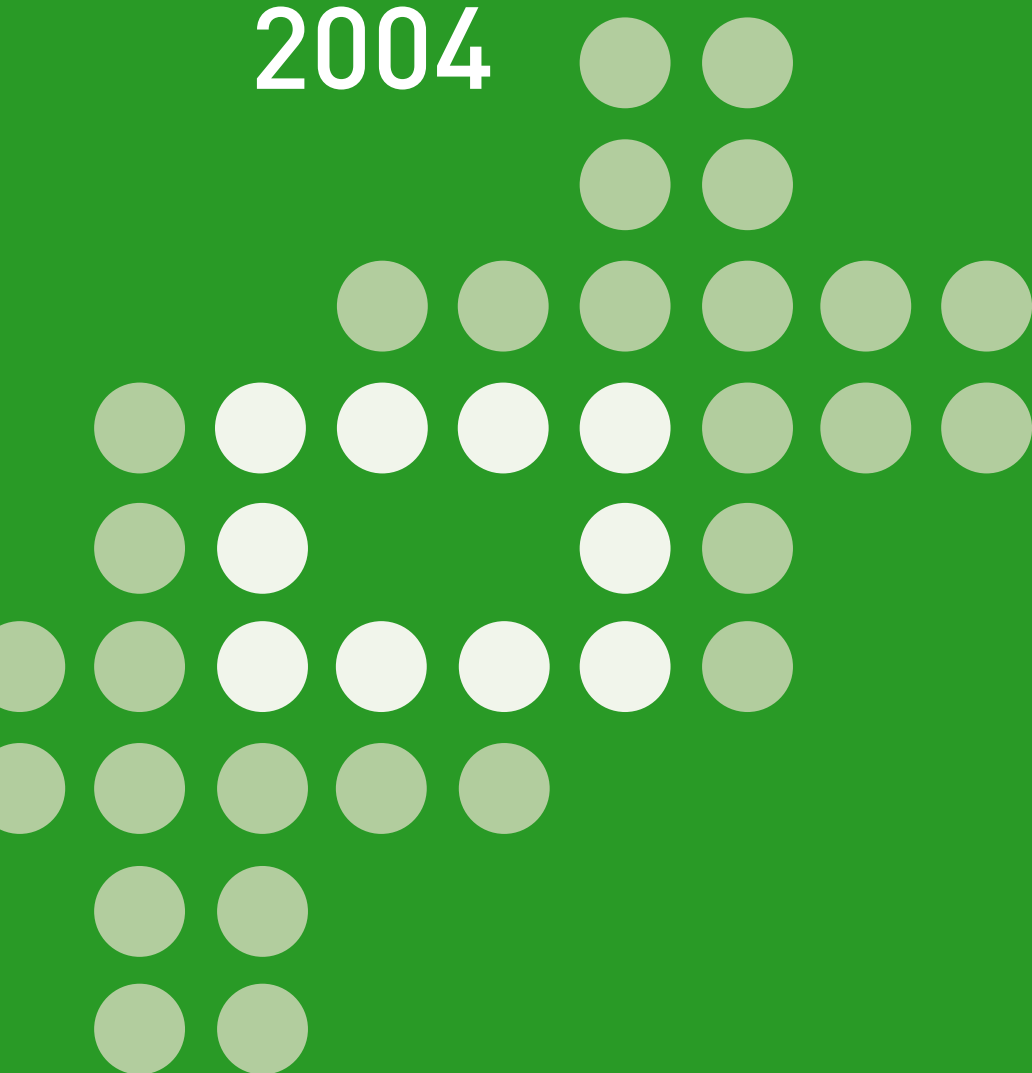


# Abano Healthcare Financial Statements

2004



## DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 31 May 2004

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 2004 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 44 to 69, for the year ended 31 May 2004.

The financial statements presented on the following pages were authorised for issue on 29 July 2004.

For and on behalf of the Board



**Jim Syme**  
**CHAIRMAN**



**Alan Clarke**  
**MANAGING DIRECTOR**

29 July 2004

# AUDITORS' REPORT

as at 31 May 2004



**PricewaterhouseCoopers**

188 Quay Street

Private Bag 92162

Auckland New Zealand

DX CP24073

Telephone +64 9 355 8000

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## AUDITORS' REPORT

TO THE SHAREHOLDERS OF ABANO HEALTHCARE GROUP LIMITED

We have audited the financial statements on pages 44 to 69. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 May 2004 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 49 and 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 2004 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 used 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 capacities as auditors under the Companies Act 1993 and carrying out other assignments in the areas of compliance and financial assurance and advisory 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 44 to 69:
  - (i) comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the financial position of the Company and Group as at 31 May 2004 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 29 July 2004 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants

Auckland

## STATEMENTS OF FINANCIAL PERFORMANCE

for the year ended 31 May 2004

ABANO HEALTHCARE GROUP LIMITED AND SUBSIDIARIES

	NOTES	GROUP		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Revenue	2	64,856	58,328	4,497	1,750
<b>Operating (deficit) / surplus before income tax</b>	2	<b>(427)</b>	2,396	<b>(3,576)</b>	(4,119)
Income tax (expense) / benefit	9	(25)	389	178	215
<b>Operating (deficit) / surplus after income tax</b>		<b>(452)</b>	2,785	<b>(3,398)</b>	(3,904)
Minority interest in surplus of subsidiary	6	-	(786)	-	-
<b>Net (deficit) / surplus attributable to shareholders of the Company</b>		<b>(452)</b>	1,999	<b>(3,398)</b>	(3,904)
<b>Comprising:</b>					
Operating (deficit) / surplus from continuing activities		(452)	1,999	(3,398)	(3,904)
		<b>(452)</b>	1,999	<b>(3,398)</b>	(3,904)

