Sonic Healthcare Limited

ABN 24 004 196 909

ASX FULL YEAR INFORMATION – 30 June 2005
Lodged with the ASX under Listing Rule 4.3A

This information should be read in conjunction with the 2004 Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2005

Financial Results

Revenue from ordinary activities	Up 33.3% to $1,382,412,000
Earnings before interest, tax and intangibles amortisation (EBITA)	Up 32.8% to $261,086,000
Core (pre intangibles amortisation) profit from ordinary activities after tax attributable to members	Up 24.5% to $145,554,000
Profit from ordinary activities after tax attributable to members	Up 34.4% to $77,464,000
Net profit for the period attributable to members	Up 34.4% to $77,464,000

Dividends and Dividend Reinvestment Plan

	Amount per security	Franked amount per security
Final dividend	23¢	23¢
Previous corresponding period	20¢	20¢

The record date for determining entitlements to the final dividend will be 6 September 2005. The final dividend will be paid on 19 September 2005. The Company's Dividend Reinvestment Plan (DRP) remains suspended for this dividend and until further notice.

Earnings per Share

	Year to 30 June 2005	Year to 30 June 2004
Basic earnings per share	28.5¢	21.7¢
Diluted earnings per share	28.0¢	21.4¢
Core (pre intangibles amortisation) diluted earnings per share	52.6¢	43.4¢

Core diluted earnings per share adjusts the figures used in the determination of diluted earnings per share by adding back to net profit the amount of intangibles amortisation expense for the year of $68,090,000 (2004: $59,324,000).

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

SUMMARY AND EXPLANATION OF RESULTS
For the year ended 30 June 2005

1 Summary financial results

	Reference	2005 $'000	2004 $'000	Movement %
Total Revenue	(4)	**1,382,412**	1,037,397	33.3%
Earnings before Interest, Tax, Depreciation and Amortisation (**EBITDA**)		**310,680**	238,240	30.4%
Depreciation and Lease Amortisation	(6.1)	**(49,594)**	(41,679)	19.0%
Earnings before Interest, Tax and Intangibles Amortisation (**EBITA**)	(3)	**261,086**	196,561	32.8%
Net Interest Expense	(6.2)	**(41,490)**	(34,132)	21.6%
Income Tax attributable to Operating Profit	(6.3)	**(62,098)**	(45,222)	37.3%
Net Profit attributable to Outside Equity Interests	(6.4)	**(11,944)**	(255)	
Core Net Profit attributable to shareholders of Sonic Healthcare Limited		**145,554**	116,952	24.5%
Amortisation of Intangibles	(6.5)	**(68,090)**	(59,324)	14.8%
Net Profit attributable to shareholders of Sonic Healthcare Limited		**77,464**	57,628	34.4%

2 Other relevant information

	Reference	2005 $'000	2004 $'000	Movement %
Cash generated from operations	(6.6)	**218,315**	156,331	39.6%
Core (pre intangibles amortisation) diluted earnings per share (cents)	(6.7)	**52.6**	43.4	21.2%

SUMMARY AND EXPLANATION OF RESULTS
For the year ended 30 June 2005

	2005	2004
3 Margin analysis		
EBITDA as a % of Revenue	**22.5%**	23.0%
EBITA as a % of Revenue	**18.9%**	18.9%

Margins have been impacted by the acquisition of a lower margin business, Independent Practitioner Network Limited (IPN) (acquired 26 August 2004). Excluding IPN, the EBITA margin for 2005 was 19.4%.

4 Revenue growth

Organic (excluding acquisitions) revenue growth for the year was strong at around 7%, reflecting both patient volume growth and increased average fees.

5 Final dividend and Dividend Reinvestment Plan (DRP)

The Board has declared a final dividend of 23 cents per share fully franked (at 30%) to be paid on 19 September 2005. The record date will be 6 September 2005.

The total dividend for the year is therefore 36 cents per share, a 20% increase on the prior year.

