

# Making Contact

ABANO SHAREHOLDER NEWSLETTER

ISSUE THIRTEEN **DECEMBER 2008**

## Company Happenings //

### ANNUAL MEETING OF SHAREHOLDERS

**Continued growth, secure funding and a company which is continuing to track to a record forecast result were the key messages delivered to shareholders at the Abano Healthcare Group annual meeting in Auckland.**

Abano, with multiple businesses in four healthcare and medical services sectors was continuing to grow, said chairman Alison Paterson, with secure funding lines in place for current acquisition and expansion.

"Abano has multiple well performing businesses in the Audiology, Dental, Diagnostics and Rehabilitation sectors.

"We are also no longer just a New Zealand company; we have spread our investment model to include two profitable and expanding business networks in Australia and I am delighted to announce today that we will soon be entering selected Asian markets with audiology services.

"While there are many opportunities across a range of healthcare and medical sectors, we select our investment areas carefully and will continue to concentrate on our proven and successful investments, particularly in Audiology in New Zealand, Australia and now Asia, Dental in New Zealand and Australia and Radiology in New Zealand.

"We are acutely aware of the impact on financing growth in the current economic climate. Our funding remains strong with secured debt lines with ASB in New Zealand and CBA in Australia for long term facilities.

"While we have sufficient funding and facilities in place to meet our immediate strategic growth objectives, we will be reviewing our debt equity ratios going forward to ensure we maintain a prudent ratio of borrowings."

The company also provided an update on its current performance for the year to date and confirmed its market guidance for the 2009 financial year.

Alison Paterson continued: "The extent of the current economic downturn is unprecedented and it represents a material risk factor for all New Zealand businesses. Because of its nature, healthcare is reasonably protected from economic conditions; however, there are some areas of private healthcare discretionary spending which will be affected.

"Counter intuitively, Abano's retention of some long term public healthcare contracts, across a number of our businesses, will in fact help insulate us against reduced client or patient spending in coming months.



"Our growth has continued unabated into the 2009 financial year, with numerous acquisitions in dental, audiology and radiology and through our entry into new markets in Australia and, as now planned, into Asia."

Alan Clarke Managing Director

## Company Happenings // CONTINUED

“With six months having been completed in the current financial year, all businesses are making good progress on last year. Some planned acquisitions have taken longer than expected to settle; however, we have made good progress in other business areas and acquisitions. The full annualised contribution of several investments announced in recent months will only impact in the second half and indeed some will not be fully evident until the 2010 financial year.

“Based on our current underlying performance, combined with these new investments and with a weather eye on the extraordinary economic times, the directors’ expectation is that the company will still achieve our previously stated market guidance, with Revenues of between \$170 to \$180 million, an EBITDA of \$28.0 to \$32.0 million and a Net Profit After Tax of \$10.0 to \$11.0 million for the financial year ended 31 May 2009.”

“For the six months ending on 30 November 2008, we expect revenues to be in the range of \$85.0 to \$86.0 million; EBITDA of \$14.1 to \$14.5 million; and Net Profit After Tax of \$4.0 to \$4.3 million. This compares with revenues of \$59.6 million and EBITDA of \$11.0 million and a Net Profit After Tax of \$3.8 million for the same six month period last year,” said Alison.

Managing director, Mr Alan Clarke, commented further on the growth of the company:

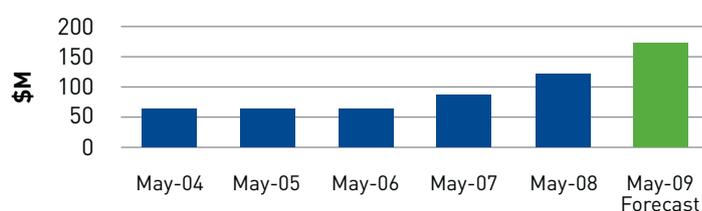
“Our growth has continued unabated into the 2009 financial year, with numerous acquisitions in dental, audiology and radiology and through our entry into new markets in Australia and, as now planned, into Asia.

“Several of these initiatives and investments took place in recent months. We entered the Australian Dental market in July. We then acquired the King Hearing Australian audiology chain in August and specialist obstetric ultrasound practice, Insight Radiology in New Zealand in November, along with a number of larger New Zealand dental practices.

