

Abano Healthcare Annual Report 2008





OUR VISION IS TO CREATE AN EXEMPLARY
STANDARD OF CARE AND TREATMENT FOR OUR
CLIENTS AND PATIENTS BY BRINGING TOGETHER
COMPATIBLE BUSINESSES WITHIN THE
HEALTHCARE AND MEDICAL SERVICE SECTORS,
AND OFFERING MULTI-DISCIPLINARY SOLUTIONS
IN THE PRIVATE HEALTHCARE MARKET.

ABOUT THE COMPANY

Abano Healthcare Group is a New Zealand owned company listed on the New Zealand Stock Exchange. It is the largest private specialist medical and healthcare organisation in the country. The business was established in its current form in 1999 and since that time, has progressively evolved to be a multi-discipline group with services in Audiology, Dental, Diagnostics and Rehabilitation.

These clinical networks extend across a range of residential, medical and community facilities throughout New Zealand and Australia, offering high quality healthcare and medical services to nearly 1 million people every year.





AS AT 31 MAY 2008,
ABANO EMPLOYED OVER
1,000 STAFF DELIVERING
SPECIALIST SERVICES
THROUGH MORE THAN 200
FACILITIES ACROSS NEW
ZEALAND AND AUSTRALIA.

OUR STRATEGY IS TO FOCUS ON THE PRIVATE REVENUE SEGMENT OF THE HEALTHCARE AND MEDICAL SERVICES MARKET AND TO CONTINUE TO DEVELOP NEW AND EXISTING SECTORS WHERE THE GROUP CAN ADD VALUE TO ITS BUSINESSES, MEDICAL PRACTICES AND SHAREHOLDERS.

ADDING VALUE

With our extensive experience in managing and operating healthcare and medical services businesses, we are able to add value to the businesses we own and in which we invest.

GROWTH

We are focused on growth – through both acquisition and the organic development and expansion of healthcare and medical practices – focusing on private revenue opportunities.

SUCCESS THROUGH PARTNERSHIP

Our investment model is to concentrate on carefully selected and specific groups of healthcare sectors, where we work in partnership with the clinical founders and entrepreneurs who have made their specialty area into a financial success. We then provide resources to enable each business to realise its full potential.

KNOWLEDGE

We value knowledge and clinical excellence above all else and we invest in our people through continuous and appropriate training and career development opportunities. Abano businesses benefit from both internal synergies and the cross-fertilisation of knowledge across the Group.

PEOPLE

People are the foundation of our businesses, and we are focused on turning our people's vision into reality through close relationships with our clinical teams of highly talented and professional people. We seek to recruit and retain the best clinical and support staff to lead our services and ensure that they see Abano as an attractive, rewarding and professional place in which to develop their careers.

INVESTMENT

Better care and treatment is provided for our customers through our investment in first class technologies, facilities and leading edge equipment and our support for safe innovation. All our clinical investment decisions are initiated, guided and implemented through our clinical partners to ensure these investments are appropriate and enhance the quality of care we offer to our clients and patients.

SHAREHOLDER RETURNS

Our financial focus is to maximise the long term, sustainable return on investment in each business, ensuring that our investments generate returns that are above our weighted cost of capital, creating shareholder wealth.

OUR PRINCIPLES

ALL BUSINESS AND OPERATIONS AT ABANO ARE CONDUCTED IN LINE WITH CORE VALUES AND GUIDING PRINCIPLES THAT WE FEEL ARE IMPORTANT, BOTH AT A CORPORATE AND SOCIETAL LEVEL.

- We work for the benefit of our shareholders and aim to generate attractive, sustainable long-term returns on their behalf.
- All our clients and patients will be treated with respect and provided with exemplary care and professional treatment.
- Our people are our most important asset – we aim to provide our staff with secure and rewarding long-term employment in an environment where excellence is encouraged.
- Innovation and the search for and sharing of knowledge are encouraged for all staff.
- Through sound management, strategic understanding of healthcare needs and in line with Government health policies, we aim to improve and add value to healthcare and medical services in locations where we provide our services.

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HIGHLIGHTS

- Reported a record Net Profit After Tax of \$7.8 million after allowing for one-off takeover and other associated costs of \$0.5m (pre tax), with Operating Revenue of \$123.9 million and EBITDA of \$23.3 million.
- Opened, or transitioned into full time, nine new audiology clinics, taking the New Zealand Bay Audiology network to a total of 52 permanent and satellite clinics as at 31 May 2008.
- Grew the Australian Bay Audio network to 30 permanent and satellite clinics as at 31 May 2008.
- Continued the national rollout of Lumino The Dentists, with nine new practices acquired, taking the total number of practices throughout New Zealand to 33 (following the consolidation of several smaller clinics).
- Introduced new Radiologist equity partners into the radiology business, reducing Abano's shareholding in Ascot Radiology to 73% and commenced services at a new \$7million state of the art radiology clinic in May 2008.
- Aotea Pathology continued operating under the five year DHB contract, which started in November 2006, for the greater Wellington and Hutt Valley region. Aotea completed the re-equipping and refitting of the base laboratory, transforming it into a leading edge facility.
- Improved bottom line performance and margins from Abano Rehabilitation through cost efficiencies gained from restructuring, increased bed numbers and a wider service offering.
- Successfully re-tendered for a three year contract (reviewed annually) to provide Orthotic services to the Waikato DHB.
- Received takeover notice from Masthead Portfolios which lapsed on 11 December 2007 and takeover notice from Crescent Capital Partners which lapsed on 14 March 2008.

EVENTS SINCE YEAR END

- Acquisition of two dental practices – Dental Designs dental laboratory in June 2008 and Manly Dental Care in July 2008.
- Entered the A\$4b Australian dental market in July 2008 through a partnership with Dental Partners, in which Abano holds 70%, and the initial acquisition of nine practices with up to ten further acquisitions expected by the end of the 2009 financial year.
- Expanded Bay Audio in Australia with the strategic acquisition of King Hearing from Siemens Hearing Instruments in July 2008 adding a further four permanent and 23 satellite clinics to the Bay Audio network.
- Acquired Dunedin Hearing, a long standing and respected South Island audiology chain with six clinics across Dunedin and Central Otago in August 2008.
- Official opening of a second Ascot Radiology clinic in a state of the art purpose built facility in June 2008.
- The company's annual report for 2007 was selected as a finalist in the New Zealand Institute of Chartered Accountants Annual Report Awards.

OPERATING FINANCIAL PERFORMANCE					
\$ Million	2004	2005 ^{1,2}	2006 ³	2007	2008
Revenue	64.9	66.7	65.2	89.5	123.9
Core EBITDA	7.1	7.5	6.7	13.9	23.3
Noncore/Unusuals	(0.3)	0.0	0.0	0.0	0.0
EBITDA	6.8	7.5	6.7	13.9	23.3
Amortisation	(1.0)	0.0	0.0	0.0	(0.5)
Depreciation	(3.1)	(3.3)	(2.3)	(3.2)	(3.4)
EBIT	2.7	4.2	4.4	10.7	19.4
Net Interest on borrowings	(3.2)	(2.9)	(0.5)	(0.9)	(2.4)
Fair value gain on swaps	0.0	0.0	0.3	0.1	(0.2)
Put Option "Interest"	0.0	0.0	(0.9)	(1.2)	(2.3)
NPBT	(0.5)	1.3	3.3	8.7	14.5
Taxation	0.0	(0.3)	(1.7)	(3.4)	(5.7)
Minority interest	0.0	0.0	0.0	(0.3)	(1.0)
NPAT	(0.5)	1.0	1.6	5.0	7.8
No. of shares (000s)	219,954	27,105	23,010	23,010	23,030
Operational EBITDA/Share	3.2 cents	27.7 cents	29.1 cents	60.6 cents	101.2 cents
Earnings Per Share	(0.2) cents	3.7 cents	7.0 cents	21.9 cents	34.0 cents

FINANCIAL POSITION					
\$ Million	2004	2005	2006	2007	2008
Total Assets	84.6	88.3	96.6	123.9	163.7
Net Bank Debt	36.5	33.1	9.9	12.3	33.9
Net Debt ⁴	36.5	35.5	37.8	48.3	77.4
Total Equity	40.8	42.0	46.9	52.4	55.3

KEY FINANCIAL RATIOS					
\$ Million	2004	2005	2006	2007	2008
Net Bank Debt/Total Assets	43.1%	37.5%	10.2%	9.9%	20.7%
Net Bank Debt plus Deferred Acquisition Consideration/Total Assets	43.1%	40.2%	39.1%	39.1%	47.3%
Equity/Total Assets	48.2%	47.6%	48.6%	42.3%	33.8%
Bank Interest Cover at Core EBITDA	2.5x	2.8x	4.8x	10.8x	8.3x
EV/Core EBITDA	8.7x	9.9x	4.8x	6.2x	6.2x

¹ 2004/05 figures reflect the 1:10 share consolidation on 14 December 2005.

² NZ IFRS was adopted for the year ended 31 May 2006. Figures for 2004/05 year have been restated in line with NZ IFRS guidelines.

³ Excludes capital gain on sale from the sale and divestment of ElderCare New Zealand Limited in June 2006.

⁴ Net Debt equals Net Bank Debt plus Deferred Acquisition Consideration.

CHAIRMAN'S REPORT

YEAR IN REVIEW



The board of Abano is very pleased to present the annual report and financial statements for the year ended 31 May 2008.

Abano achieved a record Net Profit After Tax (NPAT) of \$7.8 million after allowing for one-off non recoverable takeover and other associated costs of \$0.5m (pre tax) as well as adjustments relating to foreign exchange movements, interest rate swaps, accounting estimates, capital gains and Australian tax, as detailed in the annual accounts.

This result was a 56 percent increase on the previous year's NPAT of \$5.0 million and in line with guidance provided by the company of \$7.9 million which was stated to exclude takeover costs.

Revenue for the year was \$123.9 million, an increase of 38 percent year on year, with Earnings Before Interest, Tax, Depreciation and Amortisation up 68 percent to \$23.3 million including the takeover costs.

The result also represents a margin improvement at EBITDA from 15.5 percent to 18.8 percent of revenue and Operating Earnings Per Share increased by 67 percent to 101 cents per share.

Return on Invested Capital also continues to improve, up from less than five percent in 2000 to 17.5 percent in 2008.

Abano's performance has been well communicated to shareholders this year, both through our regular shareholder newsletters and company releases, as well as numerous additional communications around the corporate takeover activity that occurred during the period.

As previously signalled, the improved performance is being driven by increased returns from all sectors, supported by organic and acquisition growth, particularly in Audiology, Dental and Radiology.

This growth is continuing as the company enters a new phase of expansion into overseas markets while progressing its development of the New Zealand market. A number of additional acquisitions and growth initiatives have continued into the start of our new financial year, extending our business in both New Zealand and abroad and continuing our established record of profitable growth.

SHAREHOLDER DIVIDEND

On expiry of the Crescent bid in March 2008, a delayed interim dividend of 13 cents per share was paid in April 2008 from the earnings of the first nine months of the 2008 financial year. Unfortunately, as Crescent did not allow the interim dividend to be declared and paid on the original date it was due, imputation credits of approximately \$3 million were lost.

The Abano board has declared a fully imputed final dividend of 5 cents per share. This maintains the Group's policy of distributing 50% of NPAT, (excluding the one off takeover costs) and takes the total dividend paid by Abano this year to 18 cents per share.

The dividend policy will be reviewed annually to ensure the dividend return and use of imputation credits is carefully balanced with the growth opportunities of the company.

CORPORATE ACTIVITY

During the 2008 financial year, Abano shareholders received takeover offers from two parties – Masthead Portfolios Limited and Crescent Capital Partners.

Directors advised shareholders to reject both offers, on the basis that they fell below or at the lower end of the Independent Adviser's value range, as commissioned by the board, and that shareholders were only now starting to reap the benefits of Abano's established growth strategy.

The Masthead bid which was lodged on the 13 September 2007, lapsed on 11 December 2007. On 17 January 2008, Masthead sold its 19.9% stake in Abano to Healthcare Industry, which is owned by interests associated with Bay Audiology founders, Peter Hutson, Scott Wright and Anya Hutson. The Crescent offer, lodged on the 5 December 2007, lapsed on 14 March 2008.

This activity consumed an extraordinary amount of board and senior management time with both directors and executives contributing time well beyond normal expectations (see record of board meetings on page 32). Special mention should be made of Trevor Janes [Deputy Chair] and Phil Newland who with me constituted an informal negotiating committee. Their particular skills were especially valuable in this situation. Included too in this acknowledgement is Richard Keys, Abano's chief financial officer.

On behalf of shareholders, I would like to thank all directors and management for their commitment and input over the past nine months. I include all management in this acknowledgement as I am pleased to report that the takeover distraction did not have a material impact on the day to day business. This is a tribute to the effective operating and reporting structure of Abano, value adding partnerships with the clinical founders of the sectors we have invested in and the dedication of all involved to ensure we delivered on our market guidance despite distractions.

The board endeavoured to conduct a best practice response to the takeover bids and I would like to take this opportunity to also recognise the exceptional professional support from our advisers.

Despite the economic downturn, Abano's share price has continued to outperform most of the NZX indices as the business continues to grow and provide increasing returns.

OUR OUTLOOK

We are now entering a second growth phase as we consolidate our efforts into those areas of the healthcare

and medical services market which we have identified as providing excellent future potential and value.

In two of these sectors we have implemented carefully researched strategies to replicate these businesses in new and bigger markets, through partnerships which will mitigate our implementation risks.

Over the next twelve months, we will be looking to further our investigations and negotiations into Asia, build on our initial entry into the Australian dental and audiology markets, as well as continue our growth in New Zealand.

Based on our current performance, the directors' expectation is that the company will still achieve an EBITDA of \$28.9 million for the 2009 financial year and a NPAT of \$10.5 million, as advised in the Independent Appraisal Report. We do note however, that while directors consider the company to be reasonably insulated from economic conditions, the extent of the current economic downturn must now be regarded as a material risk factor.

I would like to thank all directors and senior management for their input and commitment to the business during the year.

Our appreciation is also extended to the wonderful teams of people who are the lifeblood of Abano, providing professional, quality care and treatment to the thousands of people we diagnose, care for and treat each day. We have profiled some of these great people in this year's annual report and hope you enjoy reading their stories about their profession and roles with Abano.

Finally, thank you to all our shareholders, whose support for our management, board and strategy enables us to continue our growth journey as a leading healthcare and medical services operator. We welcome your feedback and I, or any member of the board, can be contacted through enquiries@abanohealthcare.co.nz.

I look forward to seeing you at the annual meeting in Auckland later this year.

Thank you



Alison Paterson
Chair

MANAGING DIRECTOR'S REPORT

YEAR IN REVIEW



It has been a record year for Abano with strong performances across all sectors as individual businesses have focused on cost efficiencies, improved margins and continued growth.

As we move into the second phase of our growth strategy, the expansion of our dental and audiology networks and the increased offering from our radiology business continue to be a key management focus.

Abano's growth during 2008 was in line with our strategic plan and has continued into the new 2009 financial year with a number of important acquisitions and market entry initiatives achieved in the first few months.

Abano Audiology

Abano has majority shareholdings in two audiology businesses, Bay Audiology in New Zealand and Bay Audio in Australia, which together generated NZ\$43.6 million in revenue during 2008.

Bay Audio in Australia, in its first full year of operation, provided a full year's contribution and grew rapidly from four clinics at start up in early 2007 to 57 permanent and satellite clinics in August 2008.

The strategic acquisition of Queensland-based King Hearing from Siemens Hearing Instruments in June 2008 is the first acquisition to be enabled through Abano's global partnership agreement with this highly respected hearing device manufacturer.

Bay Audio in Australia has taken over the Siemens retail chain consisting of four permanent and 23 satellite clinics. This provides Siemens with the opportunity to access the Bay network and audiology retail expertise to grow their market share. For Abano and Bay, there is the mitigation of risk in entering new markets.

In New Zealand, acquisitions and the opening of new audiology clinics during the 2008 year, in addition to the acquisition of Dunedin Hearing since year end, have seen the total Bay Audiology network grow to 58 permanent and satellite clinics.

Dunedin Hearing Ltd, a long standing and respected South Island audiology chain with six clinics across Dunedin and Central Otago, joined the group in August 2008. In line with Abano's partnership philosophy, the founding clinician in Dunedin Hearing, Anthony Rowcroft, along with Simon Melville from Bay's existing Cromwell clinic, will collectively hold a 15 percent shareholding of a new entity, Bay South Ltd, with merged operations throughout the lower South Island.

Abano Dental

Abano's dental sector demonstrated significant growth in both revenues and operating profit in the last financial year, with revenues of \$27.2 million. With investments in both the New Zealand market through Lumino The Dentists and also with the announced entry into the Australian dental market through a new partnership, Dental Partners, the dental sector will be a strong contributor in the new financial year.

New Zealand based Lumino The Dentists, expanded in line with the previously announced increased target, with nine successful acquisitions during the financial year.

Eight to ten acquisitions are expected in the 2009 financial year in New Zealand, with two practices already acquired in the first two months - Dental Designs dental laboratory and Manly Dental Care.

Dental Designs is a dental laboratory specialising in making high end ceramic crowns and veneers for placement by cosmetic dentists. Dental laboratories are a vital component of the sector, providing a key service for dentists. Vertical integration of selected dental laboratories will enable Lumino The Dentists to capture a greater share of the margin generated from high value dental treatments.

Following these acquisitions and the consolidation of several smaller clinics during the year, the total New Zealand dental network now has 35 clinics nationwide as at August 2008.

Abano also entered the Australian dental market in June 2008 through a partnership with Dental Partners, with the initial acquisition of eight practices in Queensland, New South Wales and one cornerstone practice in Melbourne, with forecast annualised revenues of over A\$15 million. Up to 10 additional practices are expected to be added to the Australian network by the end of the 2009 financial year. Dental Partners is expected to provide a positive operating NPAT contribution in the current financial year and is a carefully planned and low risk entry into the substantial Australian dental market.

Abano Diagnostic

Abano has investments in two separate areas of the diagnostic sector – radiology and community pathology – providing \$33.7 million in revenue. The Radiology business offers significant growth potential and investment into leading edge technology and equipment will continue into the new year. The pathology business is a Hold and Maintain business stream with a focus on cost efficiencies and maintaining margins under the existing fixed price five year term contract to the Capital and Coast and Hutt Valley DHBs.

Radiology

Ascot Radiology now operates on three sites in Auckland.

The original Ascot Hospital site offers a new 3T MRI (3 Tesla Magnetic Resonance Imaging) installed in August, a 64 slice CT (Computed Tomography), specialising in

cardiac studies, 3D and 4D ultrasounds and digital xray modalities.

In the new Ascot Central clinical building, Ascot Radiology has recently opened a multi-million dollar, purpose built facility with a second 3T MRI, digital mammography and 4D ultrasound modalities. It offers general radiology services as well as leading edge breast imaging as part of a new specialist care clinic in association with Breast Associates, a group of leading breast surgeons.

The Greenlane Imaging clinic offers a specialist 16 slice CT service primarily covering cardio-thoracic examinations for public and private patients at Greenlane Hospital.

In line with our partnership philosophy, during the year five new equity partners were introduced into the radiology business, reducing Abano's shareholding to 73 percent and increasing the spectrum of expertise in the practice.

Pathology

Aotea Pathology, our joint venture with Sonic Healthcare in which Abano has a 55 percent shareholding, continued operating under the five year DHB contract for the greater Wellington and Hutt Valley region.

During the year, new collection and courier networks were established, the base laboratory was re-equipped and rebuilt to be a modern, leading edge automated facility and accreditation was achieved from the industry inspection body as well as implementing the DHB policy of charging patients for testing where the request is from a specialist in private practice.

Our focus is now on renewing the contract with the local DHBs which expires in October 2011. We hope to demonstrate that the service, which has been offered for over 75 years, is exemplary and that the refitted laboratory is now the leading automated facility in New Zealand and an integrated and important part of this region's community and medical service.

Abano Rehabilitation

Abano has businesses in both Orthotics and Brain Injury Rehabilitation, both of which are Hold and Maintain business streams.

