (continued)

2. Explanation of results (continued)

(c) Revenue (continued)

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

Notes:

- (i) The geographic revenue figures shown for 2010 are presented using 2009 currency exchange rates, and excluding the revenue of acquisitions completed in the 2010 year, the total of which is shown separately (\$109.1M). The currency exchange rate effect of \$(262.7)M is also shown separately.
- (ii) The geographic revenue figures shown for 2009 have been adjusted (increased) to include a full year of revenue of acquisitions completed in the 2009 year. The total of these adjustments (\$40.6M) is then reversed to reconcile back to the reported total.

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

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

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

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

Radiology organic revenue growth was 3.5%.

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

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

DIRECTORS' REPORT

Review of operations (continued)

2. Explanation of results (continued)

(d) Margin analysis

AUD M	2010	2009	Movement
EBITDA as a % of Revenue	18.2%	14.1%	410 bps*
EBITA as a % of Revenue	15.1%	11.0%	410 bps*

*bps = basis points of margin

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

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

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

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

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

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

Review of operations (continued)

2. Explanation of results (continued)

(e) Interest expense and debt facilities

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

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

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

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

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

*Various currencies, cash mainly AUD.

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

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

Definitions:

Gearing ratio = Net debt/[Net debt + equity] (bank covenant limit <55%)
Interest cover = EBITA/Net interest expense (bank covenant limit >3.25)

Debt cover = Net debt/EBITDA (bank covenant limit <3.5)
Calculations as per Sonic's syndicated bank debt facility definitions

Sonic's senior debt facility limits expire as follows:

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

Review of operations (continued)

2. Explanation of results (continued)

(e) Interest expense and debt facilities (continued)

Sonic successfully completed its debut issue of notes ("USPP notes") to investors in the United States private placement market in January 2010, raising US\$250M of long term (7 and 10 years) debt. Sonic also refinanced a tranche of bank debt equivalent to ~A\$450M for 5 years in April 2010. Sonic's excellent relationships with its banks, its investment grade credit metrics, and its strong and reliable cash flows significantly reduce refinancing risk.

(f) Tax expense

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

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:

- Entry into the Belgian laboratory market with the acquisition on 12 February 2010 of the Medhold Group, based in Antwerp.
- Successful debut issue of notes to investors in the United States private placement market in January 2010 raising US\$250M of long term debt.
- Successful refinancing of a tranche of bank debt equivalent to ~A\$450M for 5 years in April 2010.

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 23 August 2010 Sonic's directors declared a final dividend of 35 cents (35% franked) per ordinary share, paid on 28 September 2010. Sonic's Dividend Reinvestment Plan remained suspended for this dividend.

Likely developments and expected results of operations

Sonic's main focus during the 2011 and future financial years will be to continue to grow shareholder value through both 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 Europe and expects significant growth in these large fragmented laboratory markets over the coming years.

On 24 August 2010 Sonic provided guidance to the market in relation to forecast results for the 2011 financial year as follows:

Assuming 2010 average currency exchange rates apply in 2011, Sonic expects to grow Net Profit by 5-15% over the 2010 level of \$293M. This guidance excludes the impact of future business acquisitions not already announced and is dependent on the timing of resumption of normal market growth rates for Australian Pathology.

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.

Information on directors

(a) Directors' profiles



Barry Patterson
Chairman

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

**Non-executive, independent director, appointed May 1993
(Chairman since December 1999)**

Mr Patterson is an engineer and has a corporate mining background, but in more recent years has held directorial positions in a number of both public and private companies. Mr Patterson is the Chairman of both the Remuneration Committee and the Nominations Committee, and is a member of the Audit Committee. Mr Patterson is currently Chairman and a non-executive director of Silex Systems Limited (since 1992).



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 at a number of Sydney teaching hospitals, 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 is a member of Sonic's Risk Management Committee and was a member of the Nominations Committee until 30 September 2010. 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 the Chairman 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).



Peter Campbell

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

Non-executive, independent director, appointed January 1993

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 the Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nominations 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).

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 Vice-President of the Australian Association of Pathology Practices, represents Sonic at 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 Director of the Guide Dog Association of Victoria and 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, non-executive Chairman of CPW Group 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 a member of the Audit, Remuneration and Nominations Committees.



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 an 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, Transfield Services Infrastructure Limited, Australian Energy Market Operator Ltd and Pacific Hydro Pty Ltd. She is Chair of the Accounting Professional and Ethical Standards Board Ltd. Ms Spargo is a member of the Audit Committee.

Information on directors (continued)

(a) Directors' profiles (continued)



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, banking and consulting and has extensive experience in business strategy and corporate governance, 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 the current Chairman of IMBcom (the University of Queensland's commercialisation company for the Institute for Molecular Bioscience) and a Director of CathRx Ltd, UQ Holdings Ltd, Universal Biosensors Inc. and Union College. Dr Wilson is 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 and of the UQ Faculty of Health Sciences Board. Dr Wilson is a member of the Remuneration and Nominations Committees.

(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 30 September 2010

Director's name	Class of shares	Number of shares	Interest	Number of options
B.S. Patterson	Ordinary	3,816,646	Beneficially	–
Dr C.S. Goldschmidt	Ordinary Ordinary	700,000 30,243	Personally Beneficially	4,750,000 –
C.D. Wilks	Ordinary Ordinary	680,000 188,122	Personally Beneficially	2,495,000 –
R.P. Campbell	Ordinary	10,000	Beneficially	–
Dr P.J. Dubois	Ordinary	–	–	–
C.J. Jackson	Ordinary	491,371	Personally	–
L.J. Panaccio	Ordinary	–	–	–
K.D. Spargo	Ordinary	–	–	–
Dr E.J. Wilson	Ordinary	–	–	–

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 2010, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees							
			Audit		Remuneration		Risk Management		Nominations	
	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	Number of meetings attended	Number of meetings held
B.S. Patterson	11	13	3	3	2	2	-	-	10	10
Dr C.S. Goldschmidt	13	13	-	-	-	-	2	2	7	10
C.D. Wilks	13	13	-	-	-	-	2	2	-	-
R.P. Campbell	13	13	3	3	2	2	-	-	10	10
Dr P.J. Dubois	13	13	-	-	-	-	2	2	-	-
C.J. Jackson	10	13	-	-	-	-	-	-	-	-
L.J. Panaccio	13	13	3	3	-	-	-	-	-	-

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.