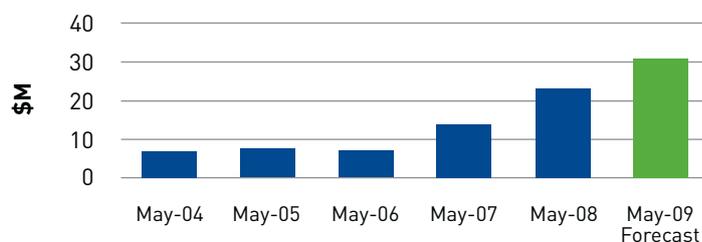
“We are therefore expecting a stronger second half performance over our first half as the benefits from these initiatives start to flow through, however, we will only see the full financial impact in the 2010 financial year.

“Although the economic conditions may mean that growth potential for private healthcare businesses may be affected in the short term, the demand for private healthcare continues to grow. Our strategy remains to continue to de-risk ourselves from any majority reliance on politically influenced contracts public healthcare contracts and to focus on businesses generating high private revenue streams.

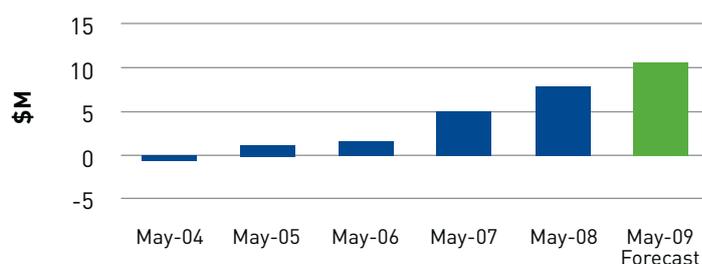
### REVENUE



### EBITDA



### NPAT



## Company Happenings // CONTINUED

“Abano has come a long way. Our international footprint is only just becoming apparent and the demand for the services we offer continues to grow throughout the Asia Pacific region.”

At the meeting, it was also announced that director, Graeme Edmond, would be resigning from the board, due to extended work commitments from his new role as Managing Director of SpecSavers NZ Limited.

Alison Paterson said: “I would like to thank Graeme sincerely for his valuable contribution to the board over the last two years.

“The significant geographical expansion of our company in the past 24 months, coupled with Graeme’s decision to resign, has caused the board to reappraise the appropriate skill mix required at board level. Following that review, an independent recruitment process is under way in anticipation of an appointment of a further director in the New Year. In this review we have taken into account the views of our two major shareholders.”

In addition, Peter Hutson, the Executive Chairman and shareholder in Abano’s Bay Audiology group of companies and in interested party of Healthcare Industry Limited, which has a 19.9% shareholding in Abano, was elected as an executive director at the meeting.

### SHAREHOLDERS AT THE MEETING PASSED ALL RESOLUTIONS, INCLUDING:

1. Reappointment and remuneration of PricewaterhouseCoopers as auditors
2. Re-election of Mr Philip Newland as a director
3. Re-election of Mr Trevor Janes as a director
4. Election of Mr Peter Hutson as a director
5. Approval of short term incentive scheme for Mr Alan Clarke
6. Approval of Executive Long Term Incentive Share Schemes

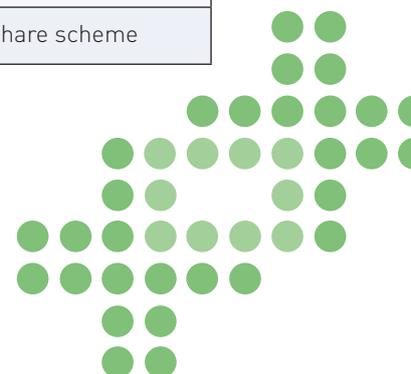
### NOTICE OF PROVISION OF FINANCIAL ASSISTANCE NOT EXCEEDING FIVE PER CENT OF SHAREHOLDERS’ FUNDS

(Section 80(1)(b) of the Companies Act 1993)

The company gives notice in accordance with section 80(1)(b) of the Companies Act 1993 that on 01 December 2008 it provided financial assistance to Mr Alan Clarke and Mr Richard Keys for the purchase of shares in the Company in accordance with an incentive share scheme and an outperformance share scheme (together the “Schemes”) approved by shareholders on 25 November 2008. Details of the assistance are set out below.