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

6 Notes to the financial results

6.1 Depreciation

Depreciation and leased asset amortisation has increased 19% against the prior year reflecting growth of the group, including the Schottdorf Group (acquired 29 June 2004) and IPN acquisitions. As a percentage of total revenue, depreciation and leased asset amortisation has decreased from 4.0% in the prior year to 3.6% in 2005.

6.2 Interest expense

Net interest expense has increased 21.6% on the prior year due to increased debt as a result of the acquisitions of the Schottdorf Group, IPN and the Endeavour Healthcare businesses, offset by the group's strong cash generation from operations. Appropriate interest rate hedging arrangements are in place.

SUMMARY AND EXPLANATION OF RESULTS
For the year ended 30 June 2005

6.3 Tax rate

The relatively high effective tax rate of 41.0% (prior year 43.9%) is essentially a function of non-deductible intangibles amortisation. The reduction in rate versus the prior year is mainly due to the reducing ratio of intangibles amortisation to profit, as well as deductible goodwill amortisation in the Schottdorf Group (see 6.4 below).

6.4 Outside equity interests

The current year outside equity interest figure includes minority interests in the Schottdorf Group and IPN, in addition to minority interests in other (small) entities in the group. The prior year figure includes only minority interests in the minor entities.

The profit (and therefore the minority interests' profit share) for the Schottdorf Group for the year was significantly increased by tax deductions associated with goodwill amortisation within the Schottdorf Group. This goodwill was fully amortised at 31 December 2004 and therefore did not affect the second half of the year and no similar tax credits will be available in future.

6.5 Intangibles amortisation

In line with an accounting policy adopted in 1999, the company amortises identifiable intangibles over 50 years and goodwill over 20 years. Identifiable intangibles are valued at cost and are supported by third party valuations. The expense for the year includes $3,936,000 for identifiable intangibles amortisation and $64,154,000 for goodwill amortisation. The carrying values of identifiable intangibles and goodwill at 30 June 2005 are $175,514,000 and $1,021,511,000 respectively.

6.6 Cashflow from operations

Cash generated from operations increased 39.6% compared to the prior year, and was significantly higher than cash profit (core net profit plus depreciation and outside equity interests) due to favourable working capital movements including tight receivables management.

6.7 Earnings per share

Core diluted earnings per share (pre intangibles amortisation) increased 21.2% due mainly to earnings growth and to the positive effect of the Schottdorf Group and other synergistic acquisitions.

FULL YEAR REPORT

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This report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE
For the year ended 30 June 2005

	Notes	2005 $'000	2004 $'000
Revenue from ordinary activities	3	**1,382,412**	1,037,397
Labour and related costs		**(609,904)**	(503,309)
Consumables used		**(213,085)**	(130,300)
Amortisation of intangibles	4	**(68,090)**	(59,324)
Depreciation and amortisation of physical assets	4	**(49,594)**	(41,679)
Operating lease rental expense		**(67,486)**	(41,073)
Borrowing costs expense	4	**(43,411)**	(35,250)
Repairs and maintenance		**(33,152)**	(27,028)
Utilities		**(32,820)**	(24,161)
Other expenses from ordinary activities		**(113,364)**	(72,168)
Profit from ordinary activities before income tax expense		**151,506**	103,105
Income tax expense	6	**(62,098)**	(45,222)
Profit from ordinary activities after income tax expense		**89,408**	57,883
Net profit attributable to outside equity interests		**(11,944)**	(255)
Net profit attributable to members of Sonic Healthcare Limited		**77,464**	57,628
Net exchange differences on translation of financial reports of foreign controlled entities		**(1,836)**	4,433
Total revenues, expenses and valuation adjustments attributable to members of Sonic Healthcare Limited recognised directly in equity		**(1,836)**	4,433
Total changes in equity other than those resulting from transactions with owners as owners		**75,628**	62,061
Basic earnings per share (cents per share)	8	**28.5**	21.7
Diluted earnings per share (cents per share)	8	**28.0**	21.4
Core (pre intangibles amortisation) diluted earnings per share (cents per share)	8	**52.6**	43.4