## STATEMENTS OF MOVEMENTS IN EQUITY AND CAPITAL FUNDS

for the year ended 31 May 2004

ABANO HEALTHCARE GROUP LIMITED AND SUBSIDIARIES

	NOTES	GROUP		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Equity and capital funds at beginning of year</b>		<b>41,983</b>	41,540	<b>39,813</b>	46,067
Net (deficit) / surplus for the year	5	(452)	1,999	(3,398)	(3,904)
Minority interests in current year retained earnings	6	-	786	-	-
Foreign currency translation reserve		(3)	(3)	-	-
<b>Total recognised revenues and expenses</b>		<b>(455)</b>	2,782	<b>(3,398)</b>	(3,904)
<b>OTHER MOVEMENTS</b>					
Ordinary shares issued during the year	3	4,858	190	4,858	190
Optional convertible notes	3	(4,302)	(2,394)	(4,302)	(2,394)
Acquisition of minority interest		(412)	11	-	-
Dividends paid to minority interests during the year	6	(839)	-	-	-
Minority interest transferred during the year	6	16	-	-	-
Mandatory convertible notes converted during the year	3	-	(127)	-	(127)
Reduction in value of mandatory convertible notes	3	-	(19)	-	(19)
<b>Equity and capital funds at end of year</b>		<b>40,849</b>	41,983	<b>36,971</b>	39,813

## STATEMENTS OF FINANCIAL POSITION

as at 31 May 2004

ABANO HEALTHCARE GROUP LIMITED AND SUBSIDIARIES		GROUP		COMPANY	
	NOTES	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	3	57,305	52,447	57,305	52,447
Accumulated losses	5	(19,701)	(19,243)	(23,579)	(20,181)
Foreign currency translation reserve		-	(3)	-	-
<b>Shareholders' equity</b>		<b>37,604</b>	33,201	<b>33,726</b>	32,266
Minority interest	6	-	1,235	-	-
<b>Total equity</b>		<b>37,604</b>	34,436	<b>33,726</b>	32,266
<b>CAPITAL FUNDS</b>					
Optional convertible notes	3	3,245	7,547	3,245	7,547
<b>Total capital funds</b>		<b>3,245</b>	7,547	<b>3,245</b>	7,547
<b>Total equity and capital funds</b>		<b>40,849</b>	41,983	<b>36,971</b>	39,813
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	7	36,400	32,209	36,400	32,189
Deferred income		158	216	-	-
<b>Total non-current liabilities</b>		<b>36,558</b>	32,425	<b>36,400</b>	32,189
<b>CURRENT LIABILITIES</b>					
Bank overdraft		581	1,051	570	1,051
Payables and accruals	15	6,658	5,851	722	558
Borrowings	7	-	70	-	-
<b>Total current liabilities</b>		<b>7,239</b>	6,972	<b>1,292</b>	1,609
<b>Total liabilities</b>		<b>43,797</b>	39,397	<b>37,692</b>	33,798
<b>TOTAL EQUITY, CAPITAL FUNDS AND LIABILITIES</b>		<b>84,646</b>	81,380	<b>74,663</b>	73,611
<b>CURRENT ASSETS</b>					
Cash and bank balances		490	930	43	12
Receivables and prepayments	14	8,797	9,527	2,349	1,627
Inventories		965	1,022	-	-
Deferred tax asset	9	364	389	393	215
Investments in listed securities		3	4	3	4
<b>Total current assets</b>		<b>10,619</b>	11,872	<b>2,788</b>	1,858
<b>NON-CURRENT ASSETS</b>					
Receivables and prepayments	14	60	419	60	419
Investments in subsidiaries	12	-	-	28,221	28,221
Other investments		-	5	-	-
Advances to subsidiaries		-	-	41,916	43,072
Property, plant and equipment	10	55,810	54,486	198	41
Intangible assets	13	18,157	14,598	1,480	-
<b>Total non-current assets</b>		<b>74,027</b>	69,508	<b>71,875</b>	71,753
<b>TOTAL ASSETS</b>		<b>84,646</b>	81,380	<b>74,663</b>	73,611

## STATEMENTS OF CASH FLOWS

for the year ended 31 May 2004

ABANO HEALTHCARE GROUP LIMITED AND SUBSIDIARIES

NOTES	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Receipts from residents, patients and customers	65,897	57,202	2,700	-
Goods & services tax received	224	156	34	153
Interest received	20	56	-	-
Income tax refunded	-	54	-	-
	<b>66,141</b>	57,468	<b>2,734</b>	153
<b>Cash was applied to:</b>				
Payments to suppliers and employees	57,334	50,159	4,513	2,122
Goods & services tax paid	-	-	12	-
Income tax paid	413	-	-	-
Finance lease charges	5	25	-	-
Interest paid	2,748	2,461	2,748	2,458
	<b>60,500</b>	52,645	<b>7,273</b>	4,580
<b>Net cash inflow / (outflow) from operating activities</b>	<b>5,641</b>	4,823	<b>(4,539)</b>	(4,427)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Sale of fixed assets	636	5,407	-	-
Advances from subsidiaries	453	-	2,523	9,780
Other investment income	-	38	3	-
Cash balances acquired	-	16	-	-
	<b>1,089</b>	5,461	<b>2,526</b>	9,780
<b>Cash was applied to:</b>				
Purchase of property, plant and equipment	5,061	2,957	104	31
Purchase of investments in subsidiaries	12	4,928	1,582	1,721
Advances to subsidiaries	-	-	-	-
Other advances	-	542	-	-
	<b>9,989</b>	5,220	<b>1,686</b>	1,752
<b>Net cash (outflow) / inflow from investing activities</b>	<b>(8,900)</b>	241	<b>840</b>	8,028