NAME	SHARES	AMOUNT OF FINANCIAL ASSISTANCE	RELEVANT SCHEME
Alan Clarke	149,336 Ordinary shares	\$450,000	Incentive share scheme
		\$225,000	Outperformance share scheme
Richard Keys	53,761 Ordinary shares	\$162,000	Incentive share scheme
		\$81,000	Outperformance share scheme

The financial assistance was provided by way of interest free loans to each executive in an amount equal to the aggregate subscription price of shares under each Scheme.



# DENTAL // UPDATE

## // DENTAL PARTNERS

### DENTAL PARTNERS CONTINUES GROWTH IN AUSTRALIA

**Abano is continuing to expand its dental footprint in Australia, with a further five practices added to the Dental Partners network since its launch in July this year.**

Dental Partners now has 14 practices around Australia, in Canberra, Queensland and New South Wales, and is on track to meet its target of up to 19 practices by the end of the 2009 financial year.

Modern Dentistry is a very well known and established seven chair practice in a prime location known as City Walk in the CBD of Canberra, a city that boasts Australia's highest per capita disposable income.

The principal, Dr Bubear, is a well known and highly respected dental clinician, who works alongside five full time associate dentists as well as one full-time hygienist and one part-time hygienist.

Modern Dentistry offers all types of dental treatments and its stated focus is on preventative dentistry.

Dr Bubear's dental interests include crown and bridge work, implant restorations and porcelain veneers. He is also very interested in minimum invasion dentistry and the importance of diet in general and dental health.

Modern Dentistry is an extremely modern dental practice and also offers dentists fluent in Mandarin and Vietnamese. It is the largest dental practice in Canberra and represents a secure foundation for Dental Partners' presence in this region.



## // LUMINO THE DENTISTS

### TEN YEARS YOUNGER STAR OPENS NEW ZEALAND'S FIRST LUXURY DENTAL SPA

**Allen Baker, the man known for transforming smiles on TV show, 'Ten Years Younger', has opened New Zealand's first luxury dental spa. The Lumino Pearl Dental Spa in Remuera, Auckland is modelled on an elite luxury European concept with a particular antipodean twist.**



Allen explains: 'We have combined state-of-the-art dental technology with a luxurious spa inspired atmosphere to create the ultimate dental experience for individuals wishing to enhance their smile and feel pampered at the same time.

'We are also trying to change the negative perception that many New Zealanders have of

the dentist's chair. By providing an exceptional level of personal care and using modern pain relief treatments, we take the stress and the stigma out of going to the dentist. There is now nothing standing in the way of obtaining that perfect smile.'

Allen and his highly trained team at Lumino Pearl use a variety of techniques to achieve their patients' desired results, including veneers, all porcelain crowns and implants. Exciting new technologies such as 3D imagery and robot controlled porcelain sculpting are also used.

Lumino Pearl Dental Spa can be found at 134 Remuera Rd, Auckland. For more information on the services offered at the Lumino Pearl Dental Spa, visit [www.luminopearl.co.nz](http://www.luminopearl.co.nz)



# AUDIOLOGY // UPDATE

## // BAY AUDIOLOGY

### AUDIOLOGY ASIA



**Bay Audiology is New Zealand's leading provider of audiology services and internationally recognised as a leading clinical audiology group. Now Bay Audiology has taken a first, carefully considered step into the Asian market with the planned acquisition of businesses in Singapore and Hong Kong.**

Through subsidiaries of Bay Audiology, Abano intends to acquire three clinics in Singapore from Siemens as part of its partnership agreement with the multi-national audiology manufacturer, Siemens Audiology Solutions. Separately, the Bay subsidiaries will also acquire a further audiology clinic in Singapore and two clinics in Hong Kong. These businesses, which will be acquired by Abano for approximately NZ\$3 million, are expected to provide over NZ\$3 million in annualised revenues and be earnings accretive from the date of acquisition, planned for December 2008.

Hong Kong and Singapore are markets that are growing at over twice the rate of New Zealand, with a higher GDP per capita. Household discretionary incomes are increasing rapidly in these countries and consumers are both sophisticated and brand conscious.