The above consolidated statements of financial performance should be read in conjunction with the accompanying notes, the 2004 Annual Report and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 30 June 2005

	Notes	2005 $'000	2004 $'000
Current assets			
Cash assets		**31,914**	17,343
Receivables		**144,939**	145,596
Inventories		**23,813**	22,903
Other		**11,424**	10,258
Total current assets		**212,090**	196,100
Non-current assets			
Receivables		**4,017**	4,499
Investments		**11,677**	45,763
Property, plant and equipment		**270,127**	240,712
Intangible assets		**1,197,025**	1,162,162
Deferred tax assets		**40,919**	43,526
Other		**1,211**	1,371
Total non-current assets		**1,524,976**	1,498,033
Total assets		**1,737,066**	1,694,133
Current liabilities			
Payables		**102,282**	99,973
Interest bearing liabilities		**40,035**	34,746
Current tax liabilities		**6,629**	11,800
Provisions		**61,266**	55,036
Other		**5,028**	21,919
Total current liabilities		**215,240**	223,474
Non-current liabilities			
Interest bearing liabilities		**617,605**	606,536
Deferred tax liabilities		**2,453**	998
Provisions		**19,100**	15,338
Other		**35**	-
Total non-current liabilities		**639,193**	622,872
Total liabilities		**854,433**	846,346
Net assets		**882,633**	847,787
Equity			
Parent entity interest			
Contributed equity	9	**913,981**	875,248
Reserves	11	**8,668**	10,504
Accumulated losses	12	**(38,142)**	(25,725)
Total parent entity interest		**884,507**	860,027
Outside equity interest in controlled entities		**(1,874)**	(12,240)
Total equity		**882,633**	847,787

The above consolidated statements of financial position should be read in conjunction with the accompanying notes, the 2004 Annual Report and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended 30 June 2005

	2005 $'000	2004 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**1,442,355**	1,073,155
Payments to suppliers and employees (inclusive of goods and services tax)	**(1,127,693)**	(835,552)
	314,662	237,603
Interest received	**1,921**	1,118
Borrowing costs	**(40,072)**	(36,079)
Income taxes paid	**(58,196)**	(46,311)
Net cash inflow from operating activities	**218,315**	156,331
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	**(121,411)**	(55,688)
Payments for property, plant and equipment	**(57,668)**	(38,568)
Proceeds from sale of non current assets	**1,943**	5,022
Payments for investments	**(2,208)**	(5,497)
Repayment of loans by other entities	**2,940**	5,723
Loans to other entities	**(431)**	(3,625)
Payment for restructuring activities	**(4,249)**	(5,611)
Net cash (outflow) from investing activities	**(181,084)**	(98,244)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**38,504**	5,839
Proceeds from borrowings	**195,759**	297,755
Repayment of borrowings	**(166,360)**	(326,202)
Dividends paid	**(89,881)**	(45,688)
Net cash (outflow) from financing activities	**(21,978)**	(68,296)
Net increase/(decrease) in cash held	**15,253**	(10,209)
Cash at the beginning of the financial year	**17,343**	26,489
Effects of exchange rate changes on cash	**(682)**	1,063
Cash at the end of the financial year	**31,914**	17,343

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes, the 2004 Annual Report and any public announcements made by Sonic Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

Note 1 Basis of preparation of full-year financial report

This financial report for the full year ended 30 June 2005 has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, and the *Corporations Act 2001*.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Sonic Healthcare Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year. With the acquisition of a majority interest in Independent Practitioner Network Limited (IPN) and first time consolidation of its financial results, the Group's accounting policies have been expanded to include the following:

Revenue Recognition

Revenue is recognised from the rendering of other services when the service has been provided. Rental income is recognised by allocating minimum lease payments on a basis representative of the pattern of services rendered through the provision of the leased asset.

Leased Plant and Equipment

Future payments for surplus leased space under non-cancellable operating leases are recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased space will be of no future benefit to the consolidated entity.