Orthotics

The Orthotics Centre showed consistent performance during the year. A new three year contract with the Waikato DHB was successfully renewed, and a new chief executive for Orthotics Centre was appointed in June 2008.

Brain Injury Rehabilitation

Abano Rehabilitation provides both community and residential services and showed greatly improved performance due to cost efficiencies, increased bed numbers and a wider service offering.

Significant changes to ACC residential contracts are in progress, with a move to early treatment for people with moderate to severe brain injury and an increasing demand for seamless transition of brain injured clients from residential to community based services. With 109 residential beds and the ability to add further beds if required, along with an expanding community services team, Abano Rehabilitation is well placed to take advantage of this ongoing change.

After two years of restructuring, the business is now delivering profitable services and improved margins across all of its activities. This is a credit to the general manager and her dedicated team of professionals.

BUILDING THE BUSINESS

Abano is a specialist operator in the private segment of the healthcare and medical services market.

As the demand for healthcare and medical services continues to outstrip the Government's funding ability, private payment from individuals or through private health insurance becomes an increasing necessity.

Over the past three years we have focused our growth strategy on identifying and entering those sectors with strong private payment revenue streams and the potential for profitable future growth.

We have consolidated our focus in the past twelve months, and now have excellent growth businesses in Audiology, Dental and Radiology, along with Hold and Maintain business streams in Pathology, Rehabilitation and Orthotics.

Moving forward, we will be continuing to invest in our growth businesses, building on the strong platforms we have in place in New Zealand and more recently, for Audiology and Dental in Australia.

In Dental, this continues to be through the acquisition of high quality, professional dental practices, run by reputable and well respected dentists and clinicians. In Audiology, our growth is based on both the opening of new Greenfield sites as well as the strategic acquisition of selected clinics. The Radiology business will continue to expand on the services it offers, through continued investment in leading edge technology and equipment.

Our partnership philosophy remains an essential ingredient in our growth strategy, mitigating our risks as we enter new markets and ensuring the retention of the high quality clinical founders who continue to work with us to grow their business and provide additional shareholder value.

This partnership philosophy extends from the clinical founders of small, private practices, through to partnerships with global businesses, like Siemens, who offer synergy and opportunities for growth into new markets whilst mitigating our risk and underpinning success.

PEOPLE DEVELOPMENT

The healthcare and medical services industry is built on the dedicated clinicians, scientists, management teams and support staff who are committed to providing professional, quality care and treatment to all people.

At Abano, we recognise the essential part our 1,000 plus staff play in the ongoing growth and success of our businesses. Our staff are, and will always be, the backbone of our company. We are in the business of providing healthcare and medical services to people across Australasia and we pride ourselves on the high standards of care that each of our businesses strives to achieve.

From the administration, accounts and management staff in the support offices through to the receptionists, nurses, assistants, technicians, scientists and clinical specialists in our facilities, each and every person is an important part of how we are perceived and the reputations our businesses uphold.

One of the key challenges facing the healthcare sector is the recruitment and retention of excellent staff. We have a number of strategies and practices in place to ensure each Abano business is seen as an attractive and rewarding employment opportunity.

This includes an investment structure that recognises the unique role key clinicians play in the financial success of our businesses, and a continuing focus on the professional and clinical development of all staff.

We actively recruit staff from both New Zealand and overseas, combating wage pressure from the higher salaries offered offshore, with attractive working conditions and a more appealing New Zealand lifestyle.

There are a number of individual human resource initiatives in each business and we have profiled these in this annual report, within each Sector Review, as we

believe they are an essential contributor to the ongoing success of our company.

THE FUTURE

Since the 1990's healthcare expenditure in New Zealand has increased rapidly year on year, with the expectation that this trend will only increase. Approximately \$12.2 billion is now spent on healthcare annually with a growing percentage coming from the private health sector as public health funding is unable to keep up with demand, increasing claim payments from private health insurers and expensive new technologies.

In an effort to curb ever growing expenditure, public healthcare providers are taking an increasingly aggressive approach with respect to costs and efficiencies. Private providers are routinely submitted to contract review and competitive tenders by DHBs.

Over the past few years, we have significantly reduced our exposure to the public sector, increasing our privately sourced revenue from 25 percent in 2001 to 45 percent at the end of the 2008 year.

Abano is well positioned to benefit from the growing private healthcare market, with market leading businesses in audiology, dental and radiology, all services which have strong private income streams.

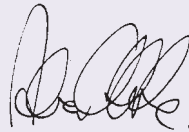
The company is now entering a second and strong growth phase in an attractive sector. During the next twelve months, we will be investing in and growing those businesses which we have identified as cornerstones in our group – Audiology and Dental in both New Zealand and Australia, and Radiology in New Zealand.

We will also be focused on providing leading and innovative services and maintaining margins, particularly in our Rehabilitation and Pathology business streams.

Our clinical partnership philosophy and more recently, agreements with leading healthcare manufacturers, provide us with a strong growth platform and the ability to extend our businesses into new markets while mitigating expansion risks. We look forward to announcing further acquisitions and practice openings in the coming months.

The deteriorating economic climate in New Zealand means that growth opportunities here will be affected in the near term. Our services, while relatively sheltered from economic turbulence, still have some discretionary element and all our teams are focused on ensuring that our patients and clients can still access our products and services to meet their healthcare needs. Our focus for the new financial year remains to meet and exceed the expectations of our shareholders, patients, clients and staff.

Thank you.



Alan Clarke
Managing Director

OPERATIONAL PERFORMANCE

CONSOLIDATED RESULTS



All sectors delivered improving margins and contributed positive operating profits, generating returns that exceeded our Weighted Average Cost of Capital (WACC).

The Return on Invested Capital at EBITDA continued to improve from less than 5 percent in 2000 to 17.5 percent in 2008. We are well on track to reach our target of Return on Invested Capital at EBITDA of 18 percent by the end of the 2009 financial year.

A detailed analysis of each sector can be found in the Segment Reporting note to the financial statements on page 51.

BALANCE SHEET

Management and the board constantly review debt levels to ensure an efficient level of debt and equity is maintained in the business. As advised last year, the debt levels were budgeted to increase to a more appropriate level. Net bank debt has therefore grown from \$12.3 million in 2007 to \$33.9 million as at 31 May 2008, generating a debt equity ratio of 20.7 percent compared with 9.9 percent in 2007.

This is in line with our policy to more efficiently use our balance sheet to fund acquisition and investment in good businesses which will provide appropriate returns. Abano currently has debt facilities in place to provide for the planned growth and acquisition initiatives, as well as the existing dividend policy.

Abano has a committed cashflow lend facility with ASB Bank Limited which includes additional funding capacity. A new Australian debt facility has also been established since year end with the Commonwealth Bank of Australia, specifically with regard to the rollout of the Dental Partners network in Australia.

Interest rate risk is mitigated through the use of interest rate SWAP agreements, while a hedging policy is in place to mitigate risk from currency fluctuations where possible. However, as most purchases are done in NZ dollars, Abano has a very small exposure to fluctuating exchange rates.

Total capital expenditure for 2008 was approximately \$23 million, made up of acquisitions of approximately \$11 million, greenfield set ups or new revenue generating capital expenditure of approximately \$5 million, and approximately \$7 million for normal operational and replacement capital expenditure which included the refurbishment of the Aotea Pathology laboratory.

Total planned capital expenditure in the next twelve months is estimated at approximately \$42 million. This will be funded through cashflow and existing bank facilities.

OPERATIONAL FOCUS

The operational focus for 2009 is to grow revenue through new contracts as well as introduce new services and organic growth of existing businesses. We will also focus on continuing to improve margins across all our businesses as we drive cost efficiencies and continue to target those areas which provide the most value and return.

We will also be closely monitoring our people costs which have shown a steady increase year on year, due in part to the introduction of Kiwisaver, and the move to four weeks of annual leave.

Recruitment and retention of staff is a key area and we will continue to invest in the development of our people and ensuring attractive and rewarding employment opportunities. This is a key objective and performance measure for our business managers with numerous initiatives developed and introduced across our businesses to aid recruitment, support people development and encourage retention. More information on People Development initiatives for each sector are detailed in the sector reports on pages 12 to 29.

SHAREHOLDER COMMUNICATION

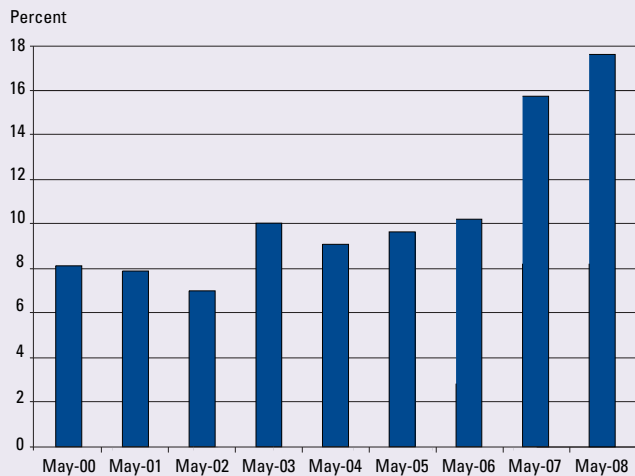
For the 2008 financial year we have elected to send all shareholders a printed annual report.

As a regular reminder, all company announcements and news are available on our website and you can subscribe to receive notification of news by registering online at www.abanohealthcare.co.nz/shareholderservices.



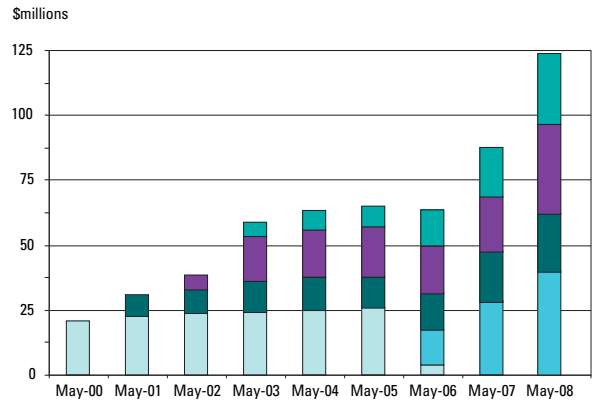
Richard Keys
Chief Financial Officer

GROUP EBITDA RETURN ON INVESTED CAPITAL

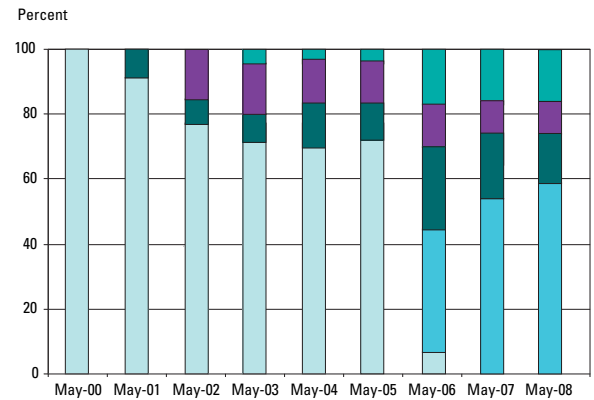


* ROIC is measured as Operating EBITDA (before corporate overhead) divided by the average capital employed for the period.

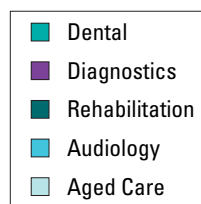
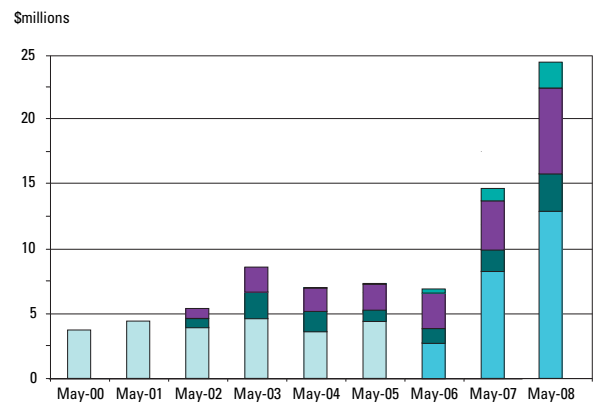
REVENUE PROGRESS BY SECTOR



CAPITAL EMPLOYED BY SECTOR



EBITDA PROGRESS BY SECTOR



ABANO AUDIOLOGY

OUR BUSINESSES

Abano operates audiology businesses in both New Zealand and Australia which together provided approximately 35 percent of the Group's revenue for the 2008 financial year. A minority shareholding in both Bay Audiology and Bay Audio is held by senior clinicians.

Bay Audiology is New Zealand's largest and only national provider of audiological products and services. Bay operates a 'hub and spoke' business model, which has a network of 58 full time and satellite clinics in New Zealand as at August 2008. Bay Audiology also owns 40 percent of Dilworth Audiology, which has five permanent clinics across Auckland in equity partnership with prominent ENT specialists.

Abano entered the Australian audiology market in

February 2007, through a Bay Audiology subsidiary, Bay Audio Pty Limited. As at August 2008, Bay Audio has 57 permanent and satellite clinics in the Queensland region, including the recent strategic acquisition of King Hearing from Siemens Hearing Instruments. Queensland-based King Hearing is the first acquisition to be enabled through Abano's new international partnership agreement with this highly respected hearing device manufacturer.

The single largest area of work carried out by Bay is the diagnosis, fitting and testing of hearing aids for self referring customers, as well as from referring bodies such as specialists and GPs. Revenue is generated from private paying customers in addition to third party funders including ACC, War Pensions and subsidy schemes for the employed and beneficiaries.

OPERATIONAL PERFORMANCE

\$ Million	2004	2005	2006**	2007***	2008
Core revenue	n/a	n/a	13.6	30.9	43.6
Core EBITDA*	n/a	n/a	2.8	8.2	12.9

* After allocation of corporate overhead ** Seventy percent of Bay Audiology acquired in October 2005 ***Entry into the Australian market

PEOPLE DEVELOPMENT IN AUDIOLOGY

The focus for the audiology sector is on recruitment and retention of quality, skilled audiology professionals.

- Management focus on training with appointment of a Training Co-ordinator to develop customer service skills in staff
- Well defined induction process including focus on the Customer First philosophy at Bay Audiology
- Implementation of new systems and technology to aid employees in delivering better service to clients
- Development Day - an annual staff convention where all staff are involved in further training and development
- Exchange and scholarship programmes for clinicians and graduates
- Attendance and recruitment at overseas conventions and the opportunity to attend new product launches in offshore locations
- A generous target-based bonus scheme for clinicians
- Two student scholarships at Auckland and Canterbury Universities
- Development of an online portal/intranet to make it easy for staff to keep in touch and access information



HIGHLIGHTS AND SIGNIFICANT EVENTS

- During the 2008 financial year, grew the network to 52 including opening or transitioning into full time nine clinics, acquisition of Advance Hearing Systems in Invercargill and acquisition of Access Audiology in Auckland
- Appointed Francois Gillain as General Manager for Bay Audiology
- Established new regional management level and appointed Stephanie Mears as North Island Regional Manager and Simon Melville as South Island Regional Manager
- Turnover of the business grew 37 percent year on year
- New integrated IT system roll out expected to be completed by the end of the calendar year
- Industry accord reached with ACC with regard to future target pricing

THE OUTLOOK

- Increase group turnover and control growth in expenses
- Further market development through conversion of satellite clinics into full time clinics and the establishment of further Greenfield locations
- Achieve further savings through business efficiencies and economies of scale to improve profitability
- Comprehensive marketing campaign to extend awareness of the Bay brand and offer
- Continued focus on private paying customers
- Development and implementation of a customer services culture throughout the organisation
- Strategic focus on customer services to create a unique customer experience
- Final implementation of IT system
- Standardise look and feel of clinics to ensure a consistent customer experience
- Standardise system and procedures to improve customer service delivery
- Emphasis on training and development of both clinicians and customer services people
- Increase OTC (over the counter) sales through providing a wider range of products in stores



“THE CONTINUED CHALLENGE AT BAY AUDIOLOGY IS WHAT KEEPS ME MOST EXCITED.”

MATTHEW BARKER
CHARGE CLINICIAN, HAWKES BAY

BAY AUDIOLOGY – OUR PEOPLE

INTRODUCING MATTHEW BARKER

I am West Texas born and raised and worked in a number of jobs from farming to waiting tables, laying floor tiles to salesman, before I chose to pursue my Doctorate in Audiology. I moved to New Zealand to ‘have an adventure’ and while here, my heart was ‘hornswaggled’ by a pretty blonde Kiwi lass - and now I am here to stay!

WHAT DO YOU DO AT BAY AUDIOLOGY?

I started work for Bay when I first moved to New Zealand five years ago, in addition to lecturing in communication disorders and audiology at Christchurch University. Since then, I have had a variety of roles within Bay as the company grows and develops as the leader of audiological service provision in Australasia.

The majority of my days are filled with patient contact. I perform all tests and rehabilitation procedures required for patients with hearing difficulties (primarily hearing tests, counselling, and fitting hearing aids if appropriate). I also assess and treat (if suitable) people with balance disorders or vertigo.

In addition to this role, I act as a clinical specialist for the company and receive phone calls/emails from clinicians throughout the country for patients or situations that

seem out of the ordinary or they would like advice regarding that person. I work across the group to assess clinical training requirements for our staff to ensure that Bay continues to provide a top quality standard of clinical care to our customers. And I also provide support for new clinicians at Bay, working with those we recruit from overseas to acquire their qualification in New Zealand and mentoring new graduates.

Ideally I would like to continue to be involved in the development and maintenance of clinical standards for the company. I do have a long term goal of (part-time) pursuit of a PhD and hope to lead a team in research and development for clinical applications that we provide to our clients/patients.

WHAT DO YOU LOVE MOST ABOUT YOUR JOB?

I really enjoy being with a company that strives to be the benchmark by which others have to compare themselves, as well as being able to make real changes and improvements from my own suggestions and input. Lots of companies which I have been involved with in the past, are not as open to suggestions for improvement as Bay. Bay will open its ears (pun slightly intended) to feedback from all of its employees from the general manager to the most remote administrative staff member.



HIGHLIGHTS AND SIGNIFICANT EVENTS

- Grew the network to 30 permanent and satellite clinics in South East Queensland and Northern New South Wales, including acquisition of the Hearing Centre in July 2007 and Advanced Hearing Aid Specialists in November 2007
- Progress on a Touchscreen self assessment initiative which can be used either in-store or in malls and other non-retail locations
- Development of a concept store for high end retail locations and the beginnings of a rollout of Greenfield retail sites
- Since year end, acquired King Hearing as part of the strategic partnership with Siemens, with four permanent and 23 satellite clinics

THE OUTLOOK

- Increase turnover and maintain costs
- Implement integrated IT system following New Zealand rollout
- Growth of the network through ongoing retail rollout and successful acquisitions programme
- Increase brand awareness through targeted marketing and PR initiatives
- Continue to refine retail concepts, product extensions and front of house operations
- Continue focus on private paying patients
- Improve performance of acquired clinics through database targeting
- Continue to develop relationships with key referrers



“I HAVE A GREAT APPRECIATION AND PASSION FOR CLIENT CARE. THIS, ALONG WITH THE COMPANY’S PROFESSIONAL REPUTATION, IS ONE OF THE PRIME INFLUENCING FACTORS FOR ME IN JOINING BAY AUDIO.”

ELLEN MACKENZIE, AUDIOLOGIST
BRISBANE, AUSTRALIA

BAY AUDIO – OUR PEOPLE

INTRODUCING ELLEN MACKENZIE

I am married to Donny Mackenzie, a commercial leasing agent, and together we are currently building our dream home in Clayfield. In my spare time I enjoy getting out and about, socializing with friends and family, dinner parties and keeping fit training with a personal trainer or playing tennis.

WHAT DO YOU DO AT BAY AUDIO?

I have been part of the Bay Audio Australia team since June 2008 and am based at the Newmarket clinic in Brisbane, Queensland.

The youngest of five children and raised in a medical family, I have a great appreciation and passion for client care. This, along with the company’s professional reputation, is one of the prime influencing factors for me in joining Bay Audio.