Most countries have a one in nine proportion of people with hearing difficulties. However, whereas in New Zealand and Australia, approximately 20 to 30 percent of these people are being treated for hearing loss, in Asia, this treatment rate is well below five percent. This provides a significant opportunity for the professional delivery of audiology services, with strong growth potential, and we believe the already proven Bay Audiology business model and brand can fill this gap. With limited existing providers, growing economies and large prosperous populations,

all major hearing aid companies have established manufacturing plants and growing marketing and distribution networks in these countries.

Like our well researched entry into the Australian market, this has been a carefully considered move, supported through our new partnership with the Siemens Group. The Siemens' strategy is to focus on research and development and manufacturing. Their distribution strategy is to partner with experienced retail and services providers and Bay Audiology was selected as their preferred partner for these countries.

Our Asian audiology development strategy is similar to our Australian entry. We will develop and grow each market through the acquisition of carefully selected local businesses, followed by the opening of new sites in specifically targeted areas in line with our philosophy to improve access and reduce barriers for hearing aid customers.

## // BAY AUDIO

### HEARING HEALTH AT HAND FOR NOOSA RESIDENTS

**Noosa residents can now have their hearing screened while they shop with the opening of the revolutionary new Bay Audio – Hearing Experts store at Noosa Civic Shopping Centre.**

Bay Audio is one of Australia's leading hearing health companies, helping Australians discover a better quality of life by providing solutions and advice about hearing loss.

The Noosa shop, which opened in September, features the latest in hearing technology including the innovative, world first touch-screen display where customers can don a pair of special headphones and be guided by an on-screen 'virtual audiologist' through a series of questions associated with sounds and tones.

The process is free and takes approximately five minutes to complete with results regarding the person's hearing health provided through a print out.



# DIAGNOSTICS // UPDATE

## // RADIOLOGY

### **BIRTH OF NEW RADIOLOGY PARTNERSHIP FOR ABANO**

**Abano has recently expanded its radiology offer with the acquisition of Insight Radiology, a highly regarded Specialist 4D Ultrasound Obstetric practice.**

With a staff of eight people, including three consultants of whom two are radiologists and one is a specialist Obstetrician, Insight Radiology operates two clinics in Auckland, in Parnell and Takapuna.

4D ultrasound represents the difference between a video and a still photograph, with revolutionary technology continually updating a 3D image of an unborn baby and providing a live action view of baby's movements and behaviour.



From images of your baby sucking its thumb, waving its hands or simply smiling, the 4D ultrasound provides a media picture for expectant parents that previous generations could not even contemplate.



4D ultrasounds are increasingly popular amongst future parents, providing them with a live motion picture of their unborn baby.

Insight Radiology joins Abano's Diagnostics sector, which also includes Ascot Radiology.

In line with its partnership philosophy, Abano has acquired 80 percent of Insight Radiology, with the clinical founder, Dr Richard Davis, holding the remaining 20 percent. Over the next year, Abano plans to sell down its holding to 70 percent, through the introduction of new Radiologist partners to the Insight business.

## // AOTEA PATHOLOGY

### **CELEBRATING OUR NEW LABORATORY**

On 21st August 2008, Aotea Pathology welcomed staff and invited guests to a function at the laboratory. It was an opportunity to celebrate and show off the wonderful new laboratory. Abano chairman, Alison Patterson, welcomed guests to the evening, followed by Associate Minister of Health, the Hon Steve Chadwick. There was also a very entertaining presentation from Morning Report's Sean Plunket. The evening was most successful and enjoyed by all.



### **MOLECULAR BIOLOGY DEPARTMENT WINS AGAIN**

**For the third time since 2005, molecular biologists from Aotea Pathology were judged by international speakers to have made the best scientific presentation at the Roche User Group meeting, and will receive a significant travel prize.**

Dana Felbab and Amanda Gourley, both young molecular biologists, developed and validated a new method for extracting DNA from clinical samples and presented at the Roche User Group meeting in Taupo.

The same prize was won in 2005 by head of department Dr Collette Bromhead and in 2006 by senior scientist Nadika Liyanarachchy. This latest achievement from our young scientists shows that the future of this high achieving department is in good hands.