Australian Tax Consolidation Legislation

Sonic Healthcare Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as at 30 June 2004. The Australian Taxation Office has been notified of this event.
The company is in the process of determining the financial impact of various elections available to it under this regime. The company does not believe there will be any significant financial impact on its financial performance and position as a result of making these elections.

Note 2 Segment information

The "Other" business segment includes the corporate office function and other minor operations. Following its acquisition on 26 August 2004 this segment now also includes the consolidated results of IPN.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

Note 2 Segment information (continued)

Primary Reporting – Business Segments

Year ended 30 June 2005	Pathology $'000	Radiology $'000	Other $'000	Eliminations $'000	Consolidated $'000
Revenue					
External sales	1,002,997	293,896	63,009	-	1,359,902
Inter segment sales	354	344	2,097	(2,795)	-
Other revenue	5,723	1,183	13,683	-	20,589
Total segment revenue	1,009,074	295,423	78,789	(2,795)	1,380,491
Interest income					1,921
Total revenue					**1,382,412**
Segment result before interest and tax	171,017	31,825	(9,846)	-	192,996
Unallocated net interest expense					(41,490)
Profit before tax					**151,506**
Income tax expense					(62,098)
Profit after income tax expense before outside equity interests					**89,408**

Primary Reporting – Business Segments

Year ended 30 June 2004	Pathology $'000	Radiology $'000	Other $'000	Eliminations $'000	Consolidated $'000
Revenue					
External sales	755,405	270,490	-	-	1,025,895
Inter segment sales	130	296	-	(426)	-
Other revenue	7,478	1,551	1,355	-	10,384
Total segment revenue	763,013	272,337	1,355	(426)	1,036,279
Interest income					1,118
Total revenue					**1,037,397**
Segment result before interest and tax	124,317	25,716	(12,796)	-	137,237
Unallocated net interest expense					(34,132)
Profit before tax					**103,105**
Income tax expense					(45,222)
Profit after income tax expense before outside equity interests					**57,883**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

	2005 $'000	2004 $'000
Note 3 Revenue		
Revenue from operating activities		
Medical services revenue	**1,359,902**	1,025,895
Revenue from outside the operating activities		
Interest income	**1,921**	1,118
Proceeds on sale of non current assets	**1,943**	5,022
Foreign exchange gains	**68**	12
Rental income	**8,702**	2,401
Other income	**9,876**	2,949
	22,510	11,502
Revenue from ordinary activities	**1,382,412**	1,037,397

Note 4 Profit from ordinary activities

The profit from ordinary activities before income tax expense includes the following expenses:

	2005 $'000	2004 $'000
Borrowing costs		
Finance charges on capitalised leases and hire purchase agreements	**4,565**	4,745
Other interest and finance charges	**38,846**	30,505
Total borrowing costs	**43,411**	35,250
Amortisation of intangibles:		
Goodwill	**64,154**	55,466
Identifiable intangibles	**3,936**	3,858
Total amortisation of intangibles	**68,090**	59,324
Amortisation of leased assets:		
Plant and equipment under finance leases	**15,371**	14,208
	15,371	14,208
Total amortisation of leased assets and intangibles	**83,461**	73,532
Depreciation of physical assets:		
Plant and equipment	**32,482**	26,093
Buildings	**1,741**	1,378
Total depreciation	**34,223**	27,471

Note 5 Gain or loss of control of entities

On 26 August 2004 Independent Practitioner Network Limited (IPN) became a subsidiary of Sonic following a proportional takeover bid which raised Sonic's shareholding from 19.63% as at 30 June 2004 to 72.16%. IPN's results have been consolidated from that date.