## STATEMENTS OF CASH FLOWS

for the year ended 31 May 2004

ABANO HEALTHCARE GROUP LIMITED AND SUBSIDIARIES	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Proceeds from borrowings	7,390	5,240	7,390	5,240
	<b>7,390</b>	5,240	<b>7,390</b>	5,240
<b>Cash was applied to:</b>				
Repayment of borrowings	3,180	7,398	3,179	6,138
Finance lease principal repayments	82	252	-	-
Redemption of convertible notes	-	2,912	-	2,912
Convertible notes interest	-	761	-	761
Dividends paid to minority interests	839	-	-	-
	<b>4,101</b>	11,323	<b>3,179</b>	9,811
<b>Net cash inflow / (outflow) from financing activities</b>	<b>3,289</b>	(6,083)	<b>4,211</b>	(4,571)
<b>Net increase / (decrease) in cash held</b>	<b>30</b>	(1,019)	<b>512</b>	(970)
Add opening cash brought forward	(121)	898	(1,039)	(69)
<b>Cash balance at end of year</b>	<b>(91)</b>	(121)	<b>(527)</b>	(1,039)
<b>Cash comprises:</b>				
Cash at bank	490	930	43	12
Bank overdrafts	(581)	(1,051)	(570)	(1,051)
	<b>(91)</b>	(121)	<b>(527)</b>	(1,039)

## RECONCILIATION OF NET SURPLUS FOR THE YEAR WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

for the year ended 31 May 2004

ABANO HEALTHCARE GROUP LIMITED AND SUBSIDIARIES	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Net (deficit) / surplus for the year	(452)	1,999	(3,398)	(3,904)
Add minority interest in surplus of subsidiaries	-	786	-	-
	<b>(452)</b>	2,785	<b>(3,398)</b>	(3,904)
<b>Adjusted for non-cash items:</b>				
Depreciation	3,078	2,597	31	4
Amortisation of intangible assets	1,022	769	66	-
Utilisation / (recognition) of deferred tax asset	25	(389)	(178)	(215)
Interest expense on convertible notes	474	257	474	257
Interest income on advances made to executives	(136)	(192)	(136)	(192)
Executive compensation expense	30	89	19	55
Other non-cash	16	(4)	-	(4)
	<b>4,509</b>	3,127	<b>276</b>	(95)
<b>Movement in working capital:</b>				
Decrease / (increase) in receivables and prepayments	1,300	(232)	(1,580)	(1,230)
Increase / (decrease) in accounts payables and accruals	250	(366)	163	43
(Decrease) in deferred income	(105)	(153)	-	-
	<b>1,445</b>	(751)	<b>(1,417)</b>	(1,187)
<b>Items classified as financing activities</b>				
Convertible notes interest paid	-	761	-	761
	-	761	-	761
<b>Items classified as investing activities:</b>				
Add back cost of sales - investing activity	-	(133)	-	-
Realised gain on sale of properties	3	(927)	-	-
Write down in value of fixed assets	136	-	-	-
Investment income	-	(39)	-	(2)
	<b>139</b>	(1,099)	-	(2)
<b>Net cash flows from operating activities</b>	<b>5,641</b>	4,823	<b>(4,539)</b>	(4,427)



# STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 May 2004

## STATUTORY BASE

The financial statements presented here are for Abano Healthcare Group Limited ("Company") and the consolidated Group comprising Abano Healthcare Group Limited and its subsidiaries.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. Abano Healthcare Group Limited is an issuer in terms of the Financial Reporting Act 1993 and the Securities Act 1978.

## MEASUREMENT BASE

The financial statements have been prepared on the basis of historical cost principles with the exception of certain items for which specific accounting policies are identified.

## ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below.

## BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Abano Healthcare Group Limited and its subsidiaries. All significant intercompany balances and transactions have been eliminated on consolidation.

The purchase method of accounting has been used to consolidate subsidiary companies.

The results of subsidiaries acquired during the year are included in the consolidated statement of financial performance from the date of the acquisition.

Associates, being those entities where the Group has a significant but not controlling interest in, are accounted for using the equity method.

## GOODWILL

Upon acquisition of subsidiary companies fair values are assigned to the specific assets and liabilities taken over. Where the purchase price paid for the acquisition exceeds the fair value of net assets acquired the difference is shown as an intangible asset and amortised over a period of 20 years.

## INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company.

## FOREIGN CURRENCIES

### Transactions

Foreign currency transactions are translated into New Zealand currency at the ruling rates of exchange at the date of the transaction. Balances in overseas currencies have been translated to New Zealand currency at the ruling rate of exchange at balance date. All foreign exchange gains and losses are taken to the statement of financial performance.

### Foreign operations

Revenues and expenses of foreign operations are translated to New Zealand dollars at the exchange rates in effect at the date of the transaction, or at rates approximating them. Assets and liabilities are converted to New Zealand dollars using exchange rates at balance date. Exchange differences arising from the translation of independent foreign operations are recognised in the foreign currency translation reserve.

## REVENUE

### Services

Revenue from nursing homes, private hospitals, village services, rehabilitation services, diagnostic services and dental services is recognised on an accruals basis.