My career in audiology is complemented by a foundation degree in speech pathology, which gives

me a particularly solid theoretical basis in this area of healthcare specialisation. I achieved the highest grade point average for my class in the Master of Audiology studies at the University of Queensland, and have previous professional experience at one of Brisbane’s most respected private audiology practices.

In my role at Bay Audio, I provide audiological services for a range of needs from hearing tests and recommendation of hearing aids and listening devices, to advising on hearing protection and swimming plugs. I also provide education to local doctors and I am involved in the general running of the Newmarket clinic.

WHAT DO YOU LOVE MOST ABOUT YOUR JOB?

I love meeting new people and helping them with their hearing and communication difficulties.

Across the board, hearing aids are becoming like real estate – people are too busy pushing the sales agenda rather than catering for the patient’s needs. At Bay, our patients’ needs come first.

ABANO DENTAL

OUR BUSINESSES

Abano owns 100 percent of Lumino The Dentists in New Zealand and, since year end, a 70 percent shareholding in Dental Partners in Australia, a newly established professional dental network. During the 2008 financial year, the dental sector contributed 22 percent of total revenue to the Group.

Both businesses provide a full range of general dental work, including complex restorative and cosmetic dental services, offering up to date technology, professional, high quality services and products which meet changing customer demand. The majority of income comes from private patients.

Lumino The Dentists is the largest group practice in Australasia. As at August 2008, the network has 35 practices around New Zealand, including three mobile dental units. The business model is seen as an attractive alternative to the traditional private ownership model with a growing reputation as it continues to acquire quality dental practices.

The investment in Dental Partners was made in June 2008, following year end, with the initial acquisition of eight practices in Queensland, New South Wales and one cornerstone practice in Melbourne, with forecast annualised revenues of over A\$15 million. Up to 10 additional practices are expected to be added to the network by the end of the financial year. Dental Partners is expected to provide a positive operating NPAT contribution in the current financial year.

FINANCIAL PERFORMANCE

\$ Million	2004	2005	2006	2007	2008
Core revenue	8.3	9.4	14.7	19.7	27.2
Core EBITDA*	0.1	0.2	0.3	1.0	2.2

* After allocation of corporate overhead

PEOPLE DEVELOPMENT IN DENTAL

The dental business employs more than 280 people including dental specialists, dentists, dental assistants, hygienists, practice managers/receptionists, support centre staff, clinical and dental technicians and dental therapists.

Staff are recruited from both New Zealand and abroad, with the qualifications of most British, South African, North American and Australian dentists and hygienists recognised in New Zealand.

Lumino has a number of initiatives in place to reward staff and is focused on providing a work environment and career opportunities that are simply not possible in other smaller practices.

- Practice Manager Training programme
- Annual Dental Conference for all clinicians
- Creating opportunities for staff to share knowledge, through formal and informal meetings
- Lumino Advantage - a benefits programme which provides rewards and benefits to all Lumino staff including training allowances, commission bonuses and practice bonuses.

HIGHLIGHTS AND SIGNIFICANT EVENTS

- Continued growth in revenue with 38 percent increase year on year
- Acquisitions improving EBITDA return on invested capital to in excess of 15.9 percent
- Improvement in core EBITDA
- Acquired nine practices during the year in line with target of eight to ten practices
- Acquired a specialist endodontic practice, part of the strategy to expand Lumino's dental offering into specialist dental treatment
- Launched new brand design and look – Lumino The Dentists
- Opened the Lumino Pearl Dental spa, providing premium appearance dentistry services within an atmosphere of relaxed, modern luxury

THE OUTLOOK

- Growth strategy in place with continued focus on private paying patients
- Continue to acquire between eight and 10 practices per year
- Improve utilisation of existing clinics through recruitment of additional dentists supported by increased marketing and database targeting
- Increased marketing spend as the new national brand is rolled out and all clinics branded Lumino
- Expand specialist dental treatment offering
- Migrate return on invested capital towards the target of between 15 and 25 percent at NPAT
- Focus on recruitment and retention of high quality staff



“I HAVE ALREADY FOUND THAT THE PEACE-OF-MIND WHICH COMES WITH SOMEONE ELSE HANDLING THE MANAGEMENT SIDE OF THINGS IN A DENTAL BUSINESS IS INVALUABLE.”

**RADU GOGA, ENDODONTIST
CAPITAL ENDODONTICS, WELLINGTON**

LUMINO THE DENTISTS – OUR PEOPLE

INTRODUCING RADU GOGA

I am married and live in Whitby, Porirua with my wife and three children - Daniel 10, Christiana 8 and Aimee 7 months. We like getting out as much as possible and enjoying the natural surrounds of the Wellington region. We try and head up to the central North Island region as well to enjoy Lake Taupo and the mountains. My favourite movie is 'Remember The Titans' and my favourite book is The Bible.

WHAT DO YOU DO AT LUMINO THE DENTISTS?

I am an Endodontic specialist and founded my practice in August 2004, directly after finishing my Masters degree. I switched to Lumino in 2008 but have already found that the peace-of-mind which comes with someone else handling the management side of things is invaluable.

Like other dental specialties, in Endodontics there are a lot of items one can invest in. The challenge is to find the balance between need (in order to provide an excellent service) and want (in order to get a buzz out of your expensive toys!).

At the end of the day the question we all need to ask ourselves regarding any item we purchase is whether it will improve the final product we deliver to our patients - our quality of care - or whether it simply delivers a nice feeling (which is fine as long as we understand that that's the purpose).

As a specialist Endodontist my customers are all referral-based and expect the highest standard of endodontic care possible. The cases that I see are often complex and require the combination of extra training, experience and specialised equipment (the microscope is indispensable in this regard).

WHAT DO YOU LOVE MOST ABOUT YOUR JOB?

Quite simply, being able to save a tooth which otherwise would have been confined to the extraction bucket. Although extraction and an implant can be the best solution for a severely broken-down tooth, often a tooth can be saved and the cost is almost half a conventional implant, with far fewer follow-up appointments and with the same long-term success rate. That's motivational for me!

ABANO DIAGNOSTICS

OUR BUSINESSES

Abano operates in two areas of the diagnostics sector - Pathology and Radiology. The diagnostic sector provided 27 percent of Group revenue in 2008.

In Pathology, Abano has a 55 percent shareholding in Aotea Pathology, a joint venture with Sonic Healthcare. The business holds a five year \$102 million fixed-price exclusive contract for community pathology in the wider Wellington region. The contract commenced on 1 November 2006. As part of this contract, Aotea charges patients for private specialist tests, over and above the public contract.

The business provides services including collection, testing and reporting of pathology tests from community-based patients to diagnose and monitor

disease. Pathology revenue is approximately 84 percent funded by local DHBs with 16 percent from private testing, commercial testing and research. Pathology is considered a Hold and Maintain business stream for Abano.

In Radiology, Abano owns 73 percent of Ascot Radiology, with clinical radiology partners holding the remaining 27 percent equity. Ascot provides a full modality scanning service for patients from three clinics in Auckland. Sixty-one percent of revenue is from private patients with 27 percent from ACC and the remaining funded by DHB and MOH contracts. Ascot Radiology is focused on providing the best diagnostic care and invests significantly in the latest generation equipment and technology. The business is seen to have strong growth opportunities.

FINANCIAL PERFORMANCE

\$ Million	2004	2005	2006	2007**	2008***
Core revenue	18.0	18.5	19.2	22.5	33.7
Core EBITDA*	1.8	2.0	2.8	3.8	6.5

* After allocation of corporate overhead. ** Sale of Nelson Diagnostics and establish Aotea Pathology under new, enlarged area contract with DHBs. *** Equity accounted contributions from Ascot Radiology and Greenlane Imaging commenced.

PEOPLE DEVELOPMENT IN DIAGNOSTICS

The diagnostics businesses employ nearly 300 people. Both businesses have a number of initiatives in place to reward staff, and are focused on providing a challenging and stimulating work environment based on leading edge technology, equipment and clinical expertise.

- Aotea Pathology strives to create a healthy environment – EAP services, Quit Smoking support, physical activity based recreational activities, work Weight Watchers, Pilates lessons, healthy eating options
- Encouraging and funding professional development through attendance and presentation at conferences and seminars
- Pathology in house training programmes for attaining qualifications – phlebotomy and laboratory technicians - and laboratory based lecture series
- Recognition of staff contributions through staff functions, performance based financial recognition and recognition of length of service
- Establishing core values and reinforcing these within the laboratory practice
- Initiatives to keep staff included and informed in an environment of trust and equity
- Implementation of a formal performance management system

HIGHLIGHTS AND SIGNIFICANT EVENTS

- Completion of merger between Sonic Healthcare and Abano laboratories with review of all policies and procedures and implementation of improved systems
- Installation of new equipment – modular preanalytics – enabling automation of specimen handling within laboratory
- Rebuild of laboratory facility
- Achieved IANZ accreditation
- Implemented changes to improve testing procedures
- Referrer communications established
- Recruitment of senior staff including Human Resources Manager and Charge Scientist, Chemistry

THE OUTLOOK

- Grow revenue outside of the DHB contract
- Appropriately manage demand for DHB funded tests and services
- Re-tender for new contract with National Cervical Screening Programme
- Continual improvement including implementing new procedures for patient registration
- Official launch of new laboratory to key industry people, clinical leaders and healthcare providers
- Introduce new technology for automated cytology screening
- Develop new tests for sexually transmitted diseases
- Work with referrers to maximise the patient benefit in an environment of capped spending
- Enhance electronic communication between referrer computer systems and the laboratory information system
- Enable patient pay testing not funded by the public purse
- Continued upskilling of senior staff with training in aspects of management



“I AM EXCITED BY THE UNIQUE INTERFACE BETWEEN SCIENCE, MEDICINE AND RESEARCH THAT I EXPERIENCE AT AOTEA PATHOLOGY.”

**DR COLLETTE BROMHEAD,
HEAD OF DEPARTMENT, MOLECULAR BIOLOGY**

AOTEA PATHOLOGY – OUR PEOPLE

INTRODUCING COLLETTE BROMHEAD

I am descended from a Victoria Cross winner, a long line of bakers and a political cartoonist and currently live in Wellington with my tame Birman cat. When not at work I enjoy renovating my house, learning to speak German, and exercising my genetically acquired evil sense of humour through writing children’s books (one area I am yet to be published in).

WHAT DO YOU DO AT AOTEA PATHOLOGY?

In my role in the laboratory, I use the latest DNA testing technology to diagnose infectious disease, as well as disease caused by genetic mutations. I have had an interest in science and medicine since childhood and this has sustained my ongoing enthusiasm for this field of medical testing.

Following the introduction of molecular testing to the laboratory in 1998, we have focused on growing and

innovating the Molecular Biology department to keep up with the rapidly expanding demand for DNA testing, all while completing my PhD at Victoria University.

With a specialty interest in the diagnosis of Sexually Transmitted Infections (STI’s), I also provide molecular diagnostics expertise to the Ministry of Health, the National Cervical Screening Programme, Victoria University of Wellington, Environmental Science and Research, Zygem Corporation, and the Women’s Health Research Centre at Otago University. This work has led to the development of novel molecular assays for the detection of STIs and their use in characterising the public health burden of these organisms in New Zealand.

WHAT DO YOU LOVE MOST ABOUT YOUR JOB?

I am excited about the unique interface between science, medicine and research that I experience at Aotea Pathology and look forward to the continued development of molecular testing within this innovative pathology practise.



HIGHLIGHTS AND SIGNIFICANT EVENTS

- Planning and completion of a large project to expand and modernise the facilities of Ascot Radiology
- In conjunction with Breast Associates, a group of Breast Surgeons and Physicians, leased the ground floor of the new Ascot Central clinical building and built a new state of the art radiology clinic
- Invested \$7 million in latest generation equipment and technology in the new and existing clinics to provide the best radiology service, in addition to the most advanced breast imaging service in New Zealand
- Expanding workload in MRI scanning led to installation of new 3T MRI scanner in the new clinic and ordered a second 3T MRI for the existing clinic in Ascot Hospital
- Invested in computerised diagnostic workstation to enhance breast imaging and biopsy during MRI scanning
- Installed a new digital radiology unit to help service the increased workload in a quicker and more efficient manner
- Increased referral and increased efficiencies

THE OUTLOOK

- Commissioning of new 3T MRI in existing Ascot Radiology clinic in Ascot Hospital in August 2008
- Continue to meet growing demand for MRI referral and MRI breast scanning referral
- Increase number of referrals from new and existing referrers
- Focus on consolidation and developing the full potential of the new technology and recently opened Ascot Central radiology clinic



“LEADING A GROUP OF TALENTED, MOTIVATED STAFF WHO ENTHUSIASTICALLY EMBRACE NEW TECHNOLOGY MAKES MY JOB VERY REWARDING.”

**IRENE OVERTON, CHARGE GENERAL RADIOGRAPHER
ASCOT RADIOLOGY LTD, AUCKLAND**

ASCOT RADIOLOGY – OUR PEOPLE

INTRODUCING IRENE OVERTON

I have three children - now fully grown - and live in Mt Roskill in Auckland. I have been a practicing radiographer for 30 years working both part-time and full-time as appropriate while raising my children. Outside of work my main love has been walking. I have changed from power walking to race walking to Nordic walking. The latter two styles have provided much entertainment for the people in my neighbourhood.

WHAT DO YOU DO AT ASCOT RADIOLOGY?

My role as Charge General Radiographer is to oversee the running of the General X-Ray Department to ensure we provide an excellent service for all our referrers.

I also work as a general radiographer and have specialised in mammography. As Ascot Radiology is based in a private hospital we provide x-ray support and services to the operating theatres and wards, as well as the numerous orthopaedic/other specialists within the building. There is a 24 hour White Cross A&M in the complex so we provide extended working hours (7.30am – 10pm) and an overnight on-call service for both the A&M and the hospital.

Ascot Radiology has always encouraged its staff to multitask and to embrace new technology. Many of my staff have accepted this challenge and now work both as general radiographers and as either MRI techs, CT techs,

Ultrasound techs or Mammography techs. In 2005 the company progressed from film & chemistry technology to CR (computed radiography) technology for general x-rays, and in 2006 to CR mammography. In 2008 we expanded our services and took space in the purpose built Ascot Central building (next door to the hospital). At this time we invested in Digital technology for both general x-rays and mammography. This has been a huge learning curve for my staff who have risen to the challenge and are now proficient with both technologies. Since 2005 my role has expanded to teacher to ensure my staff understand the new technologies to feel comfortable to work solo at nights and weekends with it. My biggest challenge is to provide rosters for my staff which allows them to have enough time in their chosen specialty area to maintain their skills, as well as providing cover for the main department to ensure the specialist referrers get an excellent service.

WHAT DO YOU LOVE MOST ABOUT YOUR JOB?

I love working for a company which enthusiastically embraces new technology. Changing from film and chemistry to CR and Digital technology in the space of three years has been challenging, frustrating but mostly very exciting. Helping my staff to feel confident and comfortable with the new technology has been an uplifting experience. I feel lucky to work for a company that looks after its staff and where the staff from all departments support and look after each other.

ABANO REHABILITATION

OUR BUSINESSES

Abano operates two businesses in separate areas of the rehabilitation sector - Residential and community rehabilitation and Orthotics. These businesses provided 16 percent of Abano's revenue for the 2008 financial year.

Abano owns 100 percent of three businesses in the Residential and Community Rehabilitation sector. Health Partners, offering assessment services; Ranworth, providing residential rehabilitation and supported accommodation, particularly for those with brain injuries; and Burtons, providing clinical intervention to community based clients. The sector operates in a fixed price environment and revenue is 99 percent funded by ACC and the MOH. Abano Rehabilitation works closely with the ACC, the major funder to maintain relationships and secure ongoing referrals. Residential contracts have been undergoing review for some time

and the businesses have evolved to ensure they are well positioned for this change.

Abano also owns 100 percent of Orthotic Centre NZ, the country's foremost supplier of orthotics services and specialist products. The Orthotic Centre operates in three areas - clinical services, wholesale product sales and manufacturing services. It currently has its own clinical and manufacturing facilities in Auckland and Wellington as well as having clinical facilities in Hamilton and the North Shore of Auckland. Each centre provides assessment clinics conducted by an orthopedic specialist and Orthotists to assess referrals from the community leading to prescriptions for orthoses and services to each client's requirements. In addition, weekly or daily off site clinics are held in all public hospitals in Auckland, Wellington and the Waikato. Regular clinics are also held in special needs schools as well as private health centers.

OPERATIONAL PERFORMANCE

\$ Million	2004	2005	2006	2007	2008
Core revenue	14.4	12.3	14.6	16.4	19.3
Core EBITDA*	1.5	0.8	1.1	1.7	2.9

* After allocation of corporate overhead

PEOPLE DEVELOPMENT IN REHABILITATION

The rehabilitation businesses employ more than 230 people.

Training and personal development of staff are key focuses for both businesses to ensure the best care and service is provided to our clients.

- Twice yearly conferences for Rehabilitation Coach Assistants and annual Clinicians' conference
- Two senior staff presenting papers at an Industry Rehabilitation conference
- Rehabilitation staff attend a range of different clinical and contractual training sessions facilitated by ACC and attend national medical and rehabilitation conferences
- Rehabilitation workforce development initiatives funded by Ministry of Health including certification, specially designed training and attendance at conferences
- With limited training or education in New Zealand, the majority of Orthotists are recruited offshore. Orthotic Centre is registered with the Immigration Service under the Talent Visa policy
- Orthotic Centre works with AUT and others to champion a course within the Health Science degree, and also offers technical training to AUT students



HIGHLIGHTS AND SIGNIFICANT EVENTS

- Restructured the management team with a new manager in Gisborne, a full time manager in Hamilton and one manager looking after West and South Auckland residential facilities
- Opened a new eight bed house at the Whangarei residential site in February 2008, which is now taking people with traumatic brain injury and high physical needs as soon as they come out of hospital
- Change in residential client group leading to a higher turnover of clients, with more people who need intensive rehabilitation soon after an accident and who can then return home within a few weeks or months
- Increased the size of the clinical team to meet changing demand.
- The shift to earlier post-injury rehabilitation has led to higher employment of clinical staff, up-skilling of staff, and more rewarding work
- Following intensive routine audits, achieved three year MOH health certification for all residential facilities
- In community services, developed a new focus on assessing and treating chronic pain, and trained several clinicians in aspects of this service

THE OUTLOOK

- Increase revenue, improve bed occupancy and maintain costs
- Opening of a new residential service at the Hamilton site in August 2008, catering for people with traumatic brain injury and high physical needs as soon as they come out of hospital
- Continue to develop early rehabilitation services for people with traumatic brain injury, and upgrade staff training and service delivery
- Audit all services for ISO certification to meet ACC requirements. In October 2008 community services will be audited and certified against the Allied Health Sector Standards and Community Support Sector Standards
- ACC has established the Phillip Wrightson Trust as a Centre of Excellence for traumatic brain injury in NZ. Work closely with the Trust and participate in standard setting and description of best practice in the industry
- Further develop collaboration with other rehabilitation and community care service providers in all regions as ACC contracts become more holistic and aligned with MOH and MSD contracts, and there is an increasing need for collaboration and liaison with other providers with different skill sets
- Work with insurance companies to deliver community rehabilitation services, particularly in vocational services, if the market is opened to private providers after the election



“I EXPERIENCE A GREAT DEAL OF SATISFACTION IN SEEING OUR CLIENTS MAKING SOLID PROGRESS TOWARDS THEIR GOALS, AND OUR STAFF WORKING TOGETHER AS A COHESIVE TEAM FOR THE GOOD OF THE CLIENTS.”

JUDY GREEN-PHILPOTT
MIDLAND AREA MANAGER, ABANO REHABILITATION

ABANO REHABILITATION – OUR PEOPLE

INTRODUCING JUDY GREEN-PHILPOTT

I am a family oriented person and, with my four children now independent adults, I direct my attention onto my husband, two schnauzers and work. I also enjoy being a grandmother to Isla and Nathaniel. In my spare time, I am a cake decorator and baker, and love being in the outdoors either at the beach, in my garden or doing the odd bit of fishing.

WHAT DO YOU DO AT ABANO REHABILITATION?