On 26 November 2004 Sonic and its subsidiary IPN acquired the pathology and medical centre businesses of Endeavour Healthcare.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

	2005 $'000	2004 $'000
Note 6 Income tax		
The income tax expense for the year differs from the amount calculated on the profit. The differences are reconciled as follows:		
Profit from ordinary activities before income tax expense	**151,506**	103,105
Income tax calculated @ 30%	**45,452**	30,931
Tax effect of permanent differences:		
Amortisation of intangibles	**17,281**	17,657
Other items (net)	**(1,668)**	413
Deductible expenditure capitalised	**(1,953)**	(2,927)
Tax losses utilised, not previously booked	**(281)**	(430)
Income tax adjusted for permanent differences	**58,831**	45,644
Effect of higher tax rates on overseas income	**3,430**	203
Over provision in prior year	**(163)**	(625)
Income tax expense attributable to profit from ordinary activities	**62,098**	45,222

Note 7 Dividends

	2005 $'000	2004 $'000
Dividends paid during the year	**89,881**	71,375

Dividends not recognised at the end of the year

Since the end of the year the directors have declared a fully franked final dividend of 23 cents per share (2004: 20 cents).

The dividend was declared on 22 August 2005 and is payable on 19 September 2005 with a record date of 6 September 2005.

	2005 $'000	2004 $'000
The aggregate amount of the proposed final dividend to be paid out of retained profits at the end of the year, but not recognised as a liability is:	**63,500**	53,594
Australian franking credits available for the subsequent financial year based on a tax rate of 30%	**79,477**	64,311

The balance of the franking accounts as at 30 June 2005 would enable Sonic to pay fully franked dividends of $185,446,000 in future periods (including the final dividend noted above).

Dividend Reinvestment Plan (DRP)
The company's DRP remains suspended for the 2005 final dividend and until further notice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

Note 8 Earnings per share

	2005 Cents	2004 Cents
Basic earnings per share	**28.5**	21.7
Diluted earnings per share	**28.0**	21.4
Core (pre intangibles amortisation) basic earnings per share	**53.5**	44.0
Core (pre intangibles amortisation) diluted earnings per share	**52.6**	43.4

Core basic and diluted earnings per share adjusts the figures used in the determination of basic and diluted earnings per share by adding back to net profit the amount of intangibles amortisation expense for the period of $68,090,000 (2004: $59,324,000).

Weighted average number of ordinary shares used as the denominator	2005 Shares	2004 Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and core basic earnings per share	**271,932,711**	266,018,205
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and core diluted earnings per share	**276,973,703**	269,429,507

Note 9 Contributed equity

	Notes	2005 Shares	2004 Shares	2005 $'000	2004 $'000
Share capital					
Fully paid ordinary shares	(a)	**274,740,648**	267,749,480	**909,571**	870,838
Share option reserve	(b)			**4,410**	4,410
				913,981	875,248

(a) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1/7/04	Opening balance	267,749,480		870,838
26/11/04	Shares issued to executives under remuneration arrangements	30,750	-	-
26/11/04	Shares issued to vendors of TDL	25,218	9.10	229
Various	Shares issued following exercise of employee and director options	6,935,200		38,504
30/6/05	Closing Balance	**274,740,648**		**909,571**

(b) Share option reserve

The amount shown relates to options issued on 1 July 2004 in relation to the Schottdorf Group acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

Note 10 Unlisted share options

Exercise Price	Expiry Date	Options at 30.6.04	Options issued	Options Exercised	Options Forfeited	Options at 30.6.05
5.32	20/04/2010	4,500,000	-	(4,300,000)	-	**200,000**
5.41	20/02/2005	1,484,450	-	(1,213,200)	(271,250)	**-**
7.38	20/04/2006	3,383,500	-	(896,250)	(205,800)	**2,281,450**
4.66	16/05/2007	1,674,000	-	(525,750)	(176,750)	**971,500**
6.01	07/02/2008	80,000	-	-	-	**80,000**
6.30	15/02/2008	695,000	-	-	(45,000)	**650,000**
7.57	19/12/2008	215,000	-	-	-	**215,000**
6.75	31/08/2009	-	3,000,000	-	-	**3,000,000**
7.50	26/11/2009	-	1,540,000	-	-	**1,540,000**
9.51	23/07/2009	-	10,000	-	-	**10,000**
9.56	23/07/2009	-	370,000	-	-	**370,000**
		12,031,950	4,920,000	(6,935,200)	(698,800)	**9,317,950**