### Licences to Occupy & Property

Revenue is recognised in the statement of financial performance as follows:

#### Initial sale

Revenue is recorded when there is an unconditional sale of a property asset or licence to occupy in place. A surplus is recognised as the difference between the revenue from the sale and the cost incurred in developing the property which is the subject of the sale. Cost includes all costs associated with development including land, materials, construction, capitalised funding costs and other direct costs incurred.

#### Resale

For resales of existing villas or apartments, revenue is the difference between the price of the new licence to occupy after deducting any Lifecare fee and the balance required to be paid for the repurchase of the licence to occupy.

#### Lifecare fees

Lifecare fees are receivable from residents of villas or apartments which have been sold under a licence to occupy agreement. Lifecare fees represent a payment made by the purchaser of a licence to occupy, entitling the purchaser to the use of communal facilities and the right to be provided with care services. They fall into two categories: lifecare fees received in advance, and lifecare fees receivable on termination of the licence to occupy.

#### Lifecare fees received in advance

Lifecare fees received in advance are refundable on a pro-rata basis if the resident terminates their licence to occupy within the initial term of the lifecare fee agreement. The lifecare fee is amortised to the Statement of Financial Performance over the agreement period; the unamortised portion of the Lifecare fee is reflected as deferred income in the Statement of Financial Position.

#### Lifecare fees receivable on termination

Lifecare fees receivable on termination of a licence to occupy are accrued to the Statement of Financial Performance on a monthly basis during the initial term of the lifecare fee agreement; the accrued balance is recorded as a receivable in the Statement of Financial Position. When the occupation licence is terminated and resold the accrued balance is deducted from the proceeds of resale.

#### Other income

Other income is recorded when earned.

## GOODS & SERVICES TAX (GST)

All items in the statement of financial performance and financial position are stated exclusive of GST, with the exception of receivables and payables which include GST invoiced.

## ACCOUNTS RECEIVABLE

Accounts receivable are reported at estimated realisable value after providing for any debts considered doubtful.

## PREPAID REBANKING FEES

Prepaid rebanking fees are amortised over the initial period of the lending facility.

# STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 May 2004

## INVENTORIES

Inventories comprise medical supplies and consumables, stated at the lower of cost or net realisable value. Cost is determined on a first in, first out basis.

## PROPERTY, PLANT AND EQUIPMENT

### Fixed assets

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of the other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. The cost of self-constructed assets includes the cost of all materials used in construction, direct labour, costs of obtaining Resource Management Act consents, directly attributable financing costs and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use.

### Depreciation

Depreciation is charged on a straight line basis so as to expense the cost or valuation of the fixed assets to their expected residual value over their estimated useful lives. The estimated useful lives are as follows:

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

## LEASES

### Finance leases

Assets which are the subject of finance leases are recognised as non-current assets in the statement of financial position. Leased assets are recognised initially at the lower of the present value of the lease payments or their fair value. A corresponding liability is established and each lease payment allocated between the liability and interest expense. Leased assets are depreciated on the same basis as equivalent property, plant and equipment.

### Operating leases

Leases which are not finance leases are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable.

## IMPAIRMENT

Annually, the directors assess the carrying value of each long-lived tangible and intangible asset group. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the statement of financial performance.

## TAXATION

The Group follows the liability method of accounting for deferred taxation.

The tax charge against the surplus for the year is the estimated liability in respect of that surplus after allowance for all permanent differences and timing differences not expected to reverse in the foreseeable future. This is the partial basis for the calculation of deferred taxation.

Future taxation benefits attributable to timing differences or losses carried forward are recognised in the financial statements only

where there is virtual certainty that the benefit of the timing differences or losses will be utilised by the Group.

## FINANCIAL INSTRUMENTS

Financial instruments carried on the statements of financial position include cash and bank balances, investments, receivables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial instruments that are designated as hedges of specific items are recognised on the same basis as the underlying hedged items.

Financial instruments that do not constitute hedges are stated at market value and any resultant gain or loss is recognised in the statements of financial performance.

## EMPLOYEE ENTITLEMENTS

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognised when they accrue to employees. The liability for employee entitlements is carried at the present value of the estimated future cash outflows.

## STATEMENTS OF CASH FLOWS

The following are the definitions of the terms used in the statement of cash flows:

**Operating activities** include all transactions and other events that are not investing or financing activities.

**Investing activities** are those activities relating to the acquisition, holding and disposal of property, plant and equipment, including those items classified as properties intended for sale, and investments. Investments can include securities not falling within the definition of cash.

**Financing activities** are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

**Cash** includes cash on hand and in banks, net of bank overdrafts.

## EQUITY

Costs associated with the issue of shares are recognised as a reduction of the amount collected per share.

## EQUITY BASED EXECUTIVE COMPENSATION

The Company has adopted the fair value method of accounting for its executive convertible note plan. Under this method, the fair value at the grant date is being recognised in the statements of financial performance over the vesting period.

## CONVERTIBLE NOTES

Optional convertible notes are classified as Capital Funds in the equity and capital funds section of the statements of financial position.