I am a registered nurse with a management degree and diverse experience both in the health sector and the commercial sector. I am responsible, on a day to day basis for the smooth running of our residential facility here in Hamilton, and I have also had a hand in both the South Auckland and Gisborne facilities in the past.

The job has many facets to it. Firstly I am responsible for ensuring that the goals of clients are identified and worked towards in a client oriented manner, and that their rehabilitation progresses as efficiently as possible.

I work with the funders to ensure that their requirements are met or exceeded, so that they feel they get value for money. Another facet to the job is ensuring that we have the right staff to do the job; that staff are trained and equipped and supported in the work they do. Then there is all the general management side of the business – budgets, marketing, strategy development and so on.

At present I am working to set up an early Intensive rehabilitation centre here in Hamilton which involves building alterations, new equipment, special training and coaching staff through the experiences of a type of work they have not done before. In addition I am recruiting new staff with special skills and experience in this area.

WHAT DO YOU LOVE MOST ABOUT YOUR JOB?

I love being able to help our clients and seeing them reach for their goals. I get immense satisfaction from seeing them achieve something they have been working towards for a while. I also get immense satisfaction from leading a team to achieve their work related goals, from seeing them motivated and enjoying their work.



HIGHLIGHTS AND SIGNIFICANT EVENTS

- In October 2007, successfully re-tendered for a three year contract (reviewed annually) to provide Orthotic services to the Waikato DHB
- A new chief executive was appointed as at 1 June 2008
- Completed the installation of a new computer system for inventory management and accounting functions
- Transferred server requirements to the Abano group provider to provide better security and backup
- A new Clinical Director was appointed in May 2008 and he will take up his position in September 2008

THE OUTLOOK

- Ensure the most appropriate management structure and performance monitors
- Continue to work with educational institutions and other interested parties to introduce an Orthotists educational and training facility in New Zealand
- Continued development of an integrated IT system
- Review the possibility of expanding or replacing the patient management system
- Renew Auckland and Wellington DSS contracts with respective DHBs, with short term roll over of current contracts until final negotiations are completed
- Focus on staff development by providing the tools for them to improve their performance and make their tasks more efficient
- Continue to improve the quality of service to clients
- Undertake a review of wholesale activity with the intention of increasing revenue in this area



“HELPING PHYSICALLY CHALLENGED PEOPLE TO LEAD A NORMAL LIFE IS ONE OF THE BIGGEST SATISFACTIONS IN MY JOB.”

HIREN CHAMPANERI
SENIOR ORTHOTIST

ORTHOTIC CENTRE – OUR PEOPLE

INTRODUCING HIREN CHAMPANERI

I am newly married and enjoying it. We live in Auckland and I love going around NZ and exploring new things. I think NZ is a 'god gifted' country for its natural beauty. I play various sports, both indoor and outdoor, and like watching movies.

WHAT DO YOU DO AT ORTHOTIC CENTRE?

I am one of the clinical leaders in Auckland and I hold clinics both in our premises and public hospitals. This involves prescription analysis, client assessment, casting and fitting for orthoses, client education and follow up procedures.

I also participate in team evaluation and development of Orthotic devices both from a technical and clinical perspective.

My interest in Orthotics goes back to my grandfather, who sold off the shelf Orthotic supports in India.

I graduated with a Bachelor of Science in Prosthetics and Orthotics from the University of Mumbai, India in 2000, and then worked in Singapore until the end of 2002 before joining the Orthotic Centre in the beginning of 2003.

I am based in Auckland but have had short term assignments in both our Hamilton and Wellington Operations.

WHAT DO YOU LOVE MOST ABOUT YOUR JOB?

Having to rely on others for daily needs makes it very difficult for disabled people. Helping them with appropriate orthosis brings more confidence to them and diminishes their dependence to some extent. This makes me feel good about myself and that's what keeps me going.

SOCIAL RESPONSIBILITY

WE OPERATE IN MANY DIFFERENT COMMUNITIES AROUND NEW ZEALAND AND BELIEVE IT IS IMPORTANT TO SUPPORT THOSE COMMUNITIES IN WAYS THAT HELP US FOSTER RELATIONSHIPS WITH OUR CLIENTS, OUR STAFF AND THE PEOPLE WHO LIVE AND WORK AROUND US.

In the past financial year, we have undertaken a number of sponsorships and other initiatives in support of this belief. These include:

- Lumino Dental is involved in the Work Choice Day where groups of school children visit companies to learn about careers in different industries
- Sponsorship of Victoria Beck, a Lumino Dentist and one of New Zealand's top duathletes
- Abano sponsors rower George Bridgewater, the son of a microbiologist at Aotea Pathology, and a New Zealand Olympic medal winner
- Aotea Pathology staff lecture at other professional non-profit organisations such as Hospice
- Aotea Pathology provides training of Hospital Pacific Paramedical students and BMLSc students on laboratory placement
- Ascot Radiology sponsors the Pink Dragons breast cancer dragon boat team, in conjunction with Abano
- Ascot Radiology sponsors the Annual Radiology Registrar Dinners
- Bay Audiology works closely with the Vanderbilt University, a leading audiology learning centre, and provides a lecturer as well as exchange opportunities for staff and students
- Bay Audiology offers two sponsored placements in the Masters of Audiology course at Canterbury and Auckland Universities
- Bay Audiologists in New Zealand have an opportunity to participate in charitable work in the Cook Islands, where they visit with a team of hearing health professionals to provide diagnostic hearing tests and where appropriate, fit hearing devices
- Abano Rehabilitation provides clinical placements for about 15 trainee clinicians through the year
- Abano Rehabilitation has been instrumental in setting up a national working party to develop a specialised brain injury stream for a Certificate in Community Support Services. Once the specific competencies have been finalised and approved by NZQA, this will ensure that there is a certified qualification for Rehabilitation Coach Assistants working throughout the country
- Abano Rehabilitation is participating in development of standards and best practice for brain injury rehabilitation with the Phillip Wrightson Trust
- Clinical staff across all businesses make contributions to medical research

GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK AT ABANO

We consider the nine governance principles identified in the Corporate Governance in New Zealand Principles and Guidelines report, drafted and released by the New Zealand Securities Commission in 2004, provide an appropriate guideline for our policies and practices and have applied these to our comprehensive corporate governance code.

We are also confident that our governance practices comply with the NZX Corporate Governance Best Practice Code in its entirety, for the year ended 31 May 2008.

The company will continue to monitor developments in best practice in the governance area and update its policies accordingly, to ensure it maintains the most appropriate standards for governance for Abano.

Our principal governance practices and policies are outlined on pages 31 to 35 of this report, however, further detail and full copies of the Company Constitution and individual governance policies can be found on the Abano website at www.abanohealthcare.co.nz/corporategovernance

THE BOARD OF DIRECTORS

The board of directors is elected by shareholders to govern Abano Healthcare Group in the shareholders' interests, and is the final body of responsibility for all decision making within the Company.

The board's key responsibilities are to formulate the strategic direction of the Group, to oversee the financial and operational controls of the business and to ensure appropriate risk management strategies and policies. Our governance structure and practices encourage the highest standards of ethical conduct, and provide accountability and control systems commensurate with the risks involved.

The board is also responsible for the fostering of corporate culture, the appointment and remuneration of senior executives, the adoption of corporate plans and policies, the approval of transactions of substance and the review of business risks.

Board procedures and conduct are governed by the Company's Constitution and by the Directors' Manual of Board Policies, Procedures and Governance (Board Policy Manual). This manual serves as a reference for

directors in focusing on, and evaluating, the board's framework, procedures and matters of governance.

ETHICAL CONDUCT

The board and management of Abano Healthcare Group Limited are committed to ensuring best practice in corporate governance is adhered to, and that the highest ethical standards are maintained by directors, staff and suppliers in all activities conducted by the Group, or in the interests of the Group.

The board has adopted a policy on business ethics which is designed to formalise the Group's commitment to the highest standards of ethical conduct and to provide employees and representatives with clear guidance on those standards.

The policy addresses conflicts of interest, receipt of gifts and entertainment, fair business practices, fair employment practices, and contractual obligations. A separate 'whistle blowing' policy provides an avenue for employees to gain direct access to the managing director and/or chairman of the Audit Committee if they believe there are issues that need to be raised.

SELECTION AND ROLE OF THE CHAIRMAN

The chairman is selected by the board from non-executive directors. The board supports the separation of the role of chairman and managing director. The chairman's role is to manage the board effectively, to provide leadership to the board, and to facilitate the board's interaction with the managing director.

BOARD MEMBERSHIP

The board currently consists of five independent directors and one executive managing director, who are elected based on the value they bring to the board and against set criteria detailed in the nominations committee charter.

Each Abano director is a good seasoned businessperson, who has gained broad experience in a larger organisation or a professional practice. They provide value by making quality contributions to corporate governance matters, conceptual thinking and strategic planning, policies and providing guidance to enable management to increase profitable growth in the years ahead.

They have the necessary time available to devote to the position, broaden the board's expertise, have a personality that is compatible with the other directors and have a strong market perception.

The board consists of:

Alison Paterson	Independent chairman
Trevor Janes	Independent deputy chairman
Phil Newland	Independent director
Susan Paterson	Independent director
Graeme Edmond	Independent director
Alan Clarke	Executive managing director

Profiles of board members are shown on pages 36 and 37.

The number of elected directors and the procedures for their retirement and re-election at annual meetings of shareholders are set out in the Constitution of the Company.

DIRECTOR INDEPENDENCE

In order for a Director to be considered independent, the board has determined that he or she must not be an executive of the Company, and must have no disqualifying relationship. The Company follows the independence guidelines of the NZX Listing Rules

The board has determined that all directors are independent, except for the managing director, Alan Clarke.

NOMINATION AND APPOINTMENT OF NEW DIRECTORS

The procedures for the nomination and appointment of directors are governed by Abano's constitution.

The nomination committee is responsible for identifying and recommending candidates to the board, taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other Directors.

Directors may also be nominated by shareholders under NZX Listing Rule 3.3.2. Shareholders are provided with ten business days notice of the closing date of nominations, which is not greater than two months prior to the Annual Meeting. Abano notifies shareholders of this time period through a market announcement to the NZX.

A director may be appointed by ordinary resolution and all directors are subject to removal by ordinary resolution.

The board may at any time appoint additional directors. A director appointed by the board shall hold office only until the next annual meeting of the company but shall be eligible for election at that meeting.

One third of the directors shall retire from office at the

annual meeting each year. The directors to retire shall be those who have been longest in office since they were last elected or deemed elected.

DIRECTOR EDUCATION

Abano encourages all directors to undertake appropriate training and education so that they may best perform their duties. In addition, all directors are regularly updated on relevant industry and company issues, including briefings from key executives and ongoing presentations to the board by all business units.

BOARD ACCESS TO INFORMATION AND ADVICE

Directors receive materials for board meetings four days in advance, except in the case of special meetings, where the time period may be shorter due to urgency of the matter to be considered.

All directors have access to executives to discuss issues or obtain information on specific areas in relation to matters to be discussed at board meetings, or other areas as they consider appropriate.

The board, board committees and directors, subject to the approval of the chairman, have the right to seek independent professional advice at Abano's expense, to enable them to carry out their responsibilities.

MEETINGS HELD AND ATTENDED

The table below sets out the board and sub-committee meetings attended by directors during the course of the financial year.

	MONTHLY BOARD MEETINGS	OTHER BOARD MEETINGS AND TELE-CONFERENCES	AUDIT	REMUNERATION
Alison Paterson	12	38	2	3
Trevor Janes	11	34	2	3
Phil Newland	12	34	-	3
Susan Paterson	12	25	-	3
Graeme Edmond	12	34	2	1
Alan Clarke	12	32	2	3

DISCLOSURE OF INTERESTS BY DIRECTORS

The Board Policy Manual sets out procedures to be followed where directors have an interest in a transaction or proposed transaction or are faced with a conflict of interest. Each business in the Group is required to maintain an interests register in which particulars of certain transactions and matters involving directors must be recorded. The interests register for

Abano Healthcare and its subsidiaries is available for inspection at its registered office.

Details of all matters entered into the interests register by individual directors are outlined on page 75 of this report. The declaration of an interest by a director in a particular entity as a shareholder or director serves notice that the director may benefit from any transaction between the Company or the Group and the identified entities.

DIRECTORS SHARE DEALINGS

The Board Policy Manual sets out the procedures to be followed by directors when trading in Abano Healthcare shares. The policy adheres to the share trading protocol of the NZX.

Details of directors share dealings are outlined on page 76.

DIRECTORS USE OF INFORMATION

No member of the board of Abano Healthcare, or its subsidiaries, issued a notice to use information received by them in their capacity as directors, which would not otherwise have been available to them.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Group has arranged a policy of directors' and officers' liability insurance with QBE Insurance (International) Limited which ensures that generally directors and officers will incur no monetary loss as a result of actions undertaken by them as officers or directors.

DIRECTORS SELF EVALUATION

The board is responsible to shareholders for the strategic overview and direction of the group. The board has a policy of annual evaluation of individual and board performance. The evaluation is undertaken by each member of the board. Any issues identified are discussed and action taken to improve on those areas.

BOARD COMMITTEES

To assist directors in carrying out their duties, the board has two standing committees, comprising only non-executive directors - the audit committee and the remuneration committee - and one standing committee comprising all directors - the nominations committee - to focus on specific areas of responsibility.

The committees meet as required and have terms of reference, which are approved and reviewed by the board. Minutes of each committee meeting are forwarded to all members of the board and all board members have a standing invitation to attend any committee meeting. Each committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

AUDIT COMMITTEE

The role of the audit committee is to assist the board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993, regarding accountancy practices, policies and controls relative to the Group's financial position, and to review and make appropriate enquiry into the audits of the Company's financial statements. This responsibility includes providing the board with additional assurance about the quality and reliability of the financial information used by the board, and of the financial information issued publicly by the Group.

Although the board as a whole is responsible for the accuracy and relevance of the Group's financial statements, the audit committee provides an additional, and more specialised, oversight of the financial reporting process. The committee also reviews operation of internal controls and the quality and cost of the audit undertaken by the Group's external auditors.

The audit committee comprises three non-executive directors, of whom at least two must be independent, and at least one must be considered a financial expert. The chairman of the audit committee shall not be the chairman of the Company.

The audit committee members are T.D. Janes (chair), A.M. Paterson and G.D. Edmond and it met two times in the past financial year. Managing director, Alan Clarke, and chief financial officer, Richard Keys, have standing invitations to join the audit committee meetings. In addition, the external auditor attends meetings of the audit committee.

REMUNERATION COMMITTEE

The primary role of the remuneration committee is to review and recommend the remuneration, benefits and terms of employment of the Group's senior executives, including the managing director. This role also includes responsibility for incentive performance packages and fringe benefit policies. In carrying out this role, the sub-

committee acts independently of senior management of the Company and obtains independent advice on the appropriateness of remuneration packages.

The remuneration committee comprises S.M. Paterson - chair, A.M Paterson and P.S. Newland and it met three times in the past financial year, with Alan Clarke in attendance at all three of the meetings.

NOMINATION COMMITTEE

The role of the nomination committee is to identify and recommend candidates for directors, to the board, taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other directors.

The nomination committee comprises all of the directors.

REMUNERATION AT ABANO

REMUNERATION OF DIRECTORS

Remuneration of directors and executives is the key responsibility of the remuneration committee.

Directors' fees are within the \$307,500 approved at the 2007 annual meeting. All non-executive directors receive \$39,500 p.a. with the chairman receiving \$79,500 p.a. Executive directors do not receive director's fees. In 2008, an additional one off payment totalling \$50,000 was made to directors for the significant additional work on behalf of shareholders for the Takeover offers received during the year in the amount of \$15,000 for the chairman and a total of \$35,000 for the non-executive directors. This additional payment is in line with the additional payment approved at the 2007 Annual Meeting and this amount was recovered from the Takeover parties.

Details of directors' remuneration are detailed on page 76.

Board members are encouraged to hold shares in Abano, however, all fees are paid in cash and it is up to the individual director's discretion to purchase shares in the Group if he/she wishes and in line with the Abano share trading policy, in compliance with the Trading Securities legislation.

Under the NZ Listing Rule 3.5.2, the board may only make a payment to a director upon cessation or retirement from office with shareholder approval. Abano's current board policy is that no sum is paid to a director upon retirement or cessation of office.

REMUNERATION OF EXECUTIVES

Executive remuneration comprises a fixed base salary and a variable short term bonus paid annually. Bonuses are paid against targets agreed with executives at the commencement of the year, and are based on profitability, growth and personal objectives. Once the level of bonus achieved has been determined, the executive is given the choice of taking the bonus in the form of cash or ordinary shares.

In the case of shares, the price at which shares are issued is the average closing share price of ordinary shares in Abano Healthcare on the NZX over the five business days immediately following the announcement of the company's annual result.

In addition, there is a long-term incentive plan for senior members of the Group's management team, which was approved at the annual meeting in September 2005, with further amendments approved at the 2007 annual meeting. The long term incentive, currently in its final year, will be granted based on Abano achieving certain performance criteria over the next year. Details of this scheme can be found on the website at www.abanohealthcare.co.nz. It is expected that a new Long Term Incentive plan will be presented to shareholders for approval at the next Annual Meeting.

Details of executives' remuneration and entitlements are detailed under Remuneration of Employees information on page 77.

MANAGING RISK

The board has overall responsibility for the company's system of risk management and internal control and has procedures in place to provide effective control within the management and reporting structure.

Financial statements are prepared monthly and are reviewed by the board progressively throughout the year to monitor management's performance against budget goals and objectives, and the board requires managers to identify and respond to risk exposures. In addition, a quarterly formal risk assessment review is presented to the board by the managing director, which identifies areas of exposure and strategies to mitigate these.

A structured framework is in place for capital expenditure, including appropriate authorisation and approval levels which place a high emphasis on the commercial logic for the investment. The board has set limits to management's ability to incur expenditure, enter contracts and acquire or dispose of assets.

Risk profiles which identify, assess, monitor and report

the company's key business risks are reviewed by the board. These risk profiles also identify the key risk mitigation strategies which are in place.

The board reviews an overall view of the risk profile of the Group and is responsible for monitoring corporate risk assessment processes.

DISCLOSURE

Abano's continuous disclosure policy governs the release to market of all material information that may affect the value of the company. The board requires that senior management, particularly the managing director and chief financial officer, discuss if information is material and arrange for its release to the market. The continuous disclosure officer is the Chief Financial Officer.

In addition, the managing director and chief financial officer are responsible for the generation of financial reports, for review by the audit committee and for audit by external auditors.

SHAREHOLDER REPORTING

In each year, the Group provides shareholders with an annual and interim (six-month) report. The Group also provides shareholders with a bi-annual newsletter, which provides an overview of the Group's progress, an update of each sector's performance and news and an analysis of relevant aspects of the healthcare and medical services market. Copies of all major news releases, announcements and company reports are available on the company's website at www.abanohealthcare.co.nz.

Shareholders may subscribe to receive copies of company documents and news announcements electronically by completing the online form at www.abanohealthcare.co.nz/shareholderservices.

From July 2007, the Listing Rules changed in accordance with changes to section 209 of the Companies Act.

From this report forward, all shareholders are sent a notice with regard to the release of the Company annual and interim reports, which will be available on the Company's website. Shareholders will be able to request a printed report, in writing.

Shareholders may raise matters for discussion at annual meetings and have the ultimate control in corporate governance by voting directors on or off the board.

The company maintains written policies which provide guidance and accountability for compliance with

continuous disclosure, and other listing requirements of the NZX.

The company's 2006 and 2007 annual reports were selected as a finalist in the New Zealand Institute of Chartered Accountants Annual Report Awards. Judges commented: "The annual reports of the four finalists were clearly at a level well above the other entrants."

STAKEHOLDERS' INTERESTS

The Group has a wide range of stakeholders and maintains open channels of communication for all audiences. Bi-annual newsletters, half year reports and annual reports are distributed to a wide range of stakeholders by the Group and management encourage phone calls and communications from interested parties.

In addition, regular newsletters are produced and distributed by individual businesses within the Group and provide updates of business activities and events.

