

# Making Contact

ABANO SHAREHOLDER NEWSLETTER

ISSUE TWELVE JULY 2008

## Company Happenings

Alan Clarke CEO of Abano Healthcare

Abano has recently emerged from seven months of continuous takeover activity. Through this period, the Abano group and sector management teams remained focused on building our business and ensuring long term value for our shareholders.

We are now finalising our accounts for the recently completed financial year to 31 May 2008 and we will be announcing the company's results in late July.

All business units continue to perform strongly and we have continued our growth with a number of acquisitions and new clinics opened since January 2008, particularly in our dental and audiology sectors.

Most recently, we were very pleased to announce our second entry into Australia, this time into the dental market. This is through a new partnership with Dental Partners, an Australian-based dental company, owned by experienced dental sector executives, dentists and management. In line with our partnership philosophy, Abano will own 70% of Dental Partners with the remaining 30% held by the founding shareholders, headed by Mike Timoney and David Garofalo. Further detail on this exciting initiative is over leaf.

We have also continued our expansion of Lumino The Dentists, our New Zealand dental network, meeting our increased target for 2007/08 by acquiring nine clinics in the last twelve months including more recently, Remuera Village Dental and Capital Endodontics, a specialist endodontist dental practice in Johnsonville. Radu Goga of Capital Endodontics is the first of many specialists we hope to attract to the Lumino network in the future, in line with our strategy to extend our specialist dental offer.

In addition, a new brand and look for Lumino has been launched – Lumino The Dentists - which will unify the practices and distinguish Lumino from any other dentist in the country.

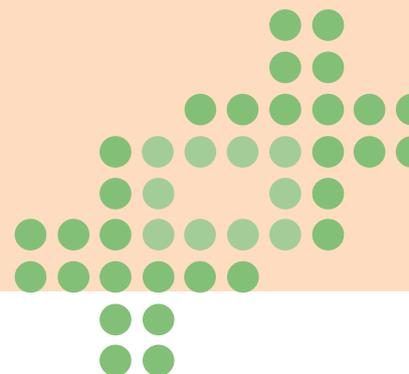
Our New Zealand audiology business, Bay Audiology, has also grown since the beginning of this calendar year with five new clinics opened or transitioned into full time.

These clinics are located in Central Otago, Chartwell Shopping Centre in Hamilton, Richmond, Waipu and Kerikeri. The New Zealand business now has 51 permanent and satellite clinics.

Our Australian Bay Audio network has also continued to grow from an initial base of two clinics when we first launched in February 2007 to a total of 28 full-time and satellite clinics around Queensland and Northern New South Wales.

Abano's core financial performance remains strong with pleasing improvements in all businesses over the previous year.

I would like to thank you all for your strong support for Abano and our business vision through these last turbulent months.



## SHAREHOLDER REPORTING //

Each year Abano has been sending you an Annual Report and a Half Year Report. In June 2007 there was a change to the Companies Act which reflects the growing use of the internet as an effective means of communication.

As a result of this change we will no longer be automatically sending you these reports unless you ask for them, but instead they will be available on the company's website: [www.abanohealthcare.co.nz](http://www.abanohealthcare.co.nz).

The Annual Report for the year ending 31 May 2008 will be available on the company's website by 31 August 2008. We will notify you when this is available.

You will still be able to request printed copies of our shareholder reports. Your request will remain effective in future years and you will not need to provide us with further requests, although you will notice that each year we will send a reminder to all shareholders of their right to receive printed copies of the Annual and Half Year Reports.

You can also register to receive the latest company announcements by email, as they are released, including media releases, our regular newsletter and financial results. To subscribe, please register online at [www.abanohealthcare.co.nz/subscribetonews](http://www.abanohealthcare.co.nz/subscribetonews).



## DIAGNOSTIC // UPDATE

### // AOTEA PATHOLOGY

**Aotea Pathology is now one and a half years into its five year contract with the DHBs for the provision of pathology services to the greater Wellington region.**

During this time, Aotea Pathology has established collection and courier networks, re-equipped and rebuilt the base laboratory facility, achieved accreditation from the industry inspection body and introduced the DHB policy of charging patients for testing where the request is from a specialist in private practice.

This has been a very busy time and has been achieved only due to the skill, expertise and commitment of all the staff. The laboratory is now a modern, well equipped facility that is being visited by other organisations keen to observe work practices and leading edge technology.

The initial months of 2008 have given the laboratory the opportunity to take stock and plan for the year ahead. The new challenges will be working with referrers to implement sound evidenced based practices and preparing ourselves for changes to cervical screening where Aotea Pathology will tender to process all the samples from the lower North Island.

On Thursday 21 August 2008, Aotea will host a number of invited guests from DHBs and Government to officially celebrate the opening of the new merged laboratory in Courtney Place.