## CHANGES IN ACCOUNTING POLICIES

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

## 1. Segment information

### INDUSTRY SEGMENTS

	AGED CARE		REHABILITATION		DIAGNOSTICS		DENTAL		TOTAL	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
OPERATING REVENUE										
Segment	24,040	23,275	14,430	12,388	17,981	17,902	8,265	4,518	64,716	58,083
Unallocated									140	245
<b>Total revenue</b>	<b>24,040</b>	<b>23,275</b>	<b>14,430</b>	<b>12,388</b>	<b>17,981</b>	<b>17,902</b>	<b>8,265</b>	<b>4,518</b>	<b>64,856</b>	<b>58,328</b>
OPERATING (DEFICIT) / SURPLUS										
Segment*	2,136	3,267	981	1,955	955	917	(687)	(396)	3,385	5,743
Unallocated									(3,837)	(2,958)
<b>Operating (deficit) / surplus after income tax</b>									<b>(452)</b>	<b>2,785</b>
SEGMENT ASSETS										
Property, plant & equipment	51,541	50,237	501	385	2,335	2,511	1,386	1,312	55,763	54,445
Other assets	3,743	3,883	10,178	7,029	9,563	9,941	3,145	3,386	26,629	24,239
<b>Total segment assets</b>	<b>55,284</b>	<b>54,120</b>	<b>10,679</b>	<b>7,414</b>	<b>11,898</b>	<b>12,452</b>	<b>4,531</b>	<b>4,698</b>	<b>82,392</b>	<b>78,684</b>
Unallocated assets									2,254	2,696
<b>Total assets</b>									<b>84,646</b>	<b>81,380</b>

\*Segment results reflect the allocation of attributable Corporate overheads. Unallocated costs are specific to the Company.

### GEOGRAPHIC SEGMENTS

The Group operates primarily in New Zealand.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 2. Operating (deficit) / surplus before taxation

Operating (deficit) / surplus before taxation is stated after charging / (crediting)

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Revenue				
- operating revenue	(64,556)	(57,463)	(4,358)	-
- non-operating revenue	(19)	(292)	-	(1,548)
- gain on sale of villas and apartments	(124)	(321)	-	-
- interest received	(157)	(252)	(139)	(202)
Fees paid to principal auditors (PricewaterhouseCoopers)				
- audit fees	185	110	37	36
- non-statutory audit fees	59	59	23	-
- income tax returns	-	75	-	75
- amalgamations, compliance and taxation advice	-	86	-	44
- accounting advice	-	5	-	5
Audit fees paid to other auditors	-	3	-	-
Fees paid to other accountants*	40	43	25	-
Change in doubtful debts provision	4	(143)	-	-
Bad and doubtful debts written off	20	87	-	-
Depreciation				
- land and buildings	814	696	-	-
- property, plant and equipment	2,044	1,706	31	4
- motor vehicles	220	195	-	-
Goodwill amortisation	1,022	769	66	-
Rental expense on operating leases	2,282	1,927	290	29
Interest				
- on borrowings	2,775	2,618	2,775	2,607
- on convertible notes	474	1,018	474	1,018
- finance lease charges	-	23	-	-
Directors' fees	150	158	150	141
Equity-based executive compensation expense	31	89	19	55
Donations	19	11	2	-
(Gain) on sale of properties intended for sale	-	(927)	-	-
Provision for closure of Australian dental operation	326	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
* Fees paid to other accountants comprise:				
General Accounting				
- KPMG	25	-	25	-
- Grant Thornton	7	-	-	-
- Moore & de Lisle	8	20	-	-
- West Yates	-	6	-	-
Accounting systems implementation				
- Deloitte Touche Tohmatsu	-	17	-	-
	<b>40</b>	43	<b>25</b>	-
Fees paid to accounting firms which are not included in the above but which were incurred in relation to business acquisitions and accounting systems implementation and capitalised into the cost of those assets, comprised payments made to:				
KPMG				
- due diligence on business acquisitions	16	-	16	-
Principal auditors (PricewaterhouseCoopers):				
- due diligence, taxation advice and completion audit on business acquisitions	-	102	-	102
Other accountants - for accounting systems implementation:				
- Deloitte Touche Tohmatsu	-	97	-	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 3. Equity and capital funds

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>ISSUED AND PAID UP CAPITAL</b>				
Balance at beginning of year	52,447	52,257	52,447	52,257
Conversion of optional convertible notes	4,798	-	4,798	-
Shares issued to staff in lieu of bonus payments	60	63	60	63
Conversion of mandatory convertible notes	-	127	-	127
<b>Balance at end of year</b>	<b>57,305</b>	<b>52,447</b>	<b>57,305</b>	<b>52,447</b>
<b>CAPITAL FUNDS</b>				
<b>Optional convertible notes</b>				
Balance at beginning of year	7,547	9,941	7,547	9,941
Equity-based executive compensation expense	31	89	31	89
Interest accrued	474	1,018	474	1,018
Conversion to ordinary shares during the year	(4,807)	-	(4,807)	-
Issued during year	-	173	-	173
Principal repaid during the year	-	(2,912)	-	(2,912)
Accrued interest repaid during the year	-	(762)	-	(762)
<b>Balance at end of year</b>	<b>3,245</b>	<b>7,547</b>	<b>3,245</b>	<b>7,547</b>
<b>Mandatory convertible notes</b>				
Balance at beginning of year	-	146	-	146
Reduction in value of convertible notes	-	(19)	-	(19)
Conversion into ordinary shares	-	(127)	-	(127)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Share options reserve</b>				
Balance at beginning of year	-	1,000	-	1,000
Expired during year	-	(1,000)	-	(1,000)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL FUNDS AT END OF YEAR</b>	<b>3,245</b>	<b>7,547</b>	<b>3,245</b>	<b>7,547</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

## EQUITY AND CAPITAL FUNDS ISSUED

### Ordinary shares

As at 31 May 2004 there were 219,953,744 fully paid ordinary shares on issue (2003: 194,835,832). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

As at 31 May 2004 there were no options on issue (2003: nil). During the prior year 31,034,274 options expired in accordance with their terms of issue. An amount of \$1,000,000 relating to the expired options was transferred from share options reserve to retained earnings during the year ended 31 May 2003.