Insurance of officers (continued)

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 32.

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

	2010 \$	2009 \$
PricewaterhouseCoopers – Australian firm		
Taxation, accounting and advisory services	206,000	140,000

Share options

Information on share options is detailed in Note 8 – 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 2010 in accordance with section 300A of the Corporations Act.

Sonic Healthcare Limited'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.

The Remuneration Committee, consisting of 4 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.

Sonic Healthcare Limited'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 (bonuses and share options) are dependant on the earnings per share (bonuses and options) and total shareholder return (options) 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 option grants reward 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 a General Meeting on 31 July 2001 shareholders approved a maximum amount of \$800,000 be available as remuneration for the services of the 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. Options are not issued and bonuses are not payable to non-executive directors.

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.

Remuneration report (continued)

Performance of the Group

Sonic Healthcare Limited's total shareholder return over the five year period to June 2010 was 12% (2009: 71%). This measure is calculated as the increase in share price over that period plus the dividends declared for those years (grossed up for franking credits) as a percentage of the share price at the start of the five year period. Earnings over the five year period were as follows:

	2005	2006	2007	2008	2009 [†]	2010 [^]	Compound Average Annual Growth Rate*
Ordinary earnings per share (cps)	48.9	58.6	65.5	73.5	85.2	75.0	8.9%
Net profit attributable to members (\$'000)	135,353	172,029	198,072	245,116	315,146	293,225	16.7%

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

† Net profit attributable to members and core earnings per share are based on ordinary earnings and exclude non-recurring items.

^ 2010 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%.

Key management personnel

(a) Directors

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

Non-executive directors

B.S. Patterson *Chairman*
R.P. Campbell
L.J. Panaccio

Executive directors

Dr C.S. Goldschmidt *Managing Director*
C.D. Wilks *Finance Director*
Dr P.J. Dubois
C.J. Jackson

The following persons were appointed as directors of Sonic Healthcare from 1 July 2010:

Non-executive directors

Kate D. Spargo
Dr E.J. (Jane) Wilson

DIRECTORS' REPORT

Remuneration report (continued)

(b) Other key management personnel

The following people also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and therefore were also key management personnel during the 2010 financial year:

Name	Position
Dr R.E. Connor	Chief Executive Officer, Sonic Healthcare USA, Inc.
D. Schultz	President and Chief Operating Officer, Sonic Healthcare USA, Inc.

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 2009.

The Group operates via a decentralised federated structure whereby the Chief Executive Officers of individual operating entities have delegated authority for their local operations. The Group's Australian and New Zealand pathology and radiology activities are coordinated 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. 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.

A German Sonic Executive Committee ("GSEC") coordinates the Group's German operations. Dr C.S. Goldschmidt is Chairman of GSEC and C.D. Wilks is also a member.

Due to the prominent executive roles performed by Dr C.S. Goldschmidt, Dr P.J. Dubois, C.J. Jackson and C.D. Wilks, management does not believe there are any other executives within the Group in the current or prior financial year meeting the definition of "key management personnel" other than Dr R.E. Connor, Chief Executive Officer of Sonic Healthcare USA, Inc. and D. Schultz, President and Chief Operating Officer of Sonic Healthcare USA, Inc., who have authority and responsibility for planning, directing and controlling the Group's USA operations.

Remuneration report (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 2010

Name	Short-term employee benefits			Post-employment benefits	Total cash remuneration*
	Salary & fees \$	Other benefits ¹ \$	Cash bonus \$	Super-annuation \$	
Dr C.S. Goldschmidt <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
D. Byrne ^{3,5} <i>CEO, The Doctors Laboratory</i>	451,600	50,640	-	90,320	592,560
Dr R.E. Connor ^{2,5} <i>CEO, Sonic Healthcare USA, Inc.</i>	566,585	4,247	283,286	16,201	870,319
Dr R. Prudo ^{3,5} <i>Executive Chairman, The Doctors Laboratory</i>	496,764	60,628	-	99,353	656,745
G. Schottdorf ^{4,5} <i>CEO, Schottdorf Group</i>	797,739	28,096	-	-	825,835
D. Schultz ^{2,5} <i>President and COO, Sonic Healthcare USA, Inc.</i>	385,290	11,991	407,932	17,985	823,198

1 Other benefits include fringe benefits tax.

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

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

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

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

* Excludes long service leave and equity remuneration.