Note 11 Reserves

	2005 $'000	2004 $'000
Asset revaluation	**982**	982
Foreign currency translation reserve	**7,686**	9,522
	8,668	10,504

Movements

	2005 $'000	2004 $'000
Foreign currency translation reserve at the beginning of the year	**9,522**	5,089
Net exchange difference on translation of foreign controlled entities	**(1,836)**	4,433
Foreign currency translation reserve at the end of the year	**7,686**	9,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

Note 12 Accumulated losses

	2005 $'000	2004 $'000
Accumulated losses at the beginning of the year	**(25,725)**	(11,978)
Net profit attributable to members of Sonic Healthcare Limited	**77,464**	57,628
Dividends paid	**(89,881)**	(71,375)
Accumulated losses at the end of the year	**(38,142)**	(25,725)

Note 13 Net tangible asset backing

	2005	2004
Net tangible asset backing per ordinary security	**($1.14)**	($1.17)

Note 14 Non cash financing and investing activities

The following non cash financing and investing activities occurred during the year:

- Plant and equipment with an aggregate fair value of $16,452,000 (2004: $19,014,000) was acquired by means of finance leases and hire purchase agreements and is therefore not reflected in the Statement of Cash Flows.

- During the year 3,000,000 options were issued relating to the Schottdorf acquisition. The value of these options was included as part of the consideration paid for the acquisition of the Schottdorf Group, and recorded as a Share Option Reserve in contributed equity (Note 9).

During the financial year ended 30 June 2004 the consolidated entity:

- Issued fully paid ordinary shares to the value of $15,146,000 as partial consideration for the acquisition of the Southside Diagnostic Services Group and as deferred consideration in relation to the TDL acquisition.

- Issued 4,065,583 fully paid ordinary shares to the value of $26,233,000 pursuant to the company's DRP in lieu of dividend payments.

Note 15 Ratios

	2005	2004
Profit before tax/revenue Consolidated profit from ordinary activities before tax as a percentage of revenue	**11.0%**	9.9%
Profit after tax/equity interests Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the year	**8.8%**	6.7%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

Note 16 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years other than as follows:

On 22 August 2005 Sonic's Directors declared a final dividend of 23 cents per ordinary share payable on 19 September 2005. Sonic's DRP remains suspended for this dividend and until further notice.

On 23 August 2005 Sonic announced the signing of an agreement to acquire an interest in Clinical Pathology Laboratories, Inc. (CPL), the largest privately owned routine pathology laboratory in the United States of America. The initial acquisition will be of an interest between 80% and 85%. Based on an 80% interest, the initial purchase price will be ~US$300 million.

Note 17 Change in accounting policies

The accounting policies applied in the preparation of the financial statements of the group for the year ended 30 June 2005 are consistent with those applied in the prior financial year, as set out in the 2004 Annual Report, and expanded as per Note 1.

Note 18 Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's (hereafter referred to as "Sonic" in this Note) financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Sonic has analysed all of the AIFRS and has identified the key accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for Sonic.

Set out below are the key differences in accounting policies and significant known transitional differences (able to be estimated) to the financial report for the year ended 30 June 2005 had it been prepared using AIFRS. Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted. No material impacts are expected in relation to the statements of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

Note 18 Impacts of adopting Australian equivalents to IFRS (continued)