AUDITOR INDEPENDENCE

Audit work is separated from non-audit services. This is beyond recommendations proposed by IFAC (International Federation of Accountants) regulations, the 2002 ICANZ (Institute of Chartered Accountants of New Zealand) publication entitled "Corporate Transparency" and the NZX, to ensure that appropriate independence is maintained.

The audit committee reviews the quality and cost of the audit undertaken by the Group's external auditors, and provides a formal channel of communication between the board, senior management and external auditors. The committee also assesses the auditor's independence on an annual basis.

At the annual meeting in November 2007, shareholders approved the re-appointment of PricewaterhouseCoopers as external auditors for the Company.

SUBSEQUENT EVENTS

There is no material change to the accounts as presented.

DIRECTORS AND SENIOR EXECUTIVE TEAM



From left to right: Alan Clarke (managing director); Susan Paterson, Alison Paterson (chair), Graeme Edmond, Phil Newland, Trevor Janes.

ALISON PATERSON, INDEPENDENT CHAIR

QSO, FCA, A DIST F Inst D

Alison Paterson is an independent director and chairman of the Abano board. She is a member of the audit and remuneration committees.

Alison has a strong background in corporate governance in both the service and health industries, including previous appointments as chairman of Waitemata District Health Board and District Health Boards New Zealand Inc. She has also served as a deputy chairman for Health Waikato and as a director of Health Benefits Limited.

Alison holds a number of current directorships including the Governing Board Centre of Research, Excellence, Growth and Development for the University of Auckland, Abano Healthcare Group Limited, BPAC NZ Limited and Ambulance New Zealand oversight committee. She is also deputy chair of the Reserve Bank of New Zealand, and a board member of Metro Water, Vector and councillor of Massey University and the Barnados council.

TREVOR JANES, INDEPENDENT DIRECTOR

BCA, CA, FCFIP, F Inst D

Trevor Janes is a director of the Abano board and deputy chairman. He is an experienced director and holds a number of board positions including director of Salvus Strategic Investments Limited and ProCare Health Limited. He is also a Member of the Investment Committee of the Board of Accident Compensation Corporation, chairs the Risk Assurance and Audit Committee of Mighty River Power and is chairman of Trinity Hill Limited.

Previously, Trevor has held directorships with Accident Compensation Corporation, Catalyst Injury Management Limited, Auckland District Health Board, Watercare Services and Housing New Zealand.

Trevor's career has been in investment banking and financial analysis. He is a Fellow of the Institute of Financial Professionals New Zealand Inc, and previously, he was a Fellow and past chair of the New Zealand Society of Investment Analysts. He is also a Member of the Chartered Financial Analysts Institute (USA), an affiliate of the United Kingdom Society of Investment Professionals and a Fellow of the Institute of Directors.

PHILIP NEWLAND, INDEPENDENT DIRECTOR

BCA, LLB, MS (NYU)

Phil Newland is an experienced director having held board positions with a range of both private and public directorships both in New Zealand and Australia. He is an independent director for Abano Healthcare Group. In his previous executive roles with Cullen Group and, more recently, St Laurence Group, Phil held directorships including Pacific Retail Group, Gen-i, St Laurence Property & Finance and The National Property Trust.

A New Zealander by birth, Phil was previously a senior commercial solicitor with New Zealand firm Russell McVeagh and has also spent time based in New York where he worked for a development and investment company.

SUSAN PATERSON, INDEPENDENT DIRECTOR

MBA (LONDON), B.PHARM

Susan is an independent director for Abano Healthcare Group.

An MBA graduate from London Business School, Susan has experience as a general manager and with senior management in a number of companies in New Zealand, and during her decade in the USA and Europe where she was a strategy consultant with Boston-based Index Group.

Susan is a professional director and is currently on the Boards of Ngawha Generation Ltd, Goodman NZ Limited, Goodman Property Aggregated Limited, Ports of Auckland and America's Cup Village Limited. She is also Deputy Chairman of Airways Corporation of NZ Limited and NZ Eco-Labeling Trust.

She has owned her own pharmacy business and has previously been a Director of Tower Health and Life, Auckland Regional Holdings, Transpower New Zealand Limited, Energy Efficiency and Conservation Authority and St Cuthbert's College.

GRAEME EDMOND, INDEPENDENT DIRECTOR

BCA (HONS)

Graeme Edmond is an independent director of Abano Healthcare Group.

Graeme is a widely respected and experienced company director with vast experience in both the public and private healthcare and medical services markets in New Zealand and internationally.

He has held previous roles of CEO of Auckland District Health Board and Midland Regional Health Authority and managing director of Optical Holdings Limited. He is currently managing director of Specsavers New Zealand Limited.

ALAN CLARKE, MANAGING DIRECTOR

BSc (HONS), MBA

Alan has held a number of senior management positions and directorships for public and private companies in both New Zealand and overseas, and is managing director of Abano.

Alan has extensive experience in the healthcare sector. Before returning to New Zealand to join Abano in 2000, he worked in Australia putting together Australasia's largest private medical group for SGS Geneva SA. He was then responsible for its sale to the ASX listed medical company, Sonic Healthcare Limited, one of the world's largest diagnostic companies.

SENIOR MANAGEMENT

RICHARD KEYS
CHIEF FINANCIAL OFFICER
BCOM, CA

Richard is an experienced senior executive, having previously worked for one of the 'top four' accounting firms and subsequently employed as

the CFO and then CEO of a privately owned retirement village group. Prior to joining the Abano team, Richard spent two years working at the Counties Manukau DHB in a senior planning and operations role.

Richard joined Abano in February 2002. In 2007, Richard took on additional responsibilities for the operations of the Group, in addition to his CFO duties. He is responsible for overseeing the performance of each of the sector businesses from a Group level, as well as acquisition activity. Richard is a director on all Abano subsidiary boards and attends all Abano board meetings at the invitation of the board.



BRENDAN O'SULLIVAN
GROUP FINANCIAL CONTROLLER
BBS, CA

Brendan joined the management team in May 2007, in the role of Group Financial Controller.

He is responsible for the financial consolidation and reporting for all Abano companies, including monthly reporting. His role also includes the establishment of internal financial controls and financial internal audits as the Group continues to grow and diversify.

A qualified accountant, Brendan has a variety of experience in both the public and private sector in New Zealand, the UK and Ireland. His previous role was as Financial Controller for Warner Music New Zealand.

Brendan has a Bachelor of Business Studies and is a Chartered Accountant.

Abano Healthcare Financial Statements



DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 May 2008 and their financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider they have taken adequate steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the financial statements of Abano Healthcare Group Limited, set out on pages 42 to 74, for the year ended 31 May 2008.

The financial statements presented on the following pages were authorised for issue on 30 July 2008.

For and on behalf of the Board



Alison Paterson
CHAIR



Alan Clarke
MANAGING DIRECTOR

AUDITORS' REPORT



PricewaterhouseCoopers
 188 Quay Street
 Private Bag 92162
 Auckland New Zealand
 DX CP24073
 Telephone +64 9 355 8000
 Facsimile +64 9 355 8001

TO THE SHAREHOLDERS OF ABANO HEALTHCARE GROUP LIMITED

We have audited the financial statements on pages 42 to 74. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 May 2008 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 46 to 50.

DIRECTORS' RESPONSIBILITIES

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 May 2008 and their financial performance and cash flows for the year ended on that date.

AUDITORS' RESPONSIBILITIES

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements.

It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and through the provision of accounting technical services and other assurance services.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 42 to 74:
 - (i) comply with generally accepted accounting practice in New Zealand;
 - (ii) comply with International Financial Reporting Standards; and
 - (iii) give a true and fair view of the financial position of the Company and Group as at 31 May 2008 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 30 July 2008 and our unqualified opinion is expressed as at that date.

Chartered Accountants

Auckland

INCOME STATEMENT

For the year ended 31 May 2008

	Note	GROUP		COMPANY	
		MAY 2008 \$000	MAY 2007 \$000	MAY 2008 \$000	MAY 2007 \$000
Revenue	3	123,888	89,456	213	431
Changes in inventories		(17,097)	(14,028)	-	-
Patient consumables		(9,973)	(8,468)	-	-
Employee benefits		(53,173)	(39,178)	(1,799)	(1,609)
Depreciation and amortisation expenses		(3,925)	(3,180)	(131)	(114)
Occupancy costs		(7,099)	(5,373)	(133)	(179)
Other operating expenses	4	(13,690)	(9,569)	(1,159)	(952)
Other operating income	5	270	504	8,892	3,826
Operating profit		19,201	10,164	5,883	1,403
Net financing costs	6	(4,861)	(2,021)	(3,604)	(1,795)
Share of profit of associates	12	173	593	-	398
Profit before income tax		14,513	8,736	2,279	6
Income tax expense	7	(5,678)	(3,407)	1,299	915
Profit for the year		8,835	5,329	3,578	921
ATTRIBUTABLE TO:					
Equity holders of the company		8,835	5,329	3,578	921
Minority interest		(1,012)	(287)	-	-
		7,823	5,042	3,578	921
Earnings per share (total)					
Basic (cents)	18	33.97	21.91		
Diluted (cents)	18	33.97	21.77		

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2008

GROUP	Note	SHARE CAPITAL \$000	TREASURY SHARES \$000	OTHER RESERVES \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
Balance at 1 June 2006		54,519	(482)	-	(7,147)	46,890
Profit for the year		-	-	-	5,329	5,329
Profit for the year attributable to minority interests		-	-	-	(287)	(287)
Shares issued to Minority Interest	17	-	-	-	-	-
Share options expense	17	28	-	-	-	28
Balance at 31 May 2007		54,547	(482)	-	(2,105)	51,960
Balance at 1 June 2007		54,547	(482)	-	(2,105)	51,960
Profit for the year		-	-	-	8,835	8,835
Profit for the year attributable to minority interests		-	-	-	(1,012)	(1,012)
External Dividends Paid	19	-	-	-	(5,888)	(5,888)
Exec Convertible Notes exercised	17	60	-	-	-	60
Share options expense	17	30	-	-	-	30
FX translation reserve		-	-	(31)	-	(31)
Balance at 31 May 2008		54,637	(482)	(31)	(170)	53,954

COMPANY	Note	SHARE CAPITAL \$000	TREASURY SHARES \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
Balance at 1 June 2006		54,519	(482)	(17,320)	36,717
Profit for the year		-	-	921	921
Share options expense	17	28	-	-	28
Balance at 31 May 2007		54,547	(482)	(16,399)	37,666
Balance at 1 June 2007		54,547	(482)	(16,399)	37,666
Profit for the year		-	-	3,578	3,578
External Dividends Paid		-	-	(5,619)	(5,618)
Exec Convertible Notes exercised	17	60	-	-	60
Share options expense	17	30	-	-	30
Balance at 31 May 2008		54,637	(482)	(18,440)	35,715

BALANCE SHEET

As at 31 May 2008

	Note	GROUP		COMPANY	
		MAY 2008 \$000	MAY 2007 \$000	MAY 2008 \$000	MAY 2007 \$000
ASSETS					
Non-current assets					
Property, plant and equipment	9	20,425	12,085	327	408
Intangible assets	10	109,918	89,045	167	131
Investments in subsidiaries	11	-	-	89,487	80,470
Investments in associates	12	551	477	-	-
Derivative financial instruments	13	12	239	12	239
Trade and other receivables	14	878	10	-	-
Deferred tax assets	15	1,736	995	96	-
Total non-current assets		133,520	102,851	90,089	81,248
Current assets					
Cash and cash equivalents		2,681	3,237	391	542
Trade and other receivables	14	23,478	13,371	20,584	2,818
Inventories	16	3,912	4,056	-	-
Current income tax assets		-	351	1,415	988
Derivative financial instruments	13	61	25	61	25
Total current assets		30,132	21,040	22,451	4,373
Total assets		163,652	123,891	112,540	85,621
EQUITY					
Share capital	17	54,155	54,065	54,155	54,065
Foreign currency translation reserve		(31)	-	-	-
Retained earnings (accumulated losses)		(170)	(2,105)	(18,440)	(16,399)
Total equity attributable to equity holders of the parent		53,954	51,960	35,715	37,666
Minority interest		1,369	448	-	-
Total equity		55,323	52,408	35,715	37,666
LIABILITIES					
Non-current liabilities					
Borrowings	20	36,148	16,158	35,400	15,000
Non-current payables	22	1,180	2,083	-	187
Deferred tax liabilities	15	101	-	-	47
Deferred acquisition consideration	21	42,765	31,529	40,019	28,529
Total non-current liabilities		80,194	49,770	75,419	43,763
Current liabilities					
Current income tax liability		3	-	-	-
Borrowings	20	1,198	1,115	125	902
Derivative financial instruments	13	9	28	-	-
Deferred acquisition consideration	21	1,646	1,042	-	-
Trade and other payables	22	25,279	19,340	1,281	3,290
Provisions	23	-	188	-	-
Total current liabilities		28,135	21,713	1,406	4,192
Total liabilities		108,329	71,483	76,825	47,955
TOTAL EQUITY AND LIABILITIES		163,652	123,891	112,540	85,621

STATEMENT OF CASH FLOWS

For the year ended 31 May 2008

	Note	GROUP		COMPANY	
		MAY 2008 \$000	MAY 2007 \$000	MAY 2008 \$000	MAY 2007 \$000
Cash flows from operating activities					
Receipts from customers		114,520	87,132	431	662
Payments to suppliers and employees		(96,198)	(70,569)	(2,232)	(2,360)
Interest received		370	329	166	91
Interest paid		(2,795)	(1,208)	(1,298)	(750)
Income tax paid		(6,079)	(4,310)	728	44
Net cash generated from operating activities	29	9,818	11,374	(2,205)	(2,313)
Cash flows from investing activities					
Sale of property, plant and equipment		107	155	-	15
Sale of subsidiaries/businesses		320	1,131	-	-
Purchase of property, plant and equipment		(9,399)	(4,385)	(86)	(78)
Purchase of subsidiaries/businesses		(14,456)	(11,243)	(2,591)	(2,963)
Advances to subsidiaries		-	-	-	(3,292)
Cash balances acquired		-	446	-	-
Other investment income		4	299	-	397
Dividends received		-	-	8,738	3,825
Dividends paid to minority interest shareholders		1	-	-	-
Net cash used in investing activities		(23,423)	(13,597)	6,061	(2,096)
Cash flows from financing activities					
Proceeds from borrowings		18,442	4,246	2,045	4,625
Dividend paid		(5,980)	-	(5,618)	-
Net cash used in financing activities		12,462	4,246	(3,573)	4,625
Net increase/(decrease) in cash held		(1,143)	2,023	283	216
Cash at beginning of the period		2,671	648	(24)	(240)
Cash at end of period		1,528	2,671	259	(24)
Cash comprises:					
Cash at bank		2,681	3,237	391	542
Bank overdrafts	20	(1,153)	(566)	(132)	(566)
		1,528	2,671	259	(24)

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL INFORMATION

Abano Healthcare Group Limited (the Company) is a healthcare and medical service provider. The Company is a listed public company, incorporated and domiciled in New Zealand. There is no parent or ultimate parent as the shares are widely held.

The consolidated financial statements of the Company for the year ended 31 May 2008, comprise the Company and its subsidiaries (together the Group) and the Group's interest in associates.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with NZ GAAP, incorporating New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). In complying with NZ IFRS they also comply with IFRS. The Group has designated itself as a profit-oriented entity for the purposes of complying with NZ IFRS.

The significant accounting policies applied in the preparation of the financial statements are set out below.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

The accounting principles applied in the preparation of the financial statements are on a historical cost basis, with the exception of financial assets and liabilities (including derivative instruments) at fair value through the profit or loss.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities over which the Company has control of the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intercompany transactions and balances are eliminated on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries with minority interest shareholdings over which the Company has issued put options to acquire the residual holding, are treated as being 100% owned for the purposes of consolidation.

A liability is recognised for the present value of the expected future

payments to minority interest shareholders (including future dividends), with a corresponding entry to increase goodwill.

The amortisation resulting from the present value movement in this liability is recognised in the income statement as a finance charge. No minority interest is recognised in the income statement.

Associates

Associates are entities over which the Group has significant influence, but not control, of its commercial and financial policy decisions (generally accompanying a shareholding of between 20% and 50% of the voting rights).

Investments in associates are accounted for using the equity method, whereby the Group's share of the recognised gains and losses of an associate is included in the consolidated income statement and adjusted against the carrying amount of the investment. The Group's investments in associates are initially recorded at cost and include goodwill (net of any impairment losses) identified on acquisition.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. Values are rounded to the nearest thousand dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the transaction at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign operations

The results and balance sheets of all foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of equity.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operations and translated at the closing rate.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost is the fair value of consideration given to acquire or construct the asset, plus other directly attributable costs which have been incurred in bringing the asset to the location and condition necessary for its intended use.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, only where it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs are recognised as repairs and maintenance in the income statement when incurred.

Depreciation of property, plant and equipment (excluding land), is calculated on a straight line basis to allocate the cost of the assets over their expected useful lives. For major classes of property, plant and equipment, the expected useful lives are:

Buildings	50 years
Leasehold improvements	5 - 10 years
Computer and office equipment	3 - 5 years
Motor vehicles	5 - 7 years
Plant and equipment	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Negative goodwill arising on an acquisition is recognised directly in the income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is assessed at the lowest level for which there are separately identifiable cash flows (cash generating units). Each of these cash generating units represent the Group's investment in each sector by primary reporting segment.

Computer software

Software assets, licences and costs of developing computer systems are recorded as intangible assets when it is probable that future economic benefits will accrue to the Group. Computer software costs recognised as intangible assets are amortised over their estimated useful lives (not exceeding five years). Costs associated with maintaining computer software

are recognised as an expense as incurred.

Software acquired as an integral part of plant and equipment is included in property, plant and equipment, and amortised over the life of the underlying asset.

IMPAIRMENT OF ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped into cash generating units.

Previously recognised impairment losses on assets other than goodwill may be reversed if there is a positive change in the estimates of the recoverable amount, but only to the extent of the prior cumulative impairment loss.

INVESTMENTS

Investments held by the Group are classified into the following categories: financial assets at fair value through profit or loss and loans and receivables. Classification depends on the purpose for which the investments were acquired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are initially recognised at fair value plus transaction costs, and carried at amortised cost using the effective interest-rate method.

They are included as current assets, except for maturities greater than 12 months after balance date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Financial assets at fair value through profit or loss

Derivatives held by the Group which are not designated as hedges are classified as financial assets at fair value through profit or loss. These derivatives are carried at fair value. Gains and losses arising from changes in the fair value of these assets are included in the income statement.

The Group uses derivative financial instruments to hedge its exposure to interest-rate risks. Where derivatives qualify for hedge accounting, recognition of any gain or loss is made in equity to the extent that the hedge was deemed effective. The portion of the hedge not deemed effective is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises purchased goods and raw materials, direct labour and other direct costs, including allocated production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

TRADE RECEIVABLES

Trade receivables are amounts outstanding from sales arising in the normal course of business, which normally have 30 to 90 day terms. Trade receivables are initially recognised at fair value (generally their original invoice amount) and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest-rate. The amount of the provision is recognised in the income statement.

TRADE AND OTHER PAYABLES

The amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and at bank, call deposits and short-term deposit accounts with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

A discontinued operation is a component of the Group's business that represents a separate major line of business. Classification as a discontinued operation occurs upon disposal

or when the operation meets the criteria to be classified as held for sale, if earlier.

SHARE CAPITAL

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

BORROWINGS

Bank borrowings

Borrowings are initially recognised at fair value, net of any transaction costs. Borrowings are subsequently stated at amortised cost using the effective interest method, where any difference between the net proceeds and redemption value is recognised in the income statement over the period of the borrowing. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

Convertible notes

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the liability component is recognised at fair value, determined using the prevailing market interest-rate for an equivalent non-convertible note. The difference between the proceeds of issue of the convertible note and the fair value assigned to the liability component, representing the embedded option for the holder to convert the note to equity, is included in equity.

INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not recognised if it arises from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and the differences relating to investments in subsidiaries and associates to the extent that they will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured using tax rates enacted at balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

PROVISIONS

Provisions for restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions includes lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

LEASES

Leases in which a significant portion of the risks and rewards of ownership is transferred to the Group are classified as finance leases. Leased assets are recognised initially at the lower of the present value of the lease payments or their fair value. Leased assets are depreciated on the same basis as equivalent property, plant and equipment.

A lease is classified as an operating lease if it is not a finance lease. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

EMPLOYEE BENEFITS

Short-term employee benefits

Employee entitlements to salaries, wages and annual leave, to be settled within 12 months of reporting date represent present obligations resulting from employees' services provided up to the reporting date and are calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

Long-term employee benefits

Long-term benefits for the Group represent long-service leave which vests to the employee after varying periods of service. The Group's net obligation in respect of long-service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. All actuarial gains and losses are recognised to the income statement.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan granting non-transferable options to employees. The fair value of the options granted is recognised as an employee expense and is spread over the vesting period, based on the Group's estimate of the shares that will eventually vest.

REVENUE RECOGNITION

Sales of services

Sales of services are recognised according to the conditions of the contract, generally in the accounting period in which the service is rendered by reference to the proportion of the total services to be provided.

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged in either providing products and services (business segment) or providing products or services within a particular economic environment (geographical segment), which is subject to the risks and rewards that are different from those of other segments.

The Group's primary reporting format is business segments.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTION

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a material risk adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the fair value of deferred acquisition consideration

The Group has recognised the fair value of deferred acquisition considerations in relation put options held by minority shareholders of non-wholly owned subsidiaries. The Group has used its judgement to make assumptions about the future cashflows that will be required to settle the put option.

Judgements made by management in applying the Group's accounting policies have not resulted in any significant effect on the amounts recognised in the financial statements.

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including credit risk, foreign exchange risk and interest-rate risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

Credit risk

The Group incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business. The Group manages its exposure to credit risk through its credit policy, which restricts exposure to individual trade receivables. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Group does not have any significant concentration of credit risk.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The Group's policy is to manage foreign exchange risk to ensure that changes in foreign exchange rates do not materially impair the Group's profitability or cashflows. The Group uses forward contracts to manage its foreign exchange risk on material future commercial transactions.

Interest-rate risk

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cashflow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair-value interest-rate risk. Group policy is to maintain a minimum level of 60% and maximum of 90% fixed rate debt on forecast debt levels. The Group manages its interest-rate risk through the use of interest-rate swaps.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year.

NOTES TO THE FINANCIAL STATEMENTS

2. SEGMENT INFORMATION

	AUDIOLOGY		REHABILITATION		DIAGNOSTICS		DENTAL		TOTAL	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
SEGMENT REVENUE	43,619	30,850	19,319	16,432	33,721	22,512	27,229	19,662	123,888	89,456
OPERATING RESULT¹										
Segment	11,595	6,881	2,818	1,605	5,034	2,351	1,290	164	20,737	11,001
Unallocated									(1,536)	(837)
Operating result (before interest and taxation)									19,201	10,164
ASSETS										
Segment assets	91,791	65,578	18,338	18,154	28,553	21,350	22,929	15,400	161,611	120,482
Investments in Associates									551	477
Unallocated assets									1,490	2,932
Total assets									163,652	123,891
LIABILITIES										
Segment liabilities	54,039	37,933	2,001	1,623	11,292	8,015	5,608	4,514	72,940	52,085
Unallocated liabilities									35,389	19,398
Total liabilities									108,329	71,483
CAPITAL EXPENDITURE	2,092	1,996	427	183	6,004	654	3,054	1,152	11,577	3,985
DEPRECIATION	840	588	197	207	1,335	662	966	751	3,338	2,208
Unallocated									88	107
									3,426	2,315
AMORTISATION	253	522	57	32	102	143	44	161	456	858
Unallocated									43	7
									499	865

¹ Operating results include the allocation of attributable corporate overheads.

Unallocated costs are specific to the Company and include some one-off, non-recurring items for the period to 31 May 2008.

The Group operates principally in one geographical segment, being New Zealand. The Group has commenced business in Australia, however Australia does not represent a separate reportable business. There is no inter-segment revenue.

3. REVENUE

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Sale of goods	46,839	31,841	-	-
Services rendered	77,049	57,615	-	-
Management fees	-	-	213	431
	123,888	89,456	213	431

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Operating expenses include:				
Directors' fees ¹	376	242	258	223
Donations	17	19	11	18
Fair value loss on foreign currency forward contracts	-	6	-	-
Increase in provisions	-	124	-	-
Net loss on sale of fixed assets	28	21	-	4
Rental expense on operating leases	5,204	3,054	103	116
Auditors' fees				
Audit services	302	266	101	85
Other services provided ²	58	32	5	9

¹ Additional directors' fees totalling \$50,000 were paid to the Abano board in relation to takeover activity during the year. These fees were reimbursed in full by the unsuccessful takeover parties and did not impact the Group or Company's profit for the year.

² Mainly includes the provision of accounting technical advice. Additional fees totalling \$16,000 paid for services in relation to acquisition activity were capitalised during the year.

5. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Operating income includes:				
Affiliate income	-	34	-	-
Dividends received from subsidiaries	-	-	8,738	3,826
Net foreign exchange gains	-	22	-	-
Gain on sale of investment	166	286	154	-
Sundry other income	104	162	-	-
	270	504	8,892	3,826

6. NET FINANCING COSTS

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Financial income				
Cash and cash equivalents	344	318	166	81
Trade and other receivables	43	78	-	78
Fair value gain on interest swaps	19	81	-	81
	406	477	166	240
Financial expenses				
Bank borrowings	(1,174)	(1,006)	-	(750)
Other borrowings	(1,621)	(238)	(1,298)	(84)
Fair value loss on interest swaps	(191)	-	(191)	-
Fair value amortisation on put options	(2,281)	(1,254)	(2,281)	(1,200)
	(5,267)	(2,498)	(3,770)	(2,035)
Net financing costs	(4,861)	(2,021)	(3,604)	(1,795)

NOTES TO THE FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current tax expense				
Current year	6,199	3,698	(1,350)	(927)
Under provision for prior years	136	74	62	-
	6,335	3,772	(1,288)	(927)
Deferred tax expense				
Movement in temporary differences	(72)	(403)	(143)	12
Under provision for prior years	140	38	132	-
Recognition/(Utilisation) of tax losses	(724)	-	-	-
	(657)	(365)	(11)	12
Total income tax expense in income statement	5,678	3,407	(1,299)	(915)

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Reconciliation of accounting profit and taxable income				
Profit before tax	14,513	8,736	2,279	6
Taxation at 33% (30% for Australian operations)	4,847	2,883	752	2
Non deductible put option	-	-	752	396
Non deductible items	890	476	52	83
Tax exempt dividends	-	-	(893)	-
Gross up imputation credits	-	-	980	621
Imputation credits	-	-	(2,971)	(1,884)
Non assesable items	(108)	(64)	(51)	(133)
Impact of tax rate change	88	-	10	-
Prior period adjustment	(39)	112	70	-
Total income tax expense in income statement	5,678	3,407	(1,299)	(915)

	COMPANY	
	2008 \$000	2007 \$000
Imputation credit account		
Balance at beginning of year	2,553	511
Credits lost through loss of shareholder continuity	(2,757)	-
Credits attached to dividends received	2,971	2,042
Credits attached to dividends paid	(2,664)	-
Balance at end of year	103	2,553
Imputation credits available to shareholders of the parent company:		
Through the parent	103	2,553
Through subsidiaries	2,806	1,827
	2,909	4,380

NOTES TO THE FINANCIAL STATEMENTS

8. CHANGE IN ESTIMATES

Each year the Group makes estimate assumptions in preparation of the financial statements. During the year to 31 May 2008 the Group changed its estimate of when it is probable that the economic benefits associated with revenue from some of its customers in the audiology sector will flow to the Group.

The audiology business recognises revenue from its customers once the hearing equipment has been fitted. At this stage the revenue has been assessed as being receivable by the Group as the amount of revenue can be reliably estimated, the costs incurred can be reliably estimated and the transaction can be reliably measured as complete and it is probable that economic benefits will flow to the Group. In prior periods the estimate of when it was considered probable that economic benefits will flow was considered with respect to certain customers of the Group to be at the point the patient had been fitted with the hearing equipment and an invoice was subsequently issued. Due to increased data and historical evidence now available to the Group, the estimate of this probable flow of economic benefits has changed in line with other estimates of audiology revenue used in previous periods.

The change in estimate has had the effect of increasing revenue and receivables by \$2.4 million in the year to 31 May 2008.

9. PROPERTY, PLANT AND EQUIPMENT

GROUP	\$000	LAND & BUILDINGS	PLANT & EQUIPMENT	MOTOR VEHICLES	WORK IN PROGRESS
AT 1 JUNE 2006					
Cost or valuation	16,787	3,854	11,973	924	36
Accumulated depreciation	(9,440)	(1,627)	(7,355)	(458)	-
Net Book Value	7,347	2,227	4,618	466	36
YEAR ENDED 31 MAY 2007					
Opening net book value	7,347	2,227	4,618	466	36
Additions	6,176	1,622	4,374	142	38
Disposals	(249)	(12)	(195)	(6)	(36)
Acquired through business combinations	1,126	140	986	-	-
Revaluations	-	-	-	-	-
Depreciation	(2,315)	(863)	(1,318)	(134)	-
Closing Net Book Value	12,085	3,114	8,465	468	38
AT 1 JUNE 2007					
Cost or valuation	23,348	5,604	16,742	964	38
Accumulated depreciation	(11,263)	(2,490)	(8,277)	(496)	-
Net Book Value	12,085	3,114	8,465	468	38
YEAR ENDED 31 MAY 2008					
Opening net book value	12,085	3,114	8,465	468	38
Acquired through business combinations	985	109	876	-	-
Additions	10,834	3,580	6,199	90	965
Disposals	(111)	(17)	(59)	(35)	-
Exchange differences	58	23	35	-	-
Depreciation	(3,426)	(991)	(2,297)	(138)	-
Closing Net Book Value	20,425	5,818	13,219	385	1,003

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

COMPANY	\$000	LAND & BUILDINGS	PLANT & EQUIPMENT	MOTOR VEHICLES	WORK IN PROGRESS
AT 1 JUNE 2006					
Cost or valuation	621	293	328	-	-
Accumulated depreciation	(134)	(31)	(103)	-	-
Net Book Value	487	262	225	-	-
YEAR ENDED 31 MAY 2007					
Opening net book value	487	262	225	-	-
Additions	125	50	75	-	-
Disposals	(97)	(6)	(91)	-	-
Depreciation	(107)	(51)	(56)	-	-
Closing Net Book Value	408	255	153	-	-
AT 1 JUNE 2007					
Cost or valuation	649	337	312	-	-
Accumulated depreciation	(241)	(82)	(159)	-	-
Net Book Value	408	255	153	-	-
YEAR ENDED 31 MAY 2008					
Opening net book value	408	255	153	-	-
Additions	7	-	7	-	-
Depreciation	(88)	(56)	(32)	-	-
Closing Net Book Value	327	199	128	-	-

NOTES TO THE FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS

	GROUP			COMPANY		
	GOODWILL	OTHER	TOTAL \$000	GOODWILL	OTHER	TOTAL \$000
AT 1 JUNE 2006						
Cost or valuation	71,914	2,489	74,403	1,545	123	1,668
Accumulated amortisation	(2,156)	(1,527)	(3,683)	(65)	(38)	(103)
Net Book Value	69,758	962	70,720	1,480	85	1,565
YEAR ENDED 31 MAY 2007						
Opening net book value	69,758	962	70,720	1,480	85	1,565
Additions	7,664	688	8,352	-	63	63
Disposals	-	-	-	-	-	-
Acquisition of subsidiary	4,739	-	4,739	-	-	-
Fair value put option	6,099	-	6,099	-	-	-
Impairment charge	-	-	-	-	-	-
Transfer to subsidiary	-	-	-	(1,480)	(10)	(1,490)
Amortisation charge	-	(865)	(865)	-	(7)	(7)
Closing Net Book Value	88,260	785	89,045	65	176	241
AT 1 JUNE 2007						
Cost or valuation	90,416	3,177	93,593	65	176	241
Accumulated amortisation	(2,156)	(2,392)	(4,548)	(65)	(45)	(110)
Net Book Value	88,260	785	89,045	-	131	131
YEAR ENDED 31 MAY 2008						
Opening net book value	88,260	785	89,045	-	131	131
Additions	9,552	1,337	10,889	-	79	79
Disposals	(744)	(23)	(767)	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-
Exchange differences	-	6	6	-	-	-
Fair value put option	11,244	-	11,244	-	-	-
Amortisation charge	-	(499)	(499)	-	(43)	(43)
Closing Net Book Value	108,312	1,606	109,918	-	167	167

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

A segment-level summary of the goodwill allocation is presented below:

	2008 \$000	2007 \$000
Audiology	67,941	53,803
Rehabilitation	13,240	13,240
Diagnostics	13,514	11,236
Dental	13,617	9,981
	108,312	88,260

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections derived from the Group's strategic plan forecasts as approved by the Board. These forecasts cover a four-year period.

Cash flows beyond the four-year period are extrapolated using an estimated growth rate of 2%. The growth rate does not exceed the long-term average growth rate for the sectors in which the CGUs operate. Cash flows are discounted as a pre-tax discount rate of 10.73%.

The value-in-use calculation supports the carrying amount of the recorded goodwill at year end.

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENTS IN SUBSIDIARIES

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Shares in subsidiaries	-	-	89,487	80,470

The Company's investments in subsidiaries comprises shares at cost, including amounts payable under put options held by minority interest shareholders.

The following subsidiaries have been included in the Group consolidated financial statements:

NAME OF ENTITY	Note	PRINCIPAL ACTIVITY	INTEREST HELD BY GROUP	
			2008	2007
Abano Rehabilitation Limited		Rehabilitation	100%	100%
Aotea Pathology Limited		Diagnostic	55%	55%
Ascot Radiology Limited		Diagnostic	73%	80%
Bay Audio Pty Limited		Audiology	82%	85%
Bay Audiology Limited		Audiology	70%	70%
Greenlane Imaging Limited		Diagnostic	0%	80%
Lumino Dental Limited		Dental	100%	100%
New Zealand Dental Group Limited		Dental	100%	100%
Orthotic Centre (NZ) Limited		Rehabilitation	100%	100%
Orthotic Centre (Midlands) Limited		Rehabilitation	67%	67%
Orthotic Centre (Wellington) Limited		Rehabilitation	100%	100%
Wellington Pathology Limited		Diagnostic	100%	100%

The balance date of all subsidiaries is 31 May, with the exception of Orthotic Centre (NZ) Limited, Orthotic Centre (Midlands) Limited and Orthotic Centre (Wellington) Limited, which all have a 30 June balance date.

Bay Audio Pty Limited is incorporated in Australia. All other entities are incorporated in New Zealand.

ACQUISITION OF SUBSIDIARIES

Current Year

No new subsidiaries were acquired during the year.

In November 2007, Ascot Radiology Limited and Greenlane Imaging Limited were amalgamated. Abano held an 80% shareholding in both companies.

On 30 November 2007 several new associate radiologists were introduced as equity partners and Abano sold 4% of its shares, therefore reducing its shareholding to 76%.

On 30 May 2008 additional new associate radiologists were introduced as equity partners and Abano sold a further 3% of its shares, reducing its shareholding to 73%.

Prior Year

In September 2006 a new subsidiary was formed called Aotea Pathology Limited. The Group owns 55% of this entity, which acquired the assets of Wellington Pathology Limited and Valley Diagnostics Limited, a subsidiary of Sonic Healthcare Pty Limited.

In October 2006 the Group acquired the remaining 30% of Orthotic Centre (NZ) Limited for a total cash consideration of \$2.4M.

In December 2006 a new subsidiary called Bay Audio Pty Limited was formed to facilitate the expansion of the audiology sector into Australia.

In February 2007 a new subsidiary was formed called Greenlane Imaging Limited. This acquired the business of Greenlane Imaging on the 28th of February for \$1.2M and 20% shareholding to the vendors.

The operating results of these business were included in the income statement from their formation date with a minority interest expense being recognised.

On 30 May 2007 the Group exercised its option to acquire an additional 40% shareholding in Ascot Radiology Limited for a total cash consideration of \$2.57M.

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENTS IN SUBSIDIARIES CONTINUED

ACQUISITION OF BUSINESSES

During the year the Group acquired the following businesses:

The Hearing Centre (South Brisbane)	1 July 2007
Anzac Street Dental Centre (Auckland)	7 July 2007
Shearer Dental (Oamaru)	1 August 2007
Smile By Design (Whangarei)	1 September 2007
Advanced Hearing Systems (Invercargill)	3 September 2007
Masterton Dental Rooms (Masterton)	1 November 2007
City Dental at Quay Park (Auckland)	3 November 2007
Five Cross Roads Dental Centre (Hamilton)	3 November 2007
Advanced Hearing Aid Specialists (Gold Coast)	15 November 2007
Burton & Brown Dental (Wellington)	16 November 2007
Capital Endodontics (Wellington)	1 May 2008
Access Audiology Ltd (Auckland)	1 May 2008
Remuera Village Dentists (Auckland)	31 May 2008

Summary of the effect of the acquisitions:

	DENTAL \$000	AUDIOLOGY \$000	TOTAL \$000
Fair value of net assets acquired:			
Current assets	104	146	250
Current liabilities	(24)	-	(24)
Non-current liabilities	-	-	-
Non-current assets	891	125	1,016
Acquisition costs	95	393	488
Goodwill on acquisition	2,835	4,078	6,913
Consideration paid	3,901	4,742	8,643
Deferred acquisition consideration	705	1,427	2,132
Total Consideration	4,606	6,169	10,775
Goodwill on acquisition	2,835	4,078	6,913
Deferred acquisition consideration	705	1,427	2,132
Acquisition costs	95	393	488
Total goodwill recognised	3,635	5,898	9,532

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENTS IN ASSOCIATES

The Group's investments in associates comprises:

	INTEREST HELD	
	2008	2007
Dilworth Audiology Limited	40%	40%

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Balance at beginning of the year	477	1,865	-	1,078
Acquisition	-	-	-	-
Share of profit	173	593	-	398
Dividends	(99)	(389)	-	-
Transfer to investment in subsidiaries	-	(1,592)	-	(1,476)
Balance at end of the year	551	477	-	-
Goodwill included in the carrying amount of investments in associates:				
Balance at beginning of the year	-	1,280	-	1,280
Balance at end of the year	-	-	-	-

Summary of financial information for significant associates:

	DILWORTH AUDIOLOGY LIMITED	DILWORTH AUDIOLOGY LIMITED
	2008 \$000	2007 \$000
Assets	1,647	1,620
Liabilities	(794)	(967)
Equity	853	652
Revenues	5,402	5,037
Profit	449	411

NOTES TO THE FINANCIAL STATEMENTS

13. DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP 2008		GROUP 2007	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest-rate swaps	73	-	264	-
Forward foreign exchange contracts	-	9	-	28
TOTAL	73	9	264	28
Less non-current portion				
Interest-rate swaps	12	-	239	-
CURRENT PORTION	61	9	25	28

Interest-rate Swaps

The notional principal amounts of outstanding interest-rate swap contracts at 31 May 2008 were \$21.5M (2007: \$10M). At 31 May 2008 the fixed rates vary from 6.2-8.1% (2007: 6.2-6.3%) and the floating rates are BKBM.

Foreign exchange forward contract

The notional principal amounts of outstanding forward contracts at 31 May 2008 were \$0.4M (2007: \$0.8M).

The Group has exposure to foreign currency risk as a result of transactions denominated in USD from normal trading activities. The foreign exchange contract expires in May 2009.

14. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current				
Trade receivables	15,099	10,112	14	14
Prepayments	894	479	109	11
Other receivables	7,142	1,957	269	50
Prepaid banking costs	-	122	-	122
Owing from related parties	343	263	-	263
Owing from associates	-	438	-	-
Owing from subsidiaries	-	-	20,192	2,358
	23,478	13,371	20,584	2,818
Non-Current				
Owing from related parties	878	10	-	-
Other non-current receivables	-	-	-	-
	878	10	-	-
Impaired trade and other receivables				
Neither past due or impaired	20,778	11,287		
Past due but not impaired	2,700	2,084		
Impaired	221	222		
Gross	23,699	13,593		
Less provision for impairment of receivables	(221)	(222)		
	23,478	13,371		

Movement on the provision for impairment of trade receivables are as follows:

Opening balance	222	359
Provision for doubtful debt recognised during the year	124	159
Release of prior period doubtful debts	-	(213)
Receivables written off during the year as uncollectable	(125)	(83)
Closing balance	221	222

There is no concentration of credit risk with respect to trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

15. DEFERRED INCOME TAX

The net movement in deferred tax assets and (liabilities) during the year is as follows:

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Balance at start of year	995	673	(47)	10
Acquisition of subsidiary	(156)	-	-	-
Disposal of subsidiary	-	(43)	-	(44)
Benefit of tax loss recognised	724	-	-	-
Income statement charge	72	365	143	(13)
Balance at end of year	1,635	995	96	(47)

Deferred tax assets/(liabilities) are attributable to the following:

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Property, plant and equipment	39	174	(6)	(3)
Employee benefits	803	709	124	26
Trade and other receivables	88	74	-	-
Trade and other payables	-	44	-	-
Provisions	-	39	-	(27)
Benefit of tax loss recognised	725	-	-	-
Other items	(19)	(46)	(22)	(44)
	1,635	995	96	(47)

Deferred income tax assets are recognised for the loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has recognised a deferred tax asset of \$0.7M (2007: NIL) in respect of losses amounting to \$2.4M that can be carried forward against future taxable income.

The Group does not have any unrecognised deferred tax assets relating to tax loss carry-forwards (2007: \$0.2M).

16. INVENTORIES

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Raw materials and consumables	1,769	1,448	-	-
Work in progress	155	373	-	-
Finished goods and goods for sale	1,988	2,235	-	-
	3,912	4,056	-	-

The Group has recognised a loss of \$63,000 (2007: \$45,000) in respect of inventories written down. The loss has been included in Change in Inventories in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

17. SHARE CAPITAL

	Number of Shares 000	Ordinary Shares \$000	Treasury Shares \$000	TOTAL \$000
At 31 May 2006	23,010	54,519	(482)	54,037
Executive compensation scheme - value of services provided		28		28
At 31 May 2007	23,010	54,547	(482)	54,065
Employee convertible note scheme - proceeds from shares issued	20	60		60
Executive compensation scheme - value of services provided		30		30
At 31 May 2008	23,030	54,637	(482)	54,155

As at 31 May 2008 there were 23,029,503 ordinary shares on issue (2007: 23,009,503). All ordinary shares rank equally with one vote attached to each fully paid ordinary share. There is no other class of share issued.

During the year, the following share transactions took place:

Convertible notes

On 1 June 2007 a convertible note with a face value of \$60,000 converted at \$3.00 per share to 20,000 shares. The closing share price on the date of the conversion was \$3.25.

Convertible notes with a face value of \$112,000 expired on 1 June 2007. The Group now has no convertible notes on issue.

Executive Share Scheme

On 23 March 2006, 308,974 shares were issued under the employee share scheme approved by shareholders on 23 September 2005. Under the share scheme, certain employees are entitled to purchase the shares at their original issue price of \$1.56 per share provided certain performance criteria are met over the duration of the scheme.

The employees are not entitled to the shares or any dividends/benefits attaching to the shares during the duration of the scheme.

At the end of the scheme on 23 March 2009 the shares will either be acquired by the employee or cancelled by the company, depending on which performance criteria have been met. Until this time, the shares are treated as treasury stock of the company.

NOTES TO THE FINANCIAL STATEMENTS

18. EARNINGS PER SHARE

	GROUP	
	2008 \$000	2007 \$000
Basic earnings per share		
Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares on issue during the year.		
Profit attributable to equity holders of the Company		
Continuing operations	7,823	5,042
Weighted average number of ordinary shares on issue	23,029	23,010
Basic earnings per share (cents)	33.97	21.91
Diluted earnings per share		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.		
Weighted average number of ordinary shares on issue	23,029	23,010
Weighted average number of convertible notes	-	152
Weighted average number of shares and notes	23,029	23,162
Diluted earnings per share (cents)	33.97	21.77

19. DIVIDENDS - ORDINARY SHARES

			GROUP		COMPANY	
	2008 Cents	2007 Cents	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Interim dividend for the year ended 31 May 2008	13	-	3,044	-	3,044	-
Final dividend for the year ended 31 May 2007	11	-	2,575	-	2,575	-
Dividends paid to minority interests	-	-	269	-	-	-
	24	-	5,888	-	5,619	-

Dividends are paid in cash in accordance with the dividend policy of the Group. The dividends were fully imputed.

Supplementary dividends of \$90,608 (2007: NIL) were paid to shareholders not tax resident in New Zealand of which the Company received a foreign investor tax credit entitlement.

NOTES TO THE FINANCIAL STATEMENTS

20. BORROWINGS

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current borrowings				
Bank overdraft	1,153	566	132	566
Secured bank loans	-	-	-	-
Executive convertible notes	-	283	-	283
Unsecured loans	45	266	(7)	53
	1,198	1,115	125	902
Non-current borrowings				
Secured bank loans	35,400	15,000	35,400	15,000
Executive convertible notes	-	-	-	-
Unsecured loans	748	1,158	-	-
	36,148	16,158	35,400	15,000
Term schedule				
Later than one year, less than two	56	1,158	-	-
Later than two years, less than five	35,604	15,000	35,400	15,000
Over five years	488	-	-	-
	36,148	16,158	35,400	15,000

Bank borrowings are secured by way of a general security agreement over the Group's assets and undertakings.

The Group currently has a \$60M term debt facility with ASB Bank with an initial term of four years, maturing February 2010. Remaining funds of \$25.5M were undrawn at balance date. The current interest-rate on this facility is 9.38%.

The Group's overdraft facilities have a limit of \$1M, with a current interest-rate of 10.15%.

All of the Group's borrowings, excluding unsecured loans, are subject to cash flow interest-rate risk as floating interest-rates are reset as market rates change. The exposure to interest-rate changes and the contractual repricing dates are as follows:

	WITHIN 1 YEAR	1-5 YEARS	OVER 5 YEARS	TOTAL
As at 31 May 2008				
Total borrowings	1,153	34,912	-	36,065
Effect of interest-rate swaps (note 13)	(3,000)	(7,000)	-	(10,000)
	(1,847)	27,912	-	26,065
As at 31 May 2007				
Total borrowings	849	15,000	-	15,849
Effect of interest-rate swaps (note 13)	(3,000)	(7,000)	-	(10,000)
	(2,151)	8,000	-	5,849

NOTES TO THE FINANCIAL STATEMENTS

21. DEFERRED ACQUISITION CONSIDERATION

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current deferred acquisition consideration				
Put option liabilities	-	-	-	-
Acquisition retention amounts	483	470	-	-
Acquisition earn-out liabilities	1,163	572	-	-
	1,646	1,042	-	-
Non-current deferred acquisition consideration				
Put option liabilities	40,019	28,529	40,019	28,529
Acquisition retention amounts	1,649	2,030	-	-
Acquisition earn-out liabilities	1,097	970	-	-
	42,765	31,529	40,019	28,529
Term schedule				
Later than one year, less than two	572	3,000	-	-
Later than two years, less than five	42,148	28,529	-	28,529
Over five years	45	-	-	-
	42,765	31,529	-	28,529

The put option liability relate to an option issued by the Company to minority interest shareholders of a subsidiary (refer note 11). The put option liability is measured at fair value, being the net present value of managements forecast cash outflows for settling liabilities owed to minority interest shareholders (including future dividends). The put option agreement has a pre-determined formula for calculating the amount payable to acquire the shares, based on a multiple of the earnings of that company.

Assumptions made by management in the forecast of future earnings is that the company's will perform to the Group's forecast. The amount calculated is discounted at an after tax rate of 6.57% p.a.

Acquisition retention amounts represent the portion of the purchase price of dental and audiology acquisitions withheld from the vendor as security for the performance of the business for a certain period after acquisition. The funds are paid to the vendor at the expiry of this term, only if the practice performed to forecast during this time. No interest is payable on these amounts.

Acquisition earn-out liabilities represent managements forecast of amounts due to vendors of dental and audiology acquisitions for future performance in excess of the agreed targets at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

22. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current				
Accounts payable	11,732	9,093	31	203
Employee entitlements	6,751	3,674	864	356
Directors' fees	22	56	22	56
Sundry creditors and accruals	6,774	3,947	364	105
Settlement of Ascot Radiology option	-	2,570	-	2,570
	25,279	19,340	1,281	3,290
Non-current				
Finance leases	1,025	832	-	187
Employee entitlements	155	1,251	-	-
	1,180	2,083	-	187

23. PROVISIONS

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
RESTRUCTURING PROVISION				
Balance at start of year	188	87	-	87
Provisions made during the year	-	188	-	-
Provisions used during the year	(188)	(87)	-	(87)
Balance at end of the year	-	188	-	-
Current	-	188	-	-
Non-current	-	-	-	-
	-	188	-	-

Restructuring

During March 2006, the Company restructured its operations within the Rehabilitation sector through closure of three branches of Burtons & Health Partners. The remaining balance of \$37,000 was expensed during the year.

In October 2006, operations in the Diagnostic sector were restructured due to the formation of Aotea Pathology Limited. Operations at 22 Kings Crescent in Wellington ceased and a provision of \$151,000 was recognised for residual costs to be incurred. These costs were expensed during the year.

NOTES TO THE FINANCIAL STATEMENTS

24. LEASES

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
OPERATING LEASES				
Non-cancellable operating lease obligations				
Not later than one year	4,437	3,578	124	106
Later than one year, not later than five	8,765	8,503	288	353
Later than five years	64	1,301	-	-
Total lease commitments	13,266	13,382	412	459
FINANCE LEASES				
Non-cancellable finance lease obligations				
Not later than one year	251	175	-	-
Later than one year, not later than five	1,002	636	-	-
Later than five years	23	541	-	-
Total lease commitments	1,276	1,352	-	-

The Group leases premises, motor vehicles and plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of motor vehicles or plant and equipment held under operational leases, or the finance lease.

25. COMMITMENTS

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Amount committed to capital expenditure	3,132	1,338	-	-

As at 31 May 2008 the Group has a capital commitment in relation to the purchase of an MRI scanner and mammography equipment for Ascot Radiology's new site at Ascot Central Hospital in Remuera, Auckland.

As at 31 May 2007 the Group had a capital commitment in relation to the refurbishment of Aotea Pathology's laboratories and offices at its premises in Courtney Place, Wellington. The refurbishment was completed during the year.

26. SHARE-BASED PAYMENTS

EXECUTIVE CONVERTIBLE NOTES

In 2001, the Eldercare New Zealand Limited Convertible Note Plan was established. Under this plan certain executives of the Group were offered an opportunity to subscribe for optional convertible notes. The Company advanced the funds required to purchase the notes and these advances are repayable when the notes convert into ordinary shares or are otherwise redeemed. The notes were issued over a period of three years, and have varying conversion prices.

On 1 June 2007 a convertible note with a face value of \$60,000 converted at \$3.00 per share to 20,000 shares. The closing share price on the date of the conversion was \$3.25. Convertible notes with a face value of \$112,000 expired on 1 June 2007. The Group now has no convertible notes on issue.

Summary of executive convertible notes on issue:

	GROUP	
	2008 \$000	2007 \$000
Balance at beginning of year	283	1,105
Cancelled during the year	(112)	(564)
Converted during the year	(60)	-
Interest repaid during the year	-	-
Interest reversed on notes cancelled during the year	(111)	(331)
Interest accrued during the year	-	73
Fair value gain/(loss) on notes cancelled/converted	-	-
Balance at end of year	-	283

NOTES TO THE FINANCIAL STATEMENTS

EXECUTIVE SHARE SCHEME

On 23 September 2005 shareholders approved the Executive Share Scheme (the Scheme). The Scheme provides for certain employees to be issued shares (Share Scheme Shares), for which the Company provides an interest free loan. 308,974 Share Scheme Shares were issued on 23 March 2006, at \$1.56 per share, being the average closing price over the previous 5 trading days. A loan of \$482,000 was provided to employees on this date to acquire the Share Scheme Shares.

The employee does not become entitled to keep the Share Scheme Shares until certain performance criteria are met, and the employees remain in employment with the Company for the term of the Scheme. The Scheme covers a term of three years, and provides three separate performance targets to be achieved during each of those years.

The Company holds call options over the Share Scheme Shares which may be exercised over all or part of the Share Scheme Shares if performance criteria are not met. If a call option is exercised by the Company, the proceeds are applied to the outstanding loan owed by the employees for the initial purchase of the shares.

The employees hold put options which may be exercised at the end of the Scheme at a price of \$1.56 per share. The proceeds from the exercising of the put options are to be used to repay the remaining "uncalled" Share Scheme Shares. If the employee exercises the put option, they become entitled to a performance bonus equal to the amount of outstanding loan at the end of the Scheme.

The fair value of the employee's option to receive shares at the end of the Scheme at the issue price of \$1.56 has been valued using the Black Scholes model. The option was valued at \$90,043 and the Group is amortising this value over the period of service. During the current year \$30,011 was charged to the income statement as executive remuneration.

27. RELATED-PARTY INFORMATION

The Group has related-party transactions with its subsidiaries (see note 11), associates (see note 12) and with its directors and executive officers.

Related-party transactions

The Group leases premises from interests associated with Mr P Hutson, Ms A Andrews and Mr S Wright who are all associated persons. During the year rentals totalling \$266,000 (2007:\$220,000) were paid by the Group. A balance of \$27,000 is owed by the Group at 31 May 2007 (2006: \$NIL). All leases are carried out at arms length an on normal commercial terms.

The Group utilises the services of CME Radiology Services Limited for the provision of radiology services, rental of radiology equipment and management services. Dr D Rogers and Dr D Milne (minority shareholders in Ascot Radiology Limited) hold interests in CME Radiology Services Limited and are associated persons. During the year services to the value of \$998,000 (2007:nil) were provided by CME Radiology Services Limited. A balance of \$20,000 is owed by the Group at 31 May 2008 (2007:nil).

Transactions between the Company and its subsidiaries include cash advances, expenditure recharges and the provision of management services. At year end a balance of \$20.306M was owing by subsidiaries (2007: \$2.358M).

In the prior year the Group disclosed the following related party transactions. The named parties were not associated persons during the 2008 financial year.

The Group utilised the services of Sammies Securities Limited for the servicing and repair of rehabilitation equipment, of which Mr V Sampson (minority shareholder in Orthotic Centre NZ Limited) was an associated person. During the prior year services to the value of \$174,000 were provided by Sammies Securities Limited. A balance of \$25,000 was owed by the Group at 31 May 2007.

The Group leased premises from PACK Limited, of which Mr C Teague, Mr P Bethwaite and Mr A Tie were associated persons. During the prior year rentals totalling \$30,000 were paid by the Group.

The key management compensations are as follows:

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Key Management compensation				
Short-term benefits	5,299	4,142	1,447	1,072
Other long-term benefits	161	692	161	161
Share-based payments	30	28	30	28
	5,490	4,862	1,638	1,261

NOTES TO THE FINANCIAL STATEMENTS

28. SUBSEQUENT EVENTS

DECLARED DIVIDEND

On 30th July 2008 the Board declared a final dividend of 5.0 cents per share (\$1.15 Million) in respect to the year ended 31 May 2008. The dividend will be paid on Wednesday, 21st August 2008. The record date for determination of entitlements to the dividend is Thursday, 14th August 2008.

BUSINESS ACQUISITIONS

On 10 June 2008, the Group acquired a 70% shareholding in Dental Partners Pty Limited, an Australian dental business. This entity has acquired nine practices since balance date and they are:

Tweed Dental Centre	26 June 2008	Totally Teeth	1 July 2008
Coyne Dental	26 June 2008	Dental Solutions	1 July 2008
Lynch Dental	27 June 2008	Dr Derry Rogers	2 July 2008
Coastal Orthodontics	27 June 2008	The Dental Centre	3 July 2008
The Family Dental Centre	27 June 2008		

On 1 July 2008, the Group acquired Dental Designs, a dental laboratory in Auckland.

Summary of the effect of the acquisitions:

	DENTAL \$000
Fair value of net assets acquired:	
Current assets	696
Current liabilities	(172)
Non-current liabilities	-
Non-current assets ¹	2,421
Acquisition costs	699
Goodwill on acquisition	8,941
Consideration paid	12,585
Deferred acquisition consideration	1,434
Total Consideration	14,019
Goodwill on acquisition	8,941
Deferred acquisition consideration	1,434
Acquisition costs	699
Total goodwill recognised	11,074

¹ Values for Non-current assets have not yet been finalised.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments, and interpretations to existing standards have been issued and will be effective for the Group's accounting periods beginning on or after 1 June 2008 and have not yet been adopted.

NZ IFRS 3: Business Combinations (revised) and NZ IAS 27 Consolidated and Separate Financial Statements (revised) are mandatory for reporting periods beginning on or after 1 June 2009. The standard no longer permits acquisition costs to be capitalised and the contingent consideration to be recognised at the date of acquisition with all future changes being recognised in the income statement.

NZ IFRS 8: Operating Segments is mandatory for reporting periods on or after 1 January 2009. The standard requires segments to be identified on the basis of reporting to chief decision makers of the organisation and requires information provided to the chief decision makers to be presented in the financial statements.

NZ IAS 1: Presentation of Financial Statements is mandatory for reporting periods beginning on or after 1 June 2009. Changes to presentation and disclosure requirements.

Amendments to IAS 23: Borrowing Costs is mandatory for reporting periods beginning on or after 1 June 2009. The amendment removes the option of expensing borrowing costs incurred in the construction of qualifying assets. Borrowing costs incurred in relation to assets that take a substantial period of time to get ready for intended use must be capitalised as part of the cost of the asset.

NOTES TO THE FINANCIAL STATEMENTS

29. RECONCILIATION OF OPERATING CASHFLOWS

For the year ended 31 May 2008

	GROUP		COMPANY	
	MAY 2008 \$000	MAY 2007 \$000	MAY 2008 \$000	MAY 2007 \$000
Profit for the period	7,823	5,042	3,578	921
Non-cash items:				
Depreciation	3,426	2,315	88	107
Amortisation of intangible assets	499	865	43	7
Utilisation/(recognition) of deferred tax asset	(640)	(322)	(143)	57
Interest expense on financial liabilities	-	85	-	85
Amortisation of put option fair value	2,281	1,200	2,281	1,200
Interest income on financial assets	-	-	-	-
Fair value movement on derivatives	172	(75)	191	(81)
Executive compensation expense	90	28	90	28
Share of surplus retained by associates	1,012	287	-	-
	6,840	4,383	2,550	1,403
Movement in working capital:				
(Increase)/decrease in trade and other receivables	(9,710)	(3,129)	286	1,193
(Decrease)/increase in trade and other payables	5,179	5,930	274	(1,611)
(Decrease)/increase in deferred income	(1)	25	-	-
	(4,532)	2,826	560	(418)
Items classified as investing activities:				
Realised (gain)/loss on sale of property, plant and equipment	27	63	-	4
Realised (gain)/loss on sale of subsidiaries	(166)	(347)	-	-
Dividends received	-	-	(8,738)	(3,825)
Other investment income	(174)	(593)	(155)	(398)
	(313)	(877)	(8,893)	(4,219)
Net cash flows from operating activities	9,818	11,374	(2,205)	(2,313)

30. FINANCIAL MANAGEMENT RISK

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk & interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group financial performance.

The Group's overall financial risk management objectives are to ensure that the Group creates value and maximises returns to its shareholders as well as ensuring that adequate financial resources are available for the development of the Group's business whilst managing its financial risks. It has, and has been throughout the financial year under review, the Group's policy that no trading in financial instruments shall be undertaken. The major areas of financial risks faced by the Group and the information on the management of the related exposures are detailed below:

MARKET RISK

(a) Foreign Exchange Risk

The Group's risk management policy is to hedge 100% of anticipated cash flows (mainly US\$ purchases of inventory for the Rehabilitation sector). The balance of payments for New Zealand and Australian based subsidiaries are made in New Zealand dollars (NZD) and Australian dollars (AUD) respectively.