DIRECTORS' REPORT

Remuneration report (continued)

(c) Remuneration of directors and executives (continued)

12 months to 30 June 2009

Name	Short-term employee benefits			Post-employment benefits	Total cash remuneration*
	Salary & fees \$	Other benefits ¹ \$	Cash bonus \$	Super-annuation \$	
Dr C.S. Goldschmidt <i>Managing Director</i>	1,377,670	104,923	1,082,900	21,745	2,587,238
C.D. Wilks <i>Finance Director</i>	575,000	-	541,450	100,000	1,216,450
Dr P.J. Dubois <i>Director</i>	493,346	9,424	100,000	50,000	652,770
C.J. Jackson <i>Director</i>	387,890	-	-	77,110	465,000
Dr H.F. Scotton ² <i>Director</i>	167,603	-	-	52,537	220,140
B.S. Patterson <i>Chairman and non-executive Director</i>	106,925	-	-	10,575	117,500
R.P. Campbell <i>Non-executive Director</i>	106,925	-	-	10,575	117,500
L.J. Panaccio <i>Non-executive Director</i>	88,725	-	-	8,775	97,500
D. Byrne ^{4,6} <i>CEO, The Doctors Laboratory</i>	519,441	62,179	731,922	103,889	1,417,431
Dr R.E. Connor ^{3,6} <i>CEO, Sonic Healthcare USA, Inc.</i>	314,124	-	334,717	-	648,841
Dr R. Prudo ^{4,6} <i>Executive Chairman, The Doctors Laboratory</i>	571,386	61,043	205,167	114,278	951,874
G. Schottdorf ^{5,6} <i>CEO, Schottdorf Group</i>	936,751	32,992	-	-	969,743
D. Schultz ^{3,6} <i>President and COO, Sonic Healthcare USA, Inc.</i>	455,239	16,309	481,992	22,161	975,701

1 Other benefits include fringe benefits tax.

2 Dr H. F. Scotton's remuneration is for the period from 1 July 2008 to 31 December 2008 when he retired as a director of the Parent Company.

3 D. Schultz and Dr R.E. Connor are employed by Sonic Healthcare USA, Inc. and are remunerated in US dollars. Dr R.E. Connor's employment commenced on 1 January 2009.

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

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

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

* Excludes long service leave and equity remuneration.

Remuneration report (continued)

(c) Remuneration of directors and executives (continued)

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 2010 was: Dr C.S. Goldschmidt \$27,409 (2009: \$336,894), C.D. Wilks \$10,879 (2009: \$25,729), and C.J. Jackson \$4,155 (2009: \$5,878).

Under the current remuneration arrangements for Dr C.S. Goldschmidt and C.D. Wilks, options over unissued ordinary shares of Sonic Healthcare Limited vest upon the achievement of performance conditions (as set out in (d) below). The options issued under the Sonic Healthcare Limited Employee Option Plan (which form 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 the options and shares at the time of grant have been determined and have been allocated equally over the service periods up to the vesting dates. Dr C.S. Goldschmidt and C.D. Wilks were also required to take 50% of their short term incentive for the six months to December 2008 as Sonic shares acquired on market and held by the Sonic Healthcare Employee Share Trust. In addition to the remuneration disclosed above, the calculated remuneration values of shares and options for Dr C.S. Goldschmidt for the 12 month period to 30 June 2010 were \$nil and \$2,921,160 respectively (2009: \$369,120 and \$4,471,060). In addition to the remuneration disclosed above, the calculated remuneration values of shares and options for C.D. Wilks for the 12 month period 30 June 2010 were \$nil and \$1,568,720 respectively (2009: \$186,034 and \$2,387,647).

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 for Dr C.S. Goldschmidt is \$2,846,357, and for C.D. Wilks \$1,475,480. 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. Of the total options issued under the Sonic Healthcare Limited Employee Option Plan 0% had vested at 30 June 2010. Of the total options issued under the Executive Incentive Plan, 70% had vested at 30 June 2010. No options have been forfeited to date under the Sonic Healthcare Limited Employee Option Plan or the Executive Incentive Plan.

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 make up 73% of Dr C.S. Goldschmidt's remuneration for the 12 months to 30 June 2010 (2009: 76%), and 76% of C.D. Wilks' remuneration for the 12 months to 30 June 2010 (2009: 82%). Cash bonuses are performance related components of Dr P.J. Dubois' remuneration. These components make up 20% of Dr P.J. Dubois' remuneration for the 12 months to 30 June 2010 (2009: 15%).

No options over unissued ordinary shares in Sonic Healthcare Limited were issued to Dr C.S. Goldschmidt or C.D. Wilks during the 2010 financial year.

Options over unissued ordinary shares in Sonic Healthcare Limited accounted for 51% of Dr C.S. Goldschmidt's remuneration for the 12 months to 30 June 2010 (2009: 58%). Options issued to Dr C.S. Goldschmidt during the 12 months to 30 June 2010 had an aggregate fair value of \$nil (2009: \$10,650,000). Note that the prior year figure includes the Executive Incentive Plan tranche for the 2008 long term incentive, as well as the Employee Option Plan grant for the long term incentives for 2009, 2010 and 2011. Options over unissued ordinary shares in Sonic Healthcare Limited accounted for 54% of C.D. Wilks' remuneration for the 12 months to 30 June 2010 (2009: 63%). Options issued to C.D. Wilks during the 12 months to 30 June 2010 had an aggregate fair value of \$nil (2009: \$5,619,000).

The relative proportions of conditional entitlements (including options) awarded to total remuneration for executives for the 12 months to 30 June 2010 were; D. Schultz 50% (2009: 49%), D. Byrne 0% (2009: 52%), Dr R. Prudo 0% (2009: 22%), G. Schottdorf 0% (2009: 0%) and Dr R.E. Connor 33% (2009: 52%).

During the financial year Dr C.S. Goldschmidt exercised 1,000,000 options at an exercise price of \$7.50, issued as remuneration, over ordinary shares in the company (2009: 1,000,000). The total intrinsic value of the options at the date of exercise was \$6,410,000 (2009: \$6,440,000). In addition C.D. Wilks exercised 340,000 options at an exercise price of \$7.50, issued as remuneration, over ordinary shares in the company (2009: 400,000). The total intrinsic value of the options at the date of exercise was \$2,179,400 (2009: \$2,576,000).

Remuneration report (continued)

(c) Remuneration of directors and executives (continued)

The maximum number of shares and options issuable in future years to Dr C.S. Goldschmidt and C. D. Wilks under the Sonic Healthcare Limited Employee Option Plan and the Executive Incentive Plan is nil shares and nil options.