### Share issues

The following share issues took place during the year:

#### Equity placement:

On 27 August 2003, 250,213 shares were issued at \$0.193 per share to certain senior executives in lieu of 61% of their bonuses for the year ended 31 May 2003. The price at which the shares were issued was the average closing price of the Company's shares quoted on the NZX in the five days following the Company's announcement of its result for the year ended 31 May 2003, released on 30 July 2003. The amount credited to paid up capital was \$48,292.

On 27 August 2003, 63,212 shares were issued at \$0.193 per share to Mr Alan Clarke (CEO of the Company). The shares were issued in accordance with a three year scheme approved by shareholders at the Company's Annual General Meeting held on 16 October 2002 pursuant to which the Board was authorised to issue shares in consideration of monetary remuneration that Alan Clarke is entitled to receive by way of a bonus in accordance with his employment contract with the Company. The price at which the shares were issued was the average closing price of the Company's shares quoted on the NZX in the five days following the Company's announcement of its result for the year ending 31 May 2003. The amount credited to paid up capital was \$12,200.

#### Conversion of convertible notes:

On 3 November 2003 an optional convertible note in favour of Cullen Investments Limited converted into 18,561,337 ordinary shares. The amount credited to paid up capital was \$3,526,654 representing principal and accrued interest outstanding at that date.

On 2 February 2004 a series of optional convertible notes converted into 6,243,150 ordinary shares. The amount credited to paid up capital was \$1,279,500, including principal and accrued interest. The notes were issued as part consideration for the purchase of 100% of the shares in Medical Laboratory Wellington Limited, Wellington Pathology Limited and Nelson Diagnostic Laboratory Limited.

### Optional convertible notes

In accordance with the Company's policy of fair value accounting for its Convertible Note Plan an amount of \$30,612 has been charged to the Statement of Financial Performance as executive remuneration, reflecting the portion of the fair value of the notes at grant date that vested during the year ended 31 May 2004 (2003: \$88,624). The fair value of the notes at grant date was determined by Ferrier Hodgson, Chartered Accountants.

As a result of the above movements the following convertible notes remained on issue as at 31 May 2004:

Convertible notes with a face value of \$1,066,330 issued as part consideration for the purchase of 100% of the shares in Medical Laboratory Wellington Limited, Wellington Pathology Limited and Nelson Diagnostic Laboratory Limited. The notes represent one remaining series of notes from those issued on 31 January 2002 and mature on 31 January 2005. The Company has the discretion to redeem the notes in cash on maturity or to issue shares in the Company at the lower of 23 cents per share or a 10% discount to the

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 May 2004

average volume weighted market value of the shares in the Company over the 10 business days prior to the date of maturity of each series of notes. In the event that the Company elects to repay in cash and where the Company's share price is 26 cents or more at the time of the notes maturity, then the note holders may elect to convert the matured notes into shares in the Company at 23 cents per share. The notes bear interest of 10% p.a., accrued monthly. During the year ended 31 May 2004 interest of \$177,625 was accrued to the convertible note value (2003: \$284,844). At 31 May 2004 net outstanding interest of \$248,810 has been accrued into the convertible note value.

In 2001 the ElderCare New Zealand Limited Convertible Note Plan was established. Under this plan certain senior executives of the Group are offered an opportunity to subscribe for optional convertible notes. The notes vest in the holder over a period of three years and have varying conversion prices. Once vested, the shares can be converted, at the option of the holder, into ordinary shares in the Company. The Company advances the funds required to purchase the notes to the employees and these advances are repayable when the convertible notes convert into ordinary shares or are otherwise redeemed. Both the convertible notes and the financial assistance provided to purchase the convertible notes attract an interest rate at the "prescribed rate of interest" as defined in section OB1 of the Income Tax Act 1994 in force from time to time as notified in the Gazette, with the convertible notes paying an additional rate of 1.5% per annum. Convertible notes with a face value of \$1,426,750 (2003: \$1,426,750) have been issued to senior executives under the ElderCare New Zealand Limited Convertible Note Plan. The notes are able to convert into ordinary shares at the prices and timeframes outlined on page 73 under the heading "Remuneration of Employees" within the section entitled "Additional Statutory Information". During the year ended 31 May 2004 interest of \$150,230 was accrued to the convertible notes value (2003: \$233,480). The value of the notes in the Statement of Financial Position as at 31 May 2004 also includes \$119,236 reflecting the portion of the fair value of the notes at grant date that has been charged to the Statements of Financial Performance as executive remuneration in the years ended 31 May 2002, 31 May 2003 and 31 May 2004.



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

Summary of optional convertible notes on issue:

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>EXECUTIVE CONVERTIBLE NOTES</b>				
Balance at beginning of year	1,782	1,287	1,782	1,287
Issued during year	-	173	-	173
Interest accrued during year	150	233	150	233
Fair value charge for notes which have vested	31	89	31	89
<b>Balance at end of year</b>	<b>1,963</b>	1,782	<b>1,963</b>	1,782
<b>NON-EXECUTIVE CONVERTIBLE NOTES</b>				
Balance at beginning of year	5,765	8,654	5,765	8,654
Converted to ordinary shares during year	(4,807)	-	(4,807)	-
Principal repaid during year	-	(2,912)	-	(2,912)
Accrued interest repaid during year	-	(762)	-	(762)
Interest accrued during year	324	785	324	785
<b>Balance at end of year</b>	<b>1,282</b>	5,765	<b>1,282</b>	5,765
<b>Total optional convertible notes</b>	<b>3,245</b>	7,547	<b>3,245</b>	7,547

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 4. Earnings per share

	GROUP	
	2004	2003
Earnings per share from continuing operations - undiluted (cents)	(0.22)	1.0
Earnings per share from continuing operations - fully diluted (cents)	(0.19)	0.8

Undiluted earnings per share is calculated by dividing net surplus for the year by the weighted average number of shares on issue during the year.