### // ASCOT RADIOLOGY

**\$7 MILLION STATE OF THE ART BREAST CARE CENTRE OPENS IN AUCKLAND**

**What was once the most difficult part of breast cancer diagnosis, involving significant guesswork, has now become an exact science thanks to the acquisition of the only MRI guided breast biopsy system in New Zealand by Ascot Radiology.**

The system is part of a suite of the latest generation of diagnostic technology and tools providing top of the line breast imaging at Ascot Radiology in Auckland's

newest breast care centre, opened by Ascot Radiology and leading breast care specialists, Breast Associates.

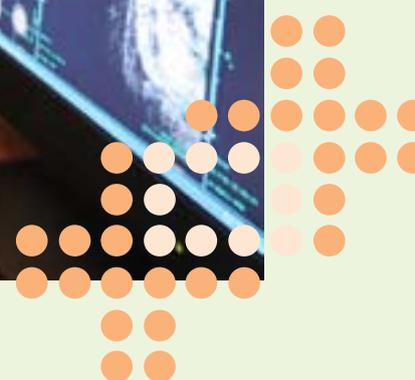
As well as housing the only MRI guided breast biopsy system, the centre is also home to the latest in digital mammography, 3D ultrasound and one of the world's most advanced 3T MRIs supported by leading edge computer aided diagnostic technology.

Early diagnosis of breast cancer is key to improving the chances of successful treatment and recovery for the 2,000 plus women in New Zealand who are diagnosed with breast cancer every year. Now the latest generation of diagnostic tools is helping to improve the ability of specialists to detect and treat breast cancer earlier and more effectively.

The investment of more than \$7 million by Ascot Radiology is part of its commitment to providing the best possible diagnostic care for their clients. Ascot is one of the first clinics in New Zealand to offer both full field digital mammography and 3T MRI, and is the only clinic in the country providing MRI guided breast biopsy. This technology is at the forefront of breast care.

The new radiology clinic is located directly next to Breast Associates providing a seamless combination of the latest generation diagnostic tools along with the specialist medical care provided by Breast Associates.

The centre was officially opened on 2 July 2008 by His Worship The Mayor of Auckland, Hon. John Banks.





# AUDIOLOGY // UPDATE

## // BAY AUDIOLOGY

### **BAY AUDIOLOGY CONTINUES NEW ZEALAND GROWTH**

**Bay Audiology has continued its growth in New Zealand, with the opening or transitioning into fulltime, five new audiology clinics in Central Otago, Chartwell Shopping Centre in Hamilton, Richmond, Waipu and Kerikeri**

The new state of the art Bay Central Otago clinic has been opened by the former general manager of Bay Audiology and a leading audiologist, Simon Melville. Having grown up on a vineyard in Blenheim and with a love of the outdoors, Simon has moved back to the South Island to enjoy the wonderful lifestyle he grew up with. The new clinic extends Bay's network in the South Island and means local residents will no longer have to drive to Dunedin or Invercargill to have their hearing needs assessed.



## **NEW SENIOR MANAGER FOR BAY AUDIOLOGY**

Following the move of former general manager, Simon Melville, back to the South Island to open and manage the Central Otago clinic, a new general manager has been appointed for Bay Audiology in New Zealand.

Francois Gillain joined Abano as a contracted finance manager and after assisting in restructuring operations in the Rehabilitation business, he took up a transitional management role with Bay Audiology. In early 2008, the Bay board were delighted to offer Francois the position of General Manager for our New Zealand business.

Francois brings with him many years of finance and project management experience in a number of service and retail businesses. He is providing sound, experienced management for the Bay New Zealand operations as the business transitions onto a new IT platform for our accounting, operations, management and human resource needs.

## // BAY AUDIO

### **AWARD FOR BAY AUDIO IN AUSTRALIA**

**Just like vision correction fifty years ago, hearing aids are now rapidly becoming a mainstream product utilised by millions of people around the world to enhance their lifestyles.**

Bay Audio is helping make hearing aids and audiology services more accessible to its Australian clients by opening modern, customer focused clinics in malls and shopping centres.

The success of this new approach to audiology has been recognized with Bay's new Tweed Head clinic announced as the winner of the New Retailer category in the Centro Tweed Retailers Awards.



# DENTAL // UPDATE

## // LUMINO DENTAL

### IT'S A NEW LOOK FOR LUMINO

**As the network of successful, quality dental practices continues to grow around New Zealand, it was decided the time was right for a new name and look which will unify the practices and distinguish Lumino from any other dentist in the country.**

The colours and name may be similar, but the Lumino brand has now been revitalised to provide a national identity for our business and take it into the future.

The first new look Lumino The Dentists practice opened in Mt Eden, and with eye catching signage and a strong street presence, it is a great showcase of the brand's new look.