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, 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) with vesting subject to the fulfilment of two separate performance conditions with a 50% weighting for each (that is, 50% of the options are subject to the first performance condition and the other 50% are subject to the second performance condition). Performance condition one requires a compound annual growth rate of EPS for the three years ending 30 June 2011 of 10%, which requires a 2011 EPS of at least 97.83 cents. If this performance condition is not met the relevant 50% of the total number of options will be forfeited on 30 September 2011. EPS is 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 is 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 will 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 to the 75th percentile. A TSR of the 75th percentile and above will result in 100% of the relevant options vesting. Options to which performance condition two applies that do not vest (due to the appropriate percentile not being reached) will be forfeited on 30 September 2011. The options expire 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.

Remuneration report (continued)

(d) Service agreements (continued)

Dr C.S. Goldschmidt

- 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 will vest from the plan after 24 months or upon leaving the company, whichever is the earlier. The requirement to take part of the bonus in shares has been removed due to changes in the taxation treatment of such arrangements.

Long term incentive:

- 1,750,000 options for the three years 2009-2011, exercisable at \$12.98 subject to the performance conditions outlined above.

C.D. Wilks

- 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 will vest from the plan after 24 months or upon leaving the company, whichever is the earlier. The requirement to take part of the bonus in shares has been removed.

Long term incentive:

- 875,000 options for the three years 2009-2011, exercisable at \$12.98 subject to the performance conditions outlined above.

Service agreements for other executives are detailed below.

D. Schultz

No formal service contract exists. The terms and entitlements of employment are governed by normal employment law. The key terms are as follows:

- Base salary of US\$340,000.
- Cash bonus arrangement 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 the following key terms:

- Base salary of £252,580 per annum, plus superannuation and other benefits to be reviewed annually.
- Cash bonus arrangement based on the satisfaction of performance conditions relating to the earnings of TDL (capped at 200% of base salary).
- Twelve month notice period by either party.

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 the following key terms:

- Base salary of £277,840 per annum, plus superannuation and other benefits to be reviewed annually.
- Cash bonus arrangement based on the satisfaction of performance conditions relating to the earnings of TDL (capped at 200% of base salary).
- Twelve month notice period by either party.

Remuneration report (continued)

(d) Service agreements (continued)

G. Schottdorf

Following the acquisition of the Schottdorf Group, a rolling service contract was established with the following key terms:

- Base salary of €508,000.
- Cash bonus arrangement (capped at €330,000) based on the satisfaction of performance conditions relating to the earnings of the Schottdorf Group.
- Twelve month notice period by either party.

Dr R.E. Connor

No formal service contract exists. The terms and entitlements of employment are governed by normal employment law. The key terms are as follows:

- Base salary of US\$500,000.
- Cash bonus arrangement based on the satisfaction of performance conditions relating to the earnings of the Group's USA operations.

(e) Share trading policy

Under the Sonic share trading policy, all Sonic Healthcare employees are prohibited from buying or selling Sonic Healthcare shares 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, 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 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 financial hardship. 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 Chairman of the Remuneration Committee 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 Share Trading Policy and will forfeit their equity reward should they be found to be in breach.

All Sonic Healthcare share 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
30 September 2010

AUDITOR'S INDEPENDENCE DECLARATION



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia

Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

As lead auditor for the audit of Sonic Healthcare Limited for the year ended 30 June 2010, 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 'Matthew Lunn', with a long horizontal flourish extending to the right.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
30 September 2010

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 assessed its compliance with the amendments to the Revised Recommendations issued on 3 June 2010. Whilst these amendments are to apply to financial years commencing on or after 1 January 2011, Sonic has commenced moving towards compliance.

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 controls and reporting mechanisms, and
- ensuring the business is conducted ethically and transparently.

The board delegates responsibility for day-to-day 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 Barry Patterson	69	17	Chairman Non-Executive, independent Director	Company Management	Chairman of Remuneration and Nominations Committees, member of Audit Committee
Dr Colin Goldschmidt	56	17	Managing Director	Healthcare Industry and Company Management	Member of Risk Management Committee
Mr Chris Wilks	52	20	Finance Director	Finance, Accounting, Banking, Secretarial and Company Management	Chairman of Risk Management Committee
Mr Peter Campbell	65	17	Non-Executive, independent Director	Finance and Accounting, Computing and Company Management	Chairman of Audit Committee, member of Remuneration and Nominations Committees
Dr Philip Dubois	64	9	Executive Director	Radiology Industry and Company Management	Member of Risk Management Committee
Mr Colin Jackson	62	10	Executive Director	Finance, Pathology Industry and Company Management	
Mr Lou Panaccio	53	5	Non-Executive, independent Director	Finance, Pathology Industry and Company Management	Member of Audit, Remuneration and Nominations Committees
Ms Kate Spargo	58	0.25	Non-Executive, independent Director	Law, Governance and Company oversight	Member of Audit Committee
Dr Jane Wilson	52	0.25	Non-Executive, independent Director	Medicine, Finance, Governance and Company oversight	Member of Remuneration and Nominations Committees

CORPORATE GOVERNANCE STATEMENT

1. Board of directors (continued)

(b) Composition of the board (continued)

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.

Sonic's non-executive directors, including the Chairman, are considered independent and perform major roles in the board committees.

For the reasons described above, prior to 1 July 2010 Sonic did 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.

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 Barry Patterson and Mr Peter Campbell and has determined that they are independent.

The size and composition of the board is determined by the full board acting on recommendations of the Nominations Committee. Sonic's constitution requires that the board comprise no more than 12 and no less 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, 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.