# REHABILITATION // UPDATE

## // ABANO REHABILITATION

### **CLOSER RELATIONSHIPS WITH SERVICE USERS AND THEIR FAMILIES**

**In our residential services we have made significant improvements over the last few years in the way we work with clients' families.**

Both ACC and Ministry of Health (MOH) are working more closely with the Ministry of Social Development (MSD) and a lot of the principles and concepts that have been applied in MSD for some time are now being utilised by ACC and MOH, including partnerships with service users.

Some of the senior ACC and MOH managers can see how our residential services have been moving away from long-term care and towards active rehabilitation, and there has been good feedback from them.

ACC has been providing rehabilitation for people with serious brain injuries for more than 20 years now. That rehabilitation has generally been getting more and more effective over time, and the types of clients we now see are different from those admitted to Ranworth 10 years ago.

There are fewer people requiring long term care, and more people who are receiving rehab soon after their injury and making a reasonable recovery more quickly.

Our service has been adapting to this change, and our funders have noted this.

With the changes in our client group, and the new Early Intensive service managed by Cavit, with the likelihood that similar services will ultimately be rolled out across the country, the trend is more and more towards effective rehabilitation.



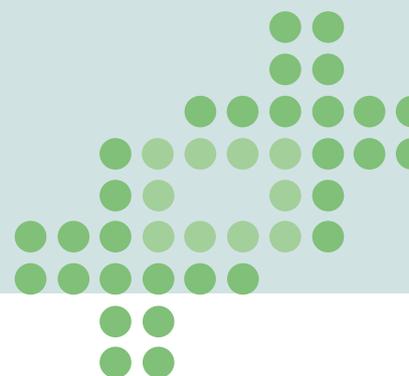
## // ORTHOTICS

### **STRENGTHENING THE BUSINESS**

**The Orthotic Group has gone through a settled period after the changes in the management team earlier this year. The most recent management appointment has seen a new Clinical Director, Gary Seaman from Germany, join the company.**

In Wellington, the business has joined the Post-Graduate School of Nursing, at Victoria University, in a research project into the use of compression therapy and the management of compression garments, particularly in the reduction of non- elective hospital admissions. The Orthotic Centre Wellington manager has also been appointed clinical adviser to the research team.

DHB contracts for Wellington have also been renewed for a further two years to the 30 June 2010. This security of funding enables us to plan in advance including investing in upgrading equipment and systems and continuing to attract skilled and qualified staff from overseas.



## ABANO WINS TOP 200 AWARD FOR BOLD AND DIFFERENT GROWTH STRATEGY //

**Abano Healthcare Group's successful growth strategy has been recognised in one of the country's top business awards, with the company picking up the EMA Best Growth Strategy Award at the Management Magazine Top 200 Awards on 4 December 2008.**

Judges said: "Abano's meticulously executed strategies for providing care and growing the business have been so successful that the company's shares are constantly sought by suitors wanting a slice of its action. This very clever enterprise is bold about growth and constantly thinking differently about how to deliver its future. Abano keeps growing both its range of services, and the markets in which it operates, without sacrificing profitability. This year's outstanding performance was driven by increased returns from all sectors of the business. Bold and different sums up this company. Its success is the outcome of its strategic thinking and meticulous execution."

Managing director of Abano, Alan Clarke, accepted the Award and praised the management, employees and clinical partners at Abano for their commitment to the company and its growth strategy.

"Competing against Air New Zealand and Delegation Group, both much larger and longer established organisations, Abano's win is a credit to the wonderful executives and teams of people who are our business. Healthcare is a people industry and without the dedication, commitment and quality service from the 1,300 employees who work for an Abano business, we would not be where we are today.

"We are delighted to have won this prestigious award, recognising the effective implementation of our successful growth strategy. This strategy will continue as we expand in our chosen healthcare sectors across New Zealand, Australia and Asia, whilst ensuring increasing returns and profitability for our shareholders."

Earlier this year, Abano was also a finalist in the 2008 Annual Report Awards which honour excellence in annual reporting.

Chief Judge Martin Matthews said: "So much of what happens in our society, and in our economy, is dependent on us being willing to entrust resources, authority or power in others to act on our behalf. In return, we expect results, and we expect full and transparent accountability for these things. That is the role of the Annual Report.

"In my opinion, the commitment to preparing a good annual report is probably an indicator that the organisation concerned has an equally strong commitment to sound performance - such a commitment is something that we need to recognise and value."



Sav S Photography

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