Fully diluted earnings per share is calculated by dividing net surplus for the year by the weighted average number of shares, options and convertible notes on issue during the year.

### 5. Accumulated losses

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Balance at beginning of year	(19,243)	(22,242)	(20,181)	(17,277)
Net (deficit) / surplus for the year	(452)	1,999	(3,398)	(3,904)
Transfer of foreign currency translation reserve	(6)	-	-	-
Transfer of share options reserve on expiry of options	-	1,000	-	1,000
<b>Balance at end of year</b>	<b>(19,701)</b>	<b>(19,243)</b>	<b>(23,579)</b>	<b>(20,181)</b>

### 6. Minority interest

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Balance at beginning of year	1,235	438	-	-
Acquired during the year	(412)	11	-	-
Dividends paid to minority interests	(839)	-	-	-
Transferred during the year	16	-	-	-
Share of surpluses of subsidiaries	-	786	-	-
<b>Balance at end of year</b>	<b>-</b>	<b>1,235</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 7. Borrowings

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>BORROWINGS DUE WITHIN 12 MONTHS</b>				
Capitalised lease obligations	-	70	-	-
	-	70	-	-
<b>NON-CURRENT BORROWINGS</b>				
Secured bank loans	36,400	32,189	36,400	32,189
Capitalised lease obligations	-	20	-	-
	<b>36,400</b>	<b>32,209</b>	<b>36,400</b>	<b>32,189</b>
<b>SECURED BANK LOANS</b>				
<b>Principal repayment schedule</b>				
Later than one, not later than two years	36,400	32,189	36,400	32,189
	<b>36,400</b>	<b>32,189</b>	<b>36,400</b>	<b>32,189</b>
<b>CAPITALISED LEASE OBLIGATIONS</b>				
<b>Principal repayment schedule</b>				
Later than one, not later than two years	-	20	-	-
	-	20	-	-

#### Security

Bank loans are secured by mortgages over specific Group properties and a general security agreement over the Group's assets and undertakings.

In July 2003 Westpac Banking Corporation allowed a variation of the tangible equity covenant to facilitate the acquisition of Burtons Healthcare and Health Partners. This resulted in the tangible asset equity ratio of 32.5% versus the previously agreed 35.0%. At 31 May 2004 the tangible asset equity ratio was 34.2%.

#### Lease commitments

Finance leases are secured over the assets to which they relate.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 8. Financial instruments

The Group is subject to a number of financial risks which arise as a result of its debt portfolio and investment activities.

The Group's financial instruments comprise convertible notes, cash, receivables and prepayments, investments, bank overdraft, bank loans, finance leases, loans to employees, payables and accruals and deferred income.

#### CREDIT RISK

The Group and holding company are subject to concentrations of credit risk through cash and short term deposits. Credit risk with respect to cash balances and short term deposits is limited due to the high quality institutions being dealt with. Each sector within the Group has a credit policy which restricts exposure to individual trade receivables and the Board of Directors reviews exposure to trade receivables and the level of provisioning for doubtful debts on a regular basis. The directors believe the Group has no significant exposure to credit risk.

#### FAIR VALUE

The Directors have assessed that the carrying value of all financial instruments reported in the statement of financial position represent their fair values as at 31 May 2004 and 31 May 2003.

#### CURRENCY RISK

Fluctuations in foreign exchange rates give rise to market risk that financial instruments may change in value over time.

The Group had minimal foreign exchange exposure as at 31 May 2004 or 31 May 2003.

#### INTEREST RATE RISK

Fluctuations in interest rates give rise to market risk that financial instruments may change in value over time.

To ensure that the Group cost of funds is reasonably predictable from year to year, the Board has adopted a policy that floating rate debt (less than 1 year maturity) does not exceed 40% of total debt and that fixed rate debt does not exceed 90% of total debt. At 31 May 2004, 60% of the Group debt was fixed (31 May 2003: 63%).

The only approved interest rate instruments under the policy are interest rate swaps.

The policy also specifies a maturity profile for fixed rate debt that is progressively being implemented to achieve compliance by 31 December 2004.

Details of the amounts, maturity profile and fixed rates of interest of the swap agreements entered into by the Group as at 31 May 2004 are as per the following table. Rates exclude the bank's lending margin on the Company's facility.

AMOUNT	COMMENCEMENT DATE	EXPIRY DATE	FIXED RATE
\$16.0m	29 August 2002	30 August 2004	6.28%
\$1.0m	7 November 2002	7 November 2005	6.20%
\$1.0m	14 November 2002	14 November 2005	6.07%
\$3.0m	14 November 2002	14 November 2007	6.27%
\$2.0m	27 February 2004	28 February 2006	5.95%
\$2.0m	27 February 2004	28 February 2007	6.10%
\$2.0m	27 February 2004	28 February 2006	6.05%
\$3.0m	27 February 2004	28 February 2007	6.20%
\$1.0m	31 August 2004	31 March 2008	6.10%
\$2.0m	31 August 2004	31 March 2010	6.23%
\$5.0m	30 August 2004	15 February 2009	6.30%

The cash settlement requirement for interest rate swaps on a mark to market basis as at 31 May 2004 was \$140,922 (31 May 2003: \$387,453).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### REPRICING ANALYSIS

The following tables identify the periods in which interest rates are subject to review on interest bearing financial assets and liabilities, and provides the current weighted average interest rate of each item.