1. Board of directors (continued)

(f) Share trading

Under Sonic's Share Trading Policy, all Sonic employees are prohibited from buying or selling Sonic Healthcare shares 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, 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 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 financial hardship. All trading by Designated Officers must be notified to the Company Secretary. Prohibitions also apply to trading in financial instruments related to Sonic's shares, including products which limit the economic risk of option or share holdings in Sonic, 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 Chairman of the Remuneration Committee before selling any shares. All Sonic share dealings by directors are promptly notified to the Australian Securities Exchange (ASX).

2. Board committees

To assist the board in fulfilling its duties, there are currently four 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.

(a) Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the board on remuneration packages and policies applicable to the Managing Director and Finance Director and to advise the board in relation to equity-based incentive schemes for other employees. In addition, the Committee ensures appropriate disclosure is provided to shareholders in relation to remuneration policies and that equity-based remuneration is within plans approved by shareholders. The Remuneration Committee, when deemed necessary, obtains independent advice on the appropriateness of remuneration packages.

Members of the Remuneration Committee are:

Mr B.S. Patterson (Chairman)
Mr R.P. Campbell
Mr L.J. Panaccio (from 30 September 2010)
Dr E.J. Wilson (from 30 September 2010)

The Remuneration Committee operates under a formal Charter and meets on an as required basis.

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. The maximum total remuneration per annum for non-executive directors of \$800,000 was approved by shareholders in July 2001. 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.

CORPORATE GOVERNANCE STATEMENT

2. Board committees (continued)

(b) 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.

Members of the Audit Committee are:

Mr R.P. Campbell (Chairman)
Mr L.J. Panaccio
Mr B.S. Patterson
Ms K.D. Spargo (from 30 September 2010)

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

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.

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 Chairman of the Audit Committee or the Chairman 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.

(c) Risk Management Committee

The members of the Risk Management Committee are:

Mr C.D. Wilks (Chairman)
Dr C.S. Goldschmidt
Dr P.J. Dubois

2. Board committees (continued)

(c) Risk Management Committee (continued)

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 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 OHS 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.

(d) Nominations Committee

The Nominations Committee's role, as set out in its Charter, is to:

- review the board structure,
- 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 on remuneration of non-executive directors.

Members of the Nominations Committee are:

Mr B.S. Patterson (Chairman)
Mr R.P. Campbell
Mr L.J. Panaccio (from 30 September 2010)
Dr E.J. Wilson (from 30 September 2010)

Dr C.S. Goldschmidt was a member until 30 September 2010.

The Committee meets on an as required basis.

3. 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.

CORPORATE GOVERNANCE STATEMENT

3. Identifying and managing business risks (continued)

(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 pathology and radiology 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 coordinate the company's approach to material business risk management.

3. 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 2010 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.

4. Ethical standards

The company has adopted 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.

5. 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

6. 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.

7. 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.

8. 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.

8. 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 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 2010

45	CONSOLIDATED INCOME STATEMENT
46	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
47	CONSOLIDATED BALANCE SHEET
48	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
49	CONSOLIDATED CASH FLOW STATEMENT
50	NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS
64	DIRECTORS' DECLARATION
65	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 2010. 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 2010

	Notes	2010 \$'000	2009 \$'000
Revenue from operations	4	2,972,613	2,995,605
Other income		22,020	18,126
Total revenue		2,994,633	3,013,731
Labour and related costs		(1,337,577)	(1,314,637)
Consumables used		(516,987)	(524,205)
Operating lease rental expense		(141,490)	(141,443)
Impairment of New Zealand Pathology intangibles		-	(120,100)
Restructuring costs – New Zealand Pathology		-	(22,772)
Depreciation and amortisation of physical assets		(93,089)	(93,087)
Transportation		(86,439)	(91,042)
Repairs and maintenance		(68,252)	(65,240)
Utilities		(67,708)	(66,719)
Borrowing costs expense		(62,787)	(86,652)
Amortisation of intangibles		(15,357)	(8,196)
Other expenses from ordinary activities		(218,341)	(230,030)
Profit from ordinary activities before income tax expense		386,606	249,608
Income tax expense		(92,822)	(77,053)
Profit from ordinary activities after income tax expense		293,784	172,555
Net (profit) attributable to minority interests		(559)	(1,195)
Profit attributable to members of Sonic Healthcare Limited		293,225	171,360
		Cents	Cents
Basic earnings per share	7	75.5	46.9
Diluted earnings per share	7	75.0	46.3

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 2010

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

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2010

	2010 \$'000	2009 \$'000
Current assets		
Cash and cash equivalents	300,354	557,932
Receivables	406,988	374,481
Inventories	53,993	51,872
Assets classified as held for sale	9,688	-
Other	27,571	28,019
Total current assets	798,594	1,012,304
Non-current assets		
Receivables	3,222	5,365
Other financial assets	29,385	22,423
Property, plant and equipment	509,592	476,446
Investment properties	20,514	16,510
Intangible assets	3,466,457	3,191,282
Deferred tax assets	34,902	35,256
Other	1,059	1,660
Total non-current assets	4,065,131	3,748,942
Total assets	4,863,725	4,761,246
Current liabilities		
Payables	237,619	234,301
Interest bearing liabilities	448,827	421,999
Current tax liabilities	26,293	9,264
Provisions	124,236	123,116
Other financial liabilities	34,746	40,289
Other	12,051	11,814
Total current liabilities	883,772	840,783
Non-current liabilities		
Interest bearing liabilities	1,352,618	1,334,268
Deferred tax liabilities	23,537	5,768
Provisions	40,430	40,210
Other	4,627	8,134
Total non-current liabilities	1,421,212	1,388,380
Total liabilities	2,304,984	2,229,163
Net assets	2,558,741	2,532,083
Equity		
Parent Company interest		
Contributed equity	2,345,145	2,299,256
Reserves	(78,357)	4,557
Retained earnings	289,480	226,346
Total Parent Company interest	2,556,268	2,530,159
Minority interests	2,473	1,924
Total equity	2,558,741	2,532,083