The Mt Eden practice has four surgeries, and provides general and cosmetic dental services, orthodontic and hygiene services. The new environment is generating lots of positive feedback from patients and is a dream come true for the Mt Eden team.

### THE LUMINO TEAM

As the Lumino network and team continues to grow, the mix of occupations represented also develops and changes.

Currently within the New Zealand business, there are 82 Dentists, 102 Dental Assistants, 63 Practice Managers/ Receptionists, 20 Hygienists, 11 Support Centre Staff, three Clinical Technicians, three Dental Therapists, an Endodontist and an Ortho Auxiliary, making Lumino the largest group practice in Australasia.

The team provides general and specialist dental care from 30 practices around New Zealand, and provides adolescent dental care from three mobile units based in Auckland.

## ABANO TAKES BITE OF AUSTRALIAN DENTAL MARKET

Recently Abano announced its entry into the Australian dental market through a partnership with Dental Partners, an Australian-based dental company owned by experienced dental sector executives, dentists and management.

In line with its partnership philosophy, Abano will own 70% of Dental Partners with the remaining 30% held by the founding shareholders, headed by Mike Timoney and David Garofalo.

With a vision to create a new professional network of dental practices in Australia, Dental Partners has commenced operations with the acquisition of nine initial practices, concentrated mostly in the Queensland area.

These practices will contribute annualised revenues of over A\$15 million and the investment is expected to be NPAT positive in the current financial year. It is anticipated that up to 10 additional practices will be added to the network by the end of the financial year.

The initial investment of approximately \$10 million will be funded through equity from the founding shareholders and Abano as well as a stand alone, five year separately secured debt funding facility with Commonwealth Bank of Australia.

The Australian dental market is estimated to be worth more than A\$4 billion - over eight times bigger than the New Zealand market. The majority of the Australian dental market is still made up of stand alone or small group dental practices. Consolidation of the sector has only just begun with a few private and publicly listed companies grouping practices. With over 5,000 dental practices and 9,000 registered Dentists in the Australian market, this leaves a lot of room for new entrants such as Dental Partners.

There are many similarities between Australia and the New Zealand dental market where Abano owns the country's largest dental network, Lumino The Dentists. The Australian business will build on Abano's significant experience from operating Lumino The Dentists in New Zealand in addition to the extensive local skills and knowledge of the Australian partners.





# REHABILITATION // UPDATE

## // ORTHOTICS CENTRE

### **LEADING THE WAY IN PROVIDING ORTHOTIC CARE FOR DIABETICS**

**As a well regarded provider with a reputation for experience and expert care, the Orthotics Centre seeks to lead the way in the sector.**

Diabetes is a condition that often leads to the need for orthotic services. Wellington Centre Manager, Angela Bayley, recently delivered a presentation at the International Diabetes Foundation congress held in Wellington.

Angela's research, funded by a Health Research Council NZ grant and in association with Auckland University of Technology (AUT) was entitled: Development and implementation of an evidence-based podiatric screening tool for diabetes-related complications among Maori in New Zealand.

The team at Orthotics Centre are working closely with a number of parties in this area, including with ACC NZ to establish a standard process for referrals for Orthotic intervention, and are establishing several new Clinics with Maori Health providers based on in-services at regional Maraes.

They are also working closely with AUT, delivering orthotic services to the intervention arm of the project in the management of at-risk and high-risk diabetes-related foot complications.

### **NEW MANAGEMENT**

Con Balasoglou has been appointed as the new General Manager for Orthotics Centre, following the resignation of Wayne Howett. During Wayne's tenure, he focused on restructuring the business and left it in good shape for the future.

Con is returning to New Zealand after five years working offshore. He is an experienced senior healthcare executive and took up his new role from 1 June 2008.

The Orthotics Centre continues to generate improved margins through better product selection and as increased manufacturing capability comes on stream.

## // ABANO REHABILITATION

**Abano Rehabilitation experienced good growth and consolidation in the 2008 financial year, and has entered the 2009 year well positioned to take advantage of on-going change within ACC.**

The residential rehabilitation service now has a total of 109 beds, with the ability to rapidly add further beds in Whangarei and Auckland if demand continues to increase.

Significant changes to ACC residential contracts are still in progress, with an increasing demand for seamless transition of brain-injured clients between residential and community-based services. Abano Rehabilitation's 2008 emphasis on sharing clinicians across the two "arms" of the business means that the clinical team is well placed to deliver integrated services.

The community services team has grown, with seven new clinical staff starting late in the 2008 year. The neuropsychology team has grown with the addition of several experienced clinicians from the United States and the UK, and further growth is planned for this team. Pain management services, which started in late 2007, have now grown to about 10% of community revenue, and continue to develop.

Recruitment and retention of clinical staff has improved, largely because of improvements in communication and teamwork and an increased focus on professional development. The 2009 clinical conference is expected to be larger than the conference last year, and has much more internal participation and information sharing across clinical groups and across regions, reflecting an increased sense of involvement within the clinical team.