NOTES TO THE FINANCIAL STATEMENTS

No hedging transactions such as forward exchange contracts are entered into to cover offshore assets and liabilities. Exchange differences arising on translation of assets and liabilities of foreign operations are taken directly to Equity. Foreign exchange gains or losses on short-term intercompany advances and borrowings are taken to the Income Statement.

The assets and liabilities in Australia are held in AUD and the assets and liabilities in New Zealand are held in NZD.

The below table details the Group's sensitivity to the increase and decrease in the AUD against the NZD, and the USD against the NZD.

(b) Interest Rate Risk

The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group's policy to manage interest rate risk is to fund ongoing activities with borrowings funded at floating interest rates and the placing of interest rate swaps. The Group's policy on managing interest rate risk is that a minimum of 60% to a maximum of 90% of borrowings are covered by fixed rate interest swaps.

The below table demonstrates the sensitivity to a reasonably possible change in interest rates by estimated percentage (%), with all other variables held constant, of the Group's profit before tax, the sensitivities are based on historically observed trends.

GROUP	CARRYING AMOUNT \$000	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		(1.0%)		1.0%		(10.0%)		10.0%	
2008		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets									
Cash and cash equivalents	2,681	(27)	(27)	27	27	39	39	(32)	(32)
Accounts receivable	24,356	-	-	-	-	104	104	(85)	(85)
Interest rate swaps	73	(20)	(20)	20	20	-	-	-	-
		(47)	(47)	47	47	143	143	(117)	(117)
Financial liabilities									
Foreign exchange contracts	(9)	-	-	-	-	-	53	-	(44)
Trade payables	(25,383)	-	-	-	-	(170)	(170)	139	139
Deferred acquisition consideration	(44,411)	256	256	(250)	(250)	-	-	-	-
Borrowings	(37,346)	373	373	(373)	(373)	-	-	-	-
		629	629	(623)	(623)	(170)	(117)	139	95
Total		582	582	(576)	(576)	(27)	26	22	22
2007									
Financial assets									
Cash and cash equivalents	3,237	(32)	(32)	32	32	-	-	-	-
Accounts receivable	13,381	-	-	-	-	10	10	(9)	(9)
Interest rate swaps	264	(9)	(9)	9	9	-	-	-	-
		(41)	(41)	41	41	10	10	(9)	(9)
Financial liabilities									
Foreign exchange contracts	(28)	-	-	-	-	-	103	-	(84)
Trade payables	(19,340)	-	-	-	-	(6)	(6)	5	5
Deferred acquisition consideration	(32,571)	169	169	(162)	(162)	-	-	-	-
Borrowings	(17,273)	173	173	(173)	(173)	-	-	-	-
		342	342	(335)	(335)	(6)	97	5	(79)
Total		301	301	(294)	(294)	4	107	(4)	(88)

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL MANAGEMENT RISK CONTINUED

COMPANY	CARRYING AMOUNT \$000	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		(1.0)		1.0%		(10.0)		10.0%	
2008		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets									
Cash and cash equivalents	391	(4)	(4)	4	4	-	-	-	-
Interest rate swaps	73	(20)	(20)	20	20	-	-	-	-
		(24)	(24)	24	24	-	-	-	-
Financial liabilities									
Deferred acquisition consideration	(40,019)	256	256	(250)	(250)	-	-	-	-
Borrowings	(35,531)	355	355	(355)	(355)	-	-	-	-
		611	611	(605)	(605)	-	-	-	-
Total		587	587	(581)	(581)	-	-	-	-
2007									
Financial assets									
Cash and cash equivalents	542	(5)	(5)	5	5	-	-	-	-
Interest rate swaps	264	(9)	(9)	9	9	-	-	-	-
		(14)	(14)	14	14	-	-	-	-
Financial liabilities									
Deferred acquisition consideration	(28,529)	169	169	(162)	(162)	-	-	-	-
Borrowings	(15,920)	159	159	(159)	(159)	-	-	-	-
		328	328	(321)	(321)	-	-	-	-
Total		314	314	(307)	(307)	-	-	-	-

Interest rate swaps

At 31 May 2008 the fixed rates vary from 6.2-8.1% (2007: 6.2-6.3%) and the floating rates are 90 day BKBM.

Foreign exchange forward contract

The Group has exposure to foreign currency risk as a result of transactions denominated in USD from normal trading activities. The foreign exchange contract expires in May 2009.

Liquidity Risk

Individual operating entities within the Group are responsible for their own cash management. Short term investment of cash surpluses and the raising of loans to cover expected cash demands, are arranged and negotiated by the Company.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at balance date of the Group's and the Company's financial liabilities and derivative financial instruments, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

GROUP			
2008	LESS THAN 1 YEAR \$000	BETWEEN 1 & 5 YEARS \$000	MORE THAN 5 YEARS \$000
Financial liabilities			
Borrowings (including interest payable)	1,375	41,931	608
Trade and other payables	25,279	1,281	-
Derivative financial instruments	9	-	-
Deferred acquisition consideration	1,646	42,720	45
Total	28,309	85,932	653

2007			
Financial liabilities			
Borrowings (including interest payable)	1,213	20,309	-
Trade and other payables	19,528	2,083	-
Derivative financial instruments	28	-	-
Deferred acquisition consideration	1,042	31,529	-
Total	21,811	53,921	-

COMPANY			
2008	LESS THAN 1 YEAR \$000	BETWEEN 1 & 5 YEARS \$000	MORE THAN 5 YEARS \$000
Financial liabilities			
Borrowings (including interest payable)	137	41,445	-
Trade and other payables	1,281	-	-
Derivative financial instruments	-	-	-
Deferred acquisition consideration	-	40,019	-
Total	1,418	81,464	-

2007			
Financial liabilities			
Borrowings (including interest payable)	982	18,938	-
Trade and other payables	3,290	234	-
Derivative financial instruments	-	-	-
Deferred acquisition consideration	-	28,529	-
Total	4,272	47,701	-

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL MANAGEMENT RISK CONTINUED

CREDIT RISK

Credit risk is managed on a sector by sector basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to trade, government and public customers, including outstanding trade receivables and committed transactions. Only major banks and financial institutions are accepted for bank deposits or derivative financial instruments.

The concentration of credit risk in respect of trade receivables are limited due to the Group's large number of customers who are dispersed over a broad spectrum of society.

Capital Management Risk

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies or processes during the years ended 31 May 2008 and 2007. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings and term liabilities less cash and cash equivalents. Total capital includes equity attributable to the equity holders of the Parent.

The gearing ratios at 31 May 2008 and 2007 were as follows:

GROUP		
2008	2008	2007
	\$000	\$000
Financial liabilities		
Bank borrowings	37,301	16,724
Other borrowings	45	549
Term liabilities	4,027	5,083
Less cash and cash equivalent	(2,681)	(3,237)
Net Debt	38,692	19,119
Equity	54,155	54,065
Reserves	(31)	-
Total Capital	54,124	54,065
Capital and Net Debt	92,816	73,184
Gearing Ratio	41.7%	26.1%
COMPANY		
2008	2008	2007
	\$000	\$000
Financial liabilities		
Bank borrowings	35,525	15,566
Other borrowings	(7)	336
Term liabilities	-	234
Less cash and cash equivalent	(391)	(542)
Net Debt	35,127	15,594
Equity	54,155	54,065
Reserves	-	-
Total Capital	54,155	54,065
Capital and Net Debt	89,282	69,659
Gearing Ratio	39.3%	22.4%

The put option liability (\$40.0M) for Bay Audiology is not included in the calculation of Net Debt. The future settlement of the liability will be funded by debt and/or equity. If funded by 100% debt the gearing ratio for the Group would increase to 59.3% (Company 58.1%).

ADDITIONAL STATUTORY INFORMATION

Interests Register

The following directors have given general notice of their interests, or cessation of interests, in the following entities, pursuant to section 140(2) of the Companies Act 1993.

DIRECTOR	ENTITY	INTEREST
G.D. Edmond	Christian Healthcare Trust (CHT)	Trustee/Board member
	Enigma Nominees Limited	Shareholder
	Galigaskin Management Limited	Director/Shareholder
	Optical Holdings Limited	Shareholder
	Specsavers New Zealand Limited	Managing Director
T.D. Janes	Accident Compensation Corporation, Board Investment Committee	Member
	Mighty River Power Limited	Director
	ProCare Health Limited	Director
	Rovert Holdings Limited	Director/Shareholder
	Salvus Strategic Investment Limited	Director
	Sapphire Currency Fund Limited	Director
	Selenium Corporation Limited	Director/Shareholder
	Trinity Hill Limited and subsidiaries	Chairman/Shareholder
P.S. Newland	BG Capital Limited	Director
	BG Trustees Limited	Director
	Tasman Farms Limited	Director
	The Van Diemen's Land Company	Director
A.M. Paterson	Ambulance New Zealand, Emergency Response Committee	Chairman
	Barnados Council	Councillor
	BPAC NZ Limited	Chairman
	Massey University Council	Councillor
	Metrowater Limited	Director
	Nga Pae o Te Maramatanga	Board Member
	Reserve Bank of New Zealand	Deputy Chairman
	University of Auckland, Governing Board, National Research Centre for Growth & Development	Chairman
Vector Limited	Director	
S.M. Paterson	Airways Corporation Limited	Director
	America's Cup Village Limited	Director
	Goodman (NZ) Limited	Director
	Goodman Property Aggregated Limited	Director
	Ngawha Generation Limited	Director
	NZ Ecolabelling Trust	Trustee
	Ports of Auckland Limited	Director
	Scripts Limited	Director

ADDITIONAL STATUTORY INFORMATION

Directors' share dealings

During the year the director named below disclosed the following acquisition of relevant interests in ordinary shares in the Company.

	NUMBER OF SHARES	CONSIDERATION PER SHARE	DATE OF ACQUISITION
A.W. Clarke	7,500	\$1.27	12-Oct-06

Directors' shareholdings

As at 31 May 2008

	BENEFICIAL INTEREST		NON-BENEFICIAL INTEREST	
	2008	2007	2008	2007
A.W. Clarke	203,138	203,138	-	-
G.D. Edmond	-	-	-	-
T.D. Janes	-	-	-	-
P.S. Newland	15,000	15,000	-	-
A.M. Paterson	-	-	-	-
S.M. Paterson	-	-	-	-
J.M.R. Syme (former director)	-	-	-	-

Remuneration of directors¹

	2008 \$	2007 \$
A.W. Clarke	551,393	328,316
G.D. Edmond	42,000	21,972
T.D. Janes	69,500	37,000
P.S. Newland	54,500	37,000
A.M. Paterson	94,500	59,566
S.M. Paterson	47,000	37,000
J.M.R. Syme (former director)	-	30,462

¹ Additional directors fees totalling \$50,000 were paid to the Abano Board relating to takeover activity during the year. These fees were reimbursed in full by the unsuccessful takeover parties and did not impact the Group or Company's profit for the year.

ADDITIONAL STATUTORY INFORMATION

Remuneration of employees

The number of employees (excluding directors) within the Group receiving remuneration and benefits above \$100,000 are indicated in the following table:

	GROUP		COMPANY	
	2008	2007	2008	2007
\$100,000 - \$110,000	4	6	-	1
\$110,001 - \$120,000	9	4	-	-
\$120,001 - \$130,000	5	1	-	-
\$130,001 - \$140,000	3	-	1	-
\$140,001 - \$150,000	1	1	-	-
\$150,001 - \$160,000	3	1	-	-
\$160,001 - \$170,000	2	1	-	-
\$170,001 - \$180,000	-	3	-	-
\$180,001 - \$190,000	1	-	-	-
\$190,001 - \$200,000	-	-	-	-
\$201,000 - \$210,000	-	-	-	-
\$210,001 - \$220,000	1	-	-	-
\$220,001 - \$230,000	-	1	-	-
\$230,001 - \$240,000	-	1	-	1
\$240,001 - \$250,000	-	-	-	-
\$250,001 and over	7	4	2	1

During the year the Company entered into new employment agreements with Mr A. W. Clarke, managing director, and Mr R. G. Keys, chief financial officer. Mr Clarke's agreement provides for a salary of \$350,000 and an at-risk component of up to \$150,000. Mr Keys' agreement provides for a salary of \$275,000 and an at-risk component of up to \$110,000.

The level of remuneration payable under both agreements rendered each of them a Material Transaction (under NZX Listing Rule 9.2.2(e)) with a related party. The Board complied with and relied on the exception in Listing Rule 9.2.4(c) in approving the agreements which avoids the need for the Company to obtain shareholder approval under Listing Rule 9.2.1.

Subsidiary company directors

The following employees held the office of director in subsidiary companies during the year. Employee directors of subsidiary companies do not receive directors' fees or other benefits in their capacity as a director.

COMPANY	DIRECTORS				
Abano Rehabilitation Limited	A. W. Clarke	R. G. Keys	A. R. Tapper		
Aotea Pathology Limited	A. W. Clarke	R. G. Keys	K.P. Wood		
Ascot Radiology Limited	A. W. Clarke	R. G. Keys	D. G. Milne	D. R. Rogers	
Bay Audiology Limited	A. W. Clarke	R. G. Keys	A. Andrews	P. Hutson	S. Wright
Bay Audiology South Limited	A. W. Clarke	R. G. Keys	P. Hutson	S. Melville	
Bay Audio Pty Limited	A. W. Clarke	R. G. Keys	P. Hutson	A. Campbell	
Lumino Dental Limited	A. W. Clarke	R. G. Keys	A. R. Tapper		
New Zealand Dental Group Limited	A. W. Clarke	R. G. Keys	A. R. Tapper		
Orthotic Centre (NZ) Limited	A. W. Clarke	R. G. Keys	J. Clark		
Orthotic Centre (Midlands) Limited		R. G. Keys	J. Clark	V. P Sampson	
Orthotic Centre (Wellington) Limited		R. G. Keys	J. Clark		
Wellington Pathology Limited	A. W. Clarke	R. G. Keys			

ADDITIONAL STATUTORY INFORMATION

Shareholder information

Twenty largest security holders as at 29 July 2008

	Ordinary shares	% holding
Healthcare Industry Limited	4,574,893	19.87%
Crescent Capital Partners Limited	4,534,998	19.69%
TEA Custodians Limited	1,177,540	5.11%
National Nominees New Zealand Limited	1,156,608	5.02%
Custodial Services Limited	1,042,303	4.53%
Craig John Thompson	680,000	2.95%
Accident Compensation Corporation	416,619	1.81%
S. Boey, Y. Chiam, K. Chiam & S. Chiam	321,264	1.40%
HSBC Nominees (New Zealand) Limited	320,600	1.39%
Forsyth Barr Custodians Limited	310,961	1.35%
Clinton Adam Teague	289,106	1.26%
ANZ Nominees Limited	274,796	1.19%
Custodial Services Limited	271,645	1.18%
Alan William Clarke	203,138	0.88%
Hugh Green Investments Limited	174,000	0.76%
Superlife Trustee Limited	164,450	0.71%
Ming Lov & Chiu Lov	136,323	0.59%
Richard George Keys	129,590	0.56%
Joanne Beryl Mortimore & Richard Anthony Hadfield	113,300	0.49%
Forsyth Barr Custodians Limited	102,047	0.44%
TOTAL	14,817,057	64.27%

Spread of security holders

As at 29 July 2008

Size of shareholding	Number of holders	Total shares held	% of shares
1 - 4,999	1,412	1,796,367	7.7%
5,000 - 9,999	167	1,037,429	4.5%
10,000 - 49,999	140	2,475,759	10.8%
50,000 - 99,999	13	925,775	4.0%
100,000 - 499,999	18	3,627,839	15.8%
500,000 - 999,999	1	680,000	3.0%
1,000,000 or more	5	12,486,342	54.2%
	1,756	23,029,511	100.0%

ADDITIONAL STATUTORY INFORMATION

Substantial security holders

Pursuant to section 26 of the Securities Markets Act 1988, according to filings made to the Company, the substantial security holders of the Company as at 29 July 2008 are:

	Number of shares	% holding	Date of notice
Healthcare Industry Limited ¹	4,574,893	19.86	17-Jan-2008
Peter Lionel Hutson, Anya Lee Hutson and Lewis Grant ²	4,574,893	19.86	17-Jan-2008
Alison McRae Wright, Scott Eric Wright and Kevin David Pitfield ²	4,574,893	19.86	17-Jan-2008
Crescent Capital Partners Limited ¹	4,534,998	19.692%	18-Mar-2008

¹ All shares held beneficially.

² Comprising non-beneficial interests in 4,574,893 shares held by body corporate Healthcare Industry Limited.

CORPORATE DIRECTORY AND SHAREHOLDER INFORMATION

CORPORATE DIRECTORY

DIRECTORS

All Abano board directors are independent, excluding the managing director, Mr Alan Clarke.

Alison Mae Paterson (Chair)

Appointed 16 October 2003

Alan William Clarke

Appointed 31 October 2001

Philip Samuel Newland

Appointed 31 October 2001

Trevor David Janes

Appointed 23 September 2005

Susan Marie Paterson

Appointed 23 September 2005

Graeme David Edmond

Appointed 27 October 2006

REGISTERED OFFICE AND ADDRESS FOR SERVICE

Level 16
West Plaza Building
3 – 7 Albert St, Auckland
P O Box 106 514, Auckland 1143
Telephone: +64 9 300 1410
Facsimile: +64 9 300 1419
Email: enquiries@abanohealthcare.co.nz
Internet: www.abanohealthcare.co.nz

AUDITORS

PricewaterhouseCoopers

BANKERS

ASB Bank Limited
Commonwealth Bank of Australia

SHAREHOLDER INFORMATION

COMPANY PUBLICATIONS

The Company informs investors of the Company's business and operations by issuing an annual Report and an interim Report.

FINANCIAL CALENDAR

Half-year results announced by 31 January
Half-year report published by 28 February
Year-end results announced by 30 July
Dividend paid by 31 August
Annual report published by 31 August
Annual meeting by 30 November

VOTING RIGHTS

The voting rights of shareholders are set out in the Company's Constitution. Each holder of ordinary shares is entitled to vote at any annual meeting of shareholders. On a show of hands, each holder of shares is entitled to one vote. On a poll, one vote is counted for every ordinary share. A person is not entitled to vote when disqualified by virtue of the restrictions contained in the Company's Constitution and the Listing Rules of the NZX.

ENQUIRIES

Shareholders with enquiries about transactions, changes of address or dividend payments should contact Computershare Investor Services limited on +64 9 488 8777.

Other questions should be directed to the Company at the registered office.

SHARE REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, North Shore City
Private Bag 92 119
Auckland 1020, New Zealand
Telephone +64 9 488 8777
Facsimile +64 9 488 8787

STOCK EXCHANGE

The Company's ordinary shares trade on the New Zealand Exchange (NZX). The minimum marketable parcel on the NZX is 50 shares.

GLOSSARY

CORE EBITDA	Each sector's Earnings before Interest, Tax, Depreciation and Amortisation of Goodwill, including an allocation of Abano corporate costs
EBITDA	The Group's consolidated Earnings before Interest, Tax, Depreciation and Amortisation of Goodwill and after corporate costs are expensed
EBIT	Earnings before Interest and Tax
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
Core	The ongoing contribution from operations that will re-occur in future periods
ROIC	Return on Invested Capital at EBITDA
EPS	Earnings Per Share
WACC	Weighted Average Cost of Capital
DHB	District Health Board
MOH	Ministry of Health
ACC	Accident Compensation Corporation
NZX	New Zealand Exchange
Noncore/unusuals	Any one off gain or loss arising from business activities or assets
NZD	New Zealand Dollar
AUD	Australian Dollar

ABANO HEALTHCARE GROUP LIMITED

P O Box 106 514

Auckland 1143

Telephone: +64 9 300 1410

Facsimile: +64 9 300 1419

Email: enquiries@abanohealthcare.co.nz

www.abanohealthcare.co.nz