Impact on the consolidated statement of financial position at 30 June 2005

	AGAAP $'000	AIFRS adjustments $'000	Notes	AGAAP adjusted for AIFRS $'000
Current assets	212,090	-		212,090
Property, plant and equipment	270,127	(6,048)	(a)	264,079
Intangible assets	1,197,025	72,344	(a)	1,269,369
Deferred tax assets	40,919	5,214	(c)	46,133
Other non current assets	16,905	-		16,905
Total assets	1,737,066	71,510		1,808,576
Current liabilities	215,240	-		215,240
Deferred tax liabilities	2,453	3,427	(c)	5,880
Other non current liabilities	636,740	-		636,740
Total liabilities	854,433	3,427		857,860
Net assets	**882,633**	**68,083**		**950,716**
Contributed equity	913,981	7,004	(b)	920,985
Reserves	8,668	(12,226)	(c),(d)	(3,558)
Accumulated (losses)/profits	(38,142)	73,305	(a),(b)	35,163
Outside equity interests in controlled entities	(1,874)	-		(1,874)
Total equity	**882,633**	**68,083**		**950,716**

Impact on the consolidated statement of financial performance

	Notes	'000
Net profit reported under AGAAP for year to 30 June 2005		77,464
Decrease in amortisation of intangible assets	(a)	66,549
Decrease in depreciation of property, plant and equipment	(a)	1,213
Restructuring costs expensed	(a)	(5,522)
Share based payment expense	(b)	(4,484)
Income tax expense	(c)	(87)
Net profit reported under AIFRS for year to 30 June 2005		**135,133**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

Note 18 Impacts of adopting Australian equivalents to IFRS (continued)

(a) Business combinations and intangible assets

Goodwill

Sonic's current accounting policy is to amortise goodwill over 20 years. Under AIFRS goodwill acquired in a business combination will no longer be amortised, but instead will be subject to impairment testing at each reporting date, and upon the occurrence of triggers that may indicate a potential impairment.

Under the transitional arrangements of AASB 1 there is an option to apply AASB3 prospectively from the transition date to AIFRS. Sonic has chosen this option rather than to restate all previous business combinations. The impact of AASB 3 and associated transitional arrangements on the consolidated group will be as follows:

- all prior business combination accounting will be frozen as a 1 July 2004,
- the value of goodwill will be frozen as at transition date, with amortisation that has been reported under Australian generally accepted accounting principles (AGAAP) subsequent to transition date reversed for AIFRS restatements, and
- provisions for restructuring costs where the acquiree had not, at the acquisition date, recognised an existing liability for restructuring, will be released to opening retained earnings as a transition adjustment.

Identifiable intangibles

In addition, under AASB 3 there is a requirement to bring to account all identifiable intangibles acquired in a business combination that meet the recognition and measurement criteria set out in AASB 138 *Intangible Assets.*

If these standards had been applied to Sonic's acquisition of a majority interest in IPN during the financial year, an identifiable intangible not recognised under AGAAP would have been recognised on acquisition with a corresponding decrease in goodwill. An amortisation expense would have arisen on this intangible asset in the financial results for the year to 30 June 2005 with a corresponding decrease in the carrying value of identifiable intangibles and in reported profits.

The initial accounting for the acquisition of the Endeavour Healthcare businesses (acquired 26 November 2004) can be determined only provisionally at 30 June 2005 because the final fair values to be assigned to Endeavour's identifiable assets have yet to be determined. The acquisition has been accounted for using provisional values and any adjustments to those values as a result of completing the initial accounting will be finalised within twelve months of the acquisition date.

Under AGAAP Sonic has amortised identifiable intangibles over 50 years. On transition to AIFRS indefinite life intangibles will no longer be amortised, but will instead be subject to impairment testing at each reporting date, or upon the occurrence of triggers that may indicate a potential impairment.

Sonic has applied AASB 138 *Intangible Assets* to its identifiable intangibles at 30 June 2004 and concluded that these assets meet the definition of indefinite life assets. Accordingly, the amortised balance of identifiable intangibles will be frozen as at transition date, and associated intangible amortisation in the consolidated financial result for 30 June 2005 will be reversed for AIFRS restatements.

Software assets developed for internal use and recognised under AGAAP as part of fixed assets are defined under AASB 138 *Intangible Assets* as identifiable intangibles. These assets will be reclassified from fixed assets to intangible assets on transition to AIFRS.