# HEALTHCARE COMMENTARY //

## // TIME FOR REALISM ON HOSPITAL WAITING LISTS

**Editorial opinion supplied by New Zealand Private Surgical Hospitals Association.**

A recent Herald Digipoll highlighted that the two issues most likely to influence voters in the 2008 General Election were tax cuts and hospital waiting lists. While taxes may reduce, hospital waiting lists are unlikely to. It's time for a reality check.

In 1998 the New Zealand public hospital waiting list was around 89,000. Ten years on and after billions of extra dollars invested in the health system, the change to the new "Booking System" and numerous attempts at engineering the lists, waiting list numbers are reported to be around 42,000. Far from celebrating the halving of the list, most New Zealanders understand that this is due to the systematic removal of patients from the list than any genuine reduction.

The number of people receiving publicly funded elective surgery has remained more or less static since 2000, up 5% while the population has grown 7%. At the same time, the waiting list for all First Specialist Assessments, which had soared to 122,000 by January 2006, also suddenly fell to 82,000 by the end of that year. This while the number of patients receiving a surgical first specialist assessment each year has actually reduced from 250,000 in 2001, to 242,000 in 2007. Where have all these people gone? They are now categorised as in the care of their GP, and are no longer counted.

Public money alone won't solve the waiting list problem. In the UK, one of Tony Blair's promises to the electorate before he came to power in May 1997 was that his Government would cut the number of people on British hospital waiting lists by 100,000 in the life of that parliament. Despite billions of pounds invested in the public health system, within a year waiting lists had risen to an all time record.

Why did this occur? When a good or service is both free and desired by the public the demand for that good or service is insatiable. It simply is not possible to meet all the needs under a public hospital system

without a massive investment in public health infrastructure, investments that still may not deliver the expected reductions in waiting time.

Demand will continue to grow simply because we are getting older and more can be done. 40 years ago there was no such thing as a cardiac surgery waiting list. Joint replacement surgery was in its infancy, as was cataract surgery. All of these technologies have emerged in the last two generations. More will continue to emerge.

While these trends are common to all western jurisdictions, what is different about New Zealand is the failure to recognise the important contribution the private sector plays in our health sector, and the lack of incentives for people to take control of their own health. Few people realise that the private sector actually does more elective surgery than the public sector.

As we approach the General Election it is time for all political parties to realistically address the issue and acknowledge that New Zealand's public health system never has and never will meet all the demands placed on it. New Zealanders deserve honesty in this debate and the opportunity to plan accordingly, knowing what they can and cannot expect from it. They can then knowledgeably consider private medical insurance as a necessary household budget item, in the same manner as one would consider house, contents or car insurance.

Some years ago the Federal Government of Australia incentivised taking private health insurance in two ways:

1. It offered a tax rebate to those investing in private health insurance and;
2. It regulated the cost of private health insurance over the life of the policy holder. While it is not appropriate to replicate the Australian system here, some form of incentive for people taking our health insurance is appropriate.

In the late 1980s the proportion of New Zealanders who had private health insurance was around 48%. This dropped dramatically to as low as 31% a few years ago.



## HEALTHCARE COMMENTARY // CONTINUED

While there has been a small increase recently, more could be done. The simple act of removing Fringe Benefit Tax from employer contributions to the cost of medical insurance may make a significant difference. Employers are being encouraged to look after the health of their workers but are penalised for doing so by this regime. Further, as the premia payable for private insurance grows for those approaching retirement, it is in Government's interest to ensure those citizens remain covered by private insurance. Some form of Government financial support would avoid the burden on the public system and must have a cost benefit.

It could be said that the private hospitals industry has a vested interest in the adoption of such strategies. However, that is not the motive for raising this issue. The majority of private hospitals in New Zealand are

not for profit organisations, and all are genuinely interested in being able to make a positive contribution to improving the health status of all New Zealanders.

### SUMMARY

Access to publicly funded elective surgery is becoming increasingly constrained relative to demand, and this is likely to continue. It is time for a clearer picture of the true extent of the waiting list, and a debate around the extent to which Government can fund through the public sector the massive projected growth in demand for elective surgery. The removal of fringe benefit tax on employer subsidised private health insurance and an incentive to those approaching retirement age to maintain their private insurance, such as a rebate, would be positive steps to take growing pressure off the public sector.

# The luxurious way to a beautiful smile.

Lumino  
P E A R L  
DENTAL SPA



Lumino The Dentists is proud to announce the opening of Lumino Pearl Dental Spa in Remuera. Lumino Pearl provides premium appearance dentistry services within an atmosphere of relaxed, modern luxury. 134 Remuera Road, Remuera. Phone 09 520 6609

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