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

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

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 2010

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

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

SONIC HEALTHCARE LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE
CONSOLIDATED CONCISE
FINANCIAL STATEMENTS

30 JUNE 2010

51	NOTE 1	PRESENTATION CURRENCY
51	NOTE 2	CHANGES IN ACCOUNTING POLICY
52	NOTE 3	SEGMENT INFORMATION
54	NOTE 4	REVENUE
55	NOTE 5	DIVIDENDS
56	NOTE 6	BUSINESS COMBINATIONS
58	NOTE 7	EARNINGS PER SHARE
59	NOTE 8	SHARE OPTIONS
63	NOTE 9	EVENTS OCCURRING AFTER REPORTING DATE

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 2010. The accounting policies adopted have been consistently applied to all years presented except as disclosed in Note 2.

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 1 Presentation currency

The presentation currency used in this concise financial report is Australian dollars.

NOTE 2 Changes in accounting policy

Following the adoption of new or revised accounting standards, the Group had to make a number of changes to its accounting policies. The changes are explained below.

Principles of consolidation – changes in ownership interests

The Group has changed its accounting policy for transactions with minority interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative.

Previously transactions with minority interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policies prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements nor were any transactions occurring in the 2010 year effected.

Business combinations

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, but with some significant changes. All purchase consideration is now recorded at fair value at the acquisition date, with contingent payables classified as debt, if it meets the definition of debt, and subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be reliably measured and were accounted for as an adjustment to the cost of the acquisition.

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

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

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

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

The changes were implemented prospectively from 1 July 2009 and the impact on the results of the Group is disclosed in Note 6.

Segment reporting

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The application of the new standard has resulted in no changes to the reportable segments previously presented. However segment performance is monitored internally based on EBITA. This performance measure differs from previous annual financial statements for the financial year ended 30 June 2009 which was based on EBIT. Segment disclosures in Note 3 have been amended accordingly, together with comparative amounts.

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 3 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 and Belgium.

(ii) **Radiology**

Radiology and diagnostic imaging services provided in Australia and New Zealand.

(iii) **Other**

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

2010	Pathology \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Consolidated Group \$'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 segment revenue					2,994,633
Result					
Segment result	428,069	33,770	(11,071)	-	450,768
Amortisation					(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
Segment assets*	3,717,541	567,219	1,914,996	(1,336,031)	4,863,725

*Segment assets for pathology and radiology include the goodwill relating to these segments. Eliminations of segmental assets represent the investments held in the 'other' business segment. Inter-segment receivables are also included in the relevant business segment.

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 3 Segment information (continued)

2009	Pathology \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Consolidated Group \$'000
Revenue					
External sales	2,496,605	345,142	141,440	-	2,983,187
Inter-segment sales	2,440	253	2,590	(5,283)	-
Other income	205	-	17,921	-	18,126
Total segment revenue	2,499,250	345,395	161,951	(5,283)	3,001,313
Interest income					12,418
Total segment revenue					3,013,731
Result					
Segment result before non-recurring items	464,549	34,754	(13,391)	-	485,912
Non-recurring items	(153,874)	-	-	-	(153,874)
Segment result after non-recurring items	310,675	34,754	(13,391)	-	332,038
Amortisation expense					(8,196)
Unallocated net interest expense					(74,234)
Profit before tax					249,608
Income tax expense					(77,053)
Profit after income tax expense					172,555
Segment assets*	3,449,599	563,891	1,977,443	(1,229,687)	4,761,246

*Segment assets for pathology and radiology include the goodwill relating to these segments. Eliminations of segmental assets represent the investments held in the 'other' business segment. Inter-segment receivables are also included in the relevant business segment.

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 4 Revenue

	2010 \$'000	2009 \$'000
Services revenue		
Medical services revenue	2,935,895	2,964,528
Other revenue		
Interest received or due and receivable	13,982	12,418
Rental income	13,559	14,195
Other revenue	9,177	4,464
	36,718	31,077
Revenue from operations	2,972,613	2,995,605

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 5 Dividends

	2010 \$'000	2009 \$'000
Total dividends paid on ordinary shares during the year		
Final dividend for the year ended 30 June 2009 of 35 cents (2008: 32 cents) per share paid on 28 September 2009 (2008: 9 October 2008), 35% (2008: 100%) franked	135,950	107,203*
Interim dividend for the year ended 30 June 2010 of 24 cents (2009: 22 cents) per share paid on 25 March 2010 (2009: 26 March 2009), 35% (2009: 60%) franked	93,224	84,452
	229,174	191,655
*Sonic's dividend reinvestment plan operated for this dividend		
Dividends not recognised at year end		
In addition to the above dividends, since year end the directors declared a final dividend of 35 cents (2009: 35 cents) per ordinary share, franked to 35% based on tax paid at 30%. The aggregate amount of the final dividend paid on 28 September 2010 out of retained profits at the end of the year, but not recognised as a liability is:	135,950	135,950
Franked dividends		
The 2010 final dividend declared after the year end was 35% franked out of existing franking credits and out of franking credits arising from the payment of income tax in the year ending 30 June 2011.		
	2010 \$'000	2009 \$'000
Franking credits available at the year end for subsequent financial years based on a tax rate of 30%	10,796	9,312
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 \$20,393,000 (2009: \$20,393,000).		
Dividend Reinvestment Plan ("DRP")		
The company's DRP remains suspended for the 2010 final dividend and until further notice.		