If the policies required by AASB 3 and AASB 138 had been applied during the year ended 30 June 2005, the carrying value of intangible assets at 30 June 2005 would have been $72,344,000 higher, the carrying value of fixed assets at 30 June 2005 would have been $6,048,000 lower, depreciation expense for the year to 30 June 2005 would have been $1,213,000 lower, intangible amortisation expense for the year to 30 June 2005 would have been $66,549,000 lower, operating expenses for the year to 30 June 2005 would have been $5,522,000 higher (as a result of restructure costs applied against restructure provisions under AGAAP being expensed under AIFRS). Retained earnings on transition would have increased by $4,056,000 (as a result of the reversal of restructure provisions on the 30 June 2004 balance sheet and other AIFRS adjustments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

Note 18 Impacts of adopting Australian equivalents to IFRS (continued)

(b) Share-based compensation benefits

Under AASB 2 *Share-Based Payment*, Sonic is required to recognise an expense for all share-based remuneration. This will result in a change to the current accounting policy under which no expense is recognised for equity-based compensation.

Under the transitional exemptions of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* Sonic has elected not to apply AASB 2 to equity instruments issued prior to 7 November 2002.

Options issued to employees under the Sonic Healthcare Limited Employee Option Plan, to QXR employees pursuant to Sonic's agreement with the vendors of QXR, and to Directors under the Executive Director Incentive Plan have been valued using an appropriate valuation technique and will be charged against profit over the relevant periods, and adjusted as required by the standard.

Under transitional requirements, Sonic will reduce retained earnings at 1 July 2004 by $2,520,000 with a corresponding increase in share option reserve for options issued after 7 November 2002 that remained unvested at the date of transition to AIFRS.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, Sonic's employee benefits expense would have been $4,484,000 higher. Retained earnings at 30 June 2005 would have been $7,004,000 lower, with a corresponding increase in share option reserve.

(c) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

The identified tax adjustments to Sonic's deferred tax balances that arise on transition to AIFRS comprise:

- recognition of deferred tax assets relating to deductible costs not previously recognised under AGAAP;
- an increase in deferred tax liabilities relating to the requirement to recognise directly in the foreign currency translation reserve (FCTR) tax amounts attributable to amounts recognised directly in the FCTR, and
- recognition of a deferred tax asset in relation to Sonic's indefinite life intangibles.

As a consequence of these transitional adjustments the FCTR at 30 June 2004 will decrease by $2,204,000 and retained earnings will increase by $5,800,000.

If AASB 112 had been applied during the year ended 30 June 2005 there would have been an increase in Sonic's deferred tax assets of $5,214,000 and an increase in deferred tax liabilities of $3,427,000 on the restated 30 June 2005 balance sheet with associated adjustments to the FCTR and retained earnings. The income tax expense in the restated result for the 12 months to 30 June 2005 would have been $87,000 higher.

(d) Foreign currency translation reserve: cumulative translation differences

Following the transitional adjustment noted above, Sonic will elect to apply the exemption in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* that permits the resetting of the FCTR to nil as at the date of transition. As a result of this exemption, the foreign currency translation reserve at 30 June 2005 under AIFRS will have a debit balance of $3,558,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2005

Note 18 Impacts of adopting Australian equivalents to IFRS (continued)

(e) Revenue disclosures in relation to the sale of non-current assets

Under AIFRS, the net gain or net loss recognised in relation to the sale of a non-current asset is reported as either income or expense. This is in contrast to the current AGAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on profit of this difference is nil.

If this policy had been applied during the year ended 30 June 2005, the consolidated revenue from ordinary activities would have been $1,507,000 lower and the consolidated operating expenses have also been $1,507,000 lower. There would have been no impact on net profit.

(f) Financial instruments

Sonic will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows Sonic to apply previous AGAAP to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

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

Identify other standards used: NIL

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

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

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

The entity has a formally constituted audit committee.

Signed: …………………………………………….. Date: 22 August 2005
(Company Secretary)

Print name: PAUL ALEXANDER