Trade receivables, trade creditors and sundry receivables and creditors have not been included in the table as they are not interest rate sensitive.

GROUP	EFFECTIVE INTEREST RATES	CURRENT \$000	1-2 YEARS \$000	2-5 YEARS \$000	> 5 YEARS \$000	TOTAL \$000
ASSETS						
Bank	0%	490	-	-	-	490
Executive convertible note plan	7.20%	1,427	-	-	-	1,427
<b>Total assets</b>		<b>1,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,917</b>
LIABILITIES						
Bank overdraft	8.37%	581	-	-	-	581
Borrowings	7.71%	36,400	-	-	-	36,400
<b>Total liabilities</b>		<b>36,981</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,981</b>
HEDGED (UNRECOGNISED)						
Interest rate swaps (face value)	7.71%	16,000	6,000	8,000	-	30,000
<b>Total hedged (unrecognised)</b>		<b>16,000</b>	<b>6,000</b>	<b>8,000</b>	<b>-</b>	<b>30,000</b>

COMPANY	EFFECTIVE INTEREST RATES	CURRENT \$000	1-2 YEARS \$000	2-5 YEARS \$000	> 5 YEARS \$000	TOTAL \$000
ASSETS						
Bank	0%	43	-	-	-	43
Executive convertible note plan	7.20%	1,427	-	-	-	1,427
<b>Total assets</b>		<b>1,470</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,470</b>
LIABILITIES						
Bank overdraft	8.37%	570	-	-	-	570
Borrowings	7.71%	36,400	-	-	-	36,400
<b>Total liabilities</b>		<b>36,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,970</b>
HEDGED (UNRECOGNISED)						
Interest rate swaps (face value)	7.71%	16,000	6,000	8,000	-	30,000
<b>Total hedged (unrecognised)</b>		<b>16,000</b>	<b>6,000</b>	<b>8,000</b>	<b>-</b>	<b>30,000</b>

Interest rates on borrowings include the bank's lending margin.

Interest rate swaps in the current column are considered to be floating for the purposes of the Board's interest rate risk management policy.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 9. Income tax

GROUP	2004 \$000	2003 \$000
Operating (deficit) / surplus before income tax	(427)	2,396
<b>Permanent and timing differences:</b>		
Non-taxable income	(124)	(308)
Non-deductible expenditure	1,531	1,021
Other permanent differences	28	-
Movement in timing differences	135	(1,182)
<b>(Deficit) / surplus prior to group loss offsets</b>	<b>1,143</b>	<b>1,927</b>
<b>Group loss offset</b>	<b>(1,143)</b>	<b>(1,927)</b>
<b>Surplus subject to income tax</b>	<b>-</b>	<b>-</b>
Income tax thereon at 33%	-	-
Movement in deferred tax asset	(25)	-
Recognition of prior years' deferred tax asset	-	389
<b>Income tax (expense) / benefit recognised in the Statement of Financial Performance</b>	<b>(25)</b>	<b>389</b>
<b>Comprising:</b>		
Current tax	-	-
Deferred tax	(25)	389
	<b>(25)</b>	<b>389</b>

As at 31 May 2004 income tax losses of \$2,128,704 (2003: \$3,272,193) were available to be carried forward for offset against future years taxable income. \$1,119,479 of these losses can only be carried forward in the entity that incurred the loss and cannot be freely offset against other group companies' profit.

These losses have yet to be confirmed by the Inland Revenue Department and are subject to the requirements of tax legislation being met. Tax gains and losses from the sale of land have not been treated as assessable for tax purposes.

COMPANY	2004 \$000	2003 \$000
Operating (deficit) for the year	(3,576)	(4,119)
<b>Permanent and timing differences:</b>		
Non-deductible expenditure	217	106
Movement in timing differences	101	3
<b>(Deficit) for the year</b>	<b>(3,258)</b>	<b>(4,010)</b>
<b>Prior year losses utilised</b>	<b>-</b>	<b>-</b>
<b>Taxable income</b>	<b>-</b>	<b>-</b>
Income tax thereon at 33%	-	-
Movement in deferred tax asset	178	-
Recognition of prior years' deferred tax asset	-	215
<b>Income tax benefit recognised in the Statement of Financial Performance</b>	<b>178</b>	<b>215</b>
<b>Comprising:</b>		
Current tax	-	-
Deferred tax	178	215
	<b>178</b>	<b>215</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

As at 31 May 2004 and prior to any current year loss offset the Company will have income tax losses of \$3,272,193 (2003: \$5,820,393). \$1,119,479 of these losses are unable to be offset against other group companies.

Other group companies will utilise at least \$1,143,489 of current year losses incurred during the year.

On the basis that \$1,143,489 of current year losses are transferred to group companies, the Company will have losses of \$2,128,704 to carry forward to the 2005 income year.

These losses have yet to be confirmed by the Inland Revenue Department and are subject to the requirements of tax legislation being met.

### Imputation balances

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
BALANCES				
<b>Imputation credit account</b>	<b>395</b>	395	-	-
MOVEMENT				
Balance at beginning of year	395	395	-	-
Tax payments	413	-	-	-
Imputation credits attached to dividends paid to minority shareholders	(413)	-	-	-
<b>Balance at end of year</b>	<b>395</b>	395	-	-

### Deferred tax asset

GROUP	2004 \$000	2003 \$000
Opening balance	389	-
On surplus for year	(25)	-
Recognition of prior years' deferred tax asset	-	389
<b>Closing balance</b>	