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 6 Business combinations

Acquisition of subsidiaries/business assets

Acquisitions in the period include:

- On 31 July 2009, Sonic acquired 100% of Piedmont Medical Laboratory, based in Virginia, USA.
- On 30 November 2009, Sonic acquired 100% of East Side Clinical Laboratory, based in Rhode Island, USA.
- On 4 January 2010, Sonic acquired 100% of the Lademannbogen Laboratory Group, based in Hamburg, Germany.
- On 12 February 2010, Sonic acquired 100% of the Medhold Group, based in Antwerp, Belgium.
- IPN, a member of the Group, acquired Prime Health Group and a number of other 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 acquisition of the Medhold Group provided entry into the new markets of Belgium and the Netherlands, meeting Sonic's criteria for growth in stable and reliable markets within Sonic's core regions of Western Europe, Australia and North America.

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 merged with other entities in the Group. The initial accounting for the East Side, Lademannbogen and Medhold business combinations has only been determined provisionally at the date of this report, as the Group is still in the process of determining final fair values of the identifiable assets, liabilities and contingent liabilities acquired. The accounting for a number of the Other acquisitions has been finalised at the date of this report.

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 6 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.

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

The goodwill arising from the business combinations is attributable to their reputation in the local market, the benefit of marginal profit and synergies expected to be achieved from integrating the business with existing operations, expected revenue growth, future market development, the assembled workforce and knowledge of local markets. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. \$71,982,000 of the purchased goodwill recognised is expected to be deductible for income tax purposes over a fifteen year period.

Acquisition related costs of \$3,033,000 are included in other expenses in the statement of comprehensive income.

The fair value of acquired debtors and other receivables is \$15,606,000 for the Medhold Group and \$19,164,000 for the aggregate of Other acquisitions in the period. The gross contractual amount due is \$16,108,000 for the Medhold Group and \$20,589,000 for Other acquisitions, of which \$502,000 and \$1,425,000 respectively is expected to be uncollectible.

The purchase price for the Lademannbogen Laboratory Group includes a performance based earn-out of up to an additional €4.5M payable eighteen months after settlement.

At the date of the 2009 financial statements, the accounting for the business combinations in the 2009 financial year were finalised and included in those financial statements.

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 7 Earnings per share

	2010 Cents	2009 Cents
Basic earnings per share	75.5	46.9
Diluted earnings per share	75.0	46.3
	2010 Shares	2009 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	388,140,826	365,367,618
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	390,882,177	369,722,154
<p>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.</p> <p>Details of the options exercised and issued in the period between the reporting date and the date of this report are detailed in Note 8.</p>		
	2010 \$'000	2009 \$'000
Reconciliations of earnings used in calculating earnings per share		
Net profit	293,784	172,555
Net (profit) attributable to minority interests	(559)	(1,195)
Earnings used in calculating basic and diluted earnings per share	293,225	171,360

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 8 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
15/11/06	15/09/11	\$13.10	1,025,000
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	2,625,000
27/03/09	27/01/14	\$11.10	1,500,000
10/06/10	10/04/15	\$10.57	1,000,000
Total			6,460,000

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 are subject to the first performance condition and the other 50% are subject to the second performance condition). Performance condition one requires a Compound Average Growth Rate of EPS for the three years ending 30 June 2011 of 10% p.a., which requires a 2011 EPS of at least 97.83 cents. If this performance condition is not met the relevant 50% of the total number of options will be forfeited on 30 September 2011. Under performance condition two, Sonic's performance is valued 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 will 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 will result in 100% of the options vesting. Options to which performance condition two applies that do not vest (due to the appropriate percentile not being reached) will be forfeited on 30 September 2011. The options expire 60 months from the date of issue.

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 8 Share options (continued)

(a) Shares under option (continued)

(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.

Grant date	Expiry date	Issue price of shares	Number of options at date of report
24/07/06	24/05/11	\$12.69	20,000

(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
22/08/06	22/08/11	\$7.50	1,540,000
24/08/07	22/08/12	\$7.50	1,540,000
22/08/08	22/08/13	\$7.50	1,540,000
Total			4,620,000

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 share issue of the company or of any other entity.

(iv) Independent Practitioner Network Limited Employee Share Option Scheme

Independent Practitioner Network Limited (a member of the Group) could, at the discretion of its Board of directors, grant options over the ordinary shares in Independent Practitioner Network Limited to directors, executives and certain members of IPN's staff. For the grants on the 29 November 2007, 7 December 2006 and 20 December 2006 the options were contracted to vest one third after two years, one third after three years and the balance after four years with the expiry being one year after each vesting date. Vesting was subject to EPS growth targets being met of 10% compounded annually. For all remaining grants under the plan 25% of the grant were to vest at each anniversary.

1,000,000 non-employee share option scheme options over unissued IPN shares were issued on 3 October 2006 to the sellers of the Redcliffe Medical Centre business. The options were to vest one third after two years, one third after three years and one third after four years from the date of acquisition, providing the recipients continued to practice from the Medical Centre business acquired. The options had an exercise price of \$0.1441 calculated as the volume weighted average price of shares on the 30 days immediately preceding the grant date. The options were due to expire on 2 October 2011 but were cancelled on 16 September 2008 as required by the Scheme of Arrangement under which Sonic acquired all of the shares in IPN which it did not already own.

The IPN Employee Share Option Scheme was terminated on 16 September 2008 as required by the Scheme of Arrangement under which Sonic acquired all of the shares in IPN which it did not already own.

NOTES TO THE CONSOLIDATED CONCISE FINANCIAL STATEMENTS

30 JUNE 2010

NOTE 8 Share options (continued)

(a) Shares under option (continued)

(v) Schottdorf Group

3,000,000 options over unissued ordinary Sonic shares were granted on 1 July 2004 as part of the Schottdorf acquisition consideration. Each option was convertible into one ordinary share as set out below on or before 31 August 2009 at an exercise price of \$6.75:

- Up to 20% could be exercised after 1 July 2005
- Up to 40% could be exercised after 1 July 2006
- Up to 60% could be exercised after 1 July 2007
- Up to 80% could be exercised after 1 July 2008
- Up to 100% could be exercised after 1 July 2009

All of the 3,000,000 options were exercised during the year ended 30 June 2010.

No option holder had any right under the option to participate in any other issue of the company or of any other entity.

(vi) 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.

(vii) 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

30 JUNE 2010

NOTE 8 Share options (continued)

(a) Shares under option (continued)

(viii) 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.

(ix) 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

(a) Sonic Healthcare Limited Employee Option Plan options

A total of 99,000 ordinary shares of Sonic were issued during the year ended 30 June 2010 on the exercise of options granted under the Sonic Healthcare Limited Employee Option Plan. The amounts paid on issue of those shares were:

Number of options	Amounts paid (per share)
10,000	\$9.51
64,000	\$9.56
25,000	\$13.10
99,000	

(b) Queensland X-Ray (QXR) options

A total of 20,000 ordinary shares of Sonic were issued during the year ended 30 June 2010 on the exercise of QXR options. The amount paid by the option holders per share was \$12.69.

(c) Executive Incentive Plan options

A total of 1,340,000 ordinary shares were issued during the year ended 30 June 2010 on the exercise of Executive Incentive Plan options. A further 340,000 options were exercised since that date, but prior to the date of this report, however these were satisfied with existing shares purchased on market by the SHEST. 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

30 JUNE 2010

NOTE 9 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 23 August 2010 Sonic's directors declared a final dividend of 35 cents (35% franked) per ordinary share, paid on 28 September 2010. Sonic's Dividend Reinvestment Plan remained suspended for this dividend. The final dividend included no conduit foreign income.

DIRECTORS' DECLARATION

30 JUNE 2010

The directors declare that in their opinion, the concise financial report of the Group for the year ended 30 June 2010 as set out on pages 44 to 63 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 2010. 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
Managing Director



C.D. Wilks
Director

Sydney
30 September 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SONIC HEALTHCARE LIMITED



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia

Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Report on the concise financial report

The accompanying concise financial report of Sonic Healthcare Limited comprises the balance sheet as at 30 June 2010, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes derived from the audited financial report of Sonic Healthcare Limited for the year ended 30 June 2010. 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 Sonic Healthcare Limited for the year ended 30 June 2010. Our audit report on the financial report for the year was signed on 30 September 2010 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.

Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SONIC HEALTHCARE LIMITED



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Sonic Healthcare Limited on 30 September 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion, the concise financial report of Sonic Healthcare Limited for the year ended 30 June 2010 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 2010.

We have audited the remuneration report included in pages 22 to 30 of the directors' report for the year ended 30 June 2010. 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 Sonic Healthcare Limited for the year ended 30 June 2010 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 2010 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 these statements 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.

A handwritten signature in black ink, appearing to read 'Matthew Lunn', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Matthew Lunn', written in a cursive style.

Matthew Lunn
Partner

Sydney
30 September 2010

SHAREHOLDERS' INFORMATION

1. Information relating to shareholders

(a) Distribution schedule as at 16 September 2010

	No. of holders ordinary shares
1 – 1,000	19,154
1,001 – 5,000	17,536
5,001 – 10,000	1,563
10,001 – 100,000	816
100,001 and over	120
	39,189
Voting rights	
– on a show of hands	1/member
– on a poll	1/share
Percentage of total holding held by the twenty largest registered holders	73.21%
Number of holders holding less than a marketable parcel	592

(b) Substantial shareholders as at 16 September 2010

The company has received substantial shareholding notices to 16 September 2010 in respect of the following holdings:

	No. of securities	Percentage held
The Capital Group Companies, Inc.	33,408,409	8.60%
Manning & Napier Advisors, Inc. and affiliates	31,454,495	8.01%

SHAREHOLDERS' INFORMATION

1. Information relating to shareholders (continued)

(c) Names of the twenty largest registered holders of equity securities as at 16 September 2010

	No. of securities	Percentage held
J P Morgan Nominees Australia Limited	80,231,692	20.66%
National Nominees Limited	74,533,645	19.19%
HSBC Custody Nominees (Australia) Limited	58,092,886	14.96%
Jardvan Pty Ltd	16,958,704	4.37%
Citicorp Nominees Pty Limited	11,860,308	3.05%
Cogent Nominees Pty Ltd	9,131,052	2.35%
ANZ Nominees Limited <Cash Income A/C>	5,244,287	1.35%
AMP Life Limited	4,944,421	1.27%
Polly Pty Ltd	3,816,646	0.98%
Perpetual Trustee Company Limited	2,728,236	0.70%
JP Morgan Nominees Australia Limited <Cash Income A/C>	2,568,947	0.66%
Australian Reward Investment Alliance	2,280,523	0.59%
Tasman Asset Management Ltd <Tyndall Australian Share Whole>	2,062,772	0.53%
Argo Investments Limited	2,004,483	0.52%
Goodoil Investments Pty Ltd <Timothy Roberts Invest A/C>	1,868,717	0.48%
Cogent Nominees Pty Limited <SMP Accounts>	1,601,826	0.41%
Quintal Pty Ltd	1,501,138	0.39%
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	1,040,296	0.27%
Mrs Jennifer Margaret Robson	934,359	0.24%
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	923,596	0.24%
	284,328,534	73.21%

2. Unquoted equity securities as at 16 September 2010

	No. on issue	No. of holders
Options over unissued ordinary shares	15,600,000	68

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:	web.queries@computershare.com.au

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 Ballroom 2 at the Four Seasons Hotel, 199 George Street, Sydney at 10.00am on Thursday 18 November 2010.



SONIC
HEALTHCARE
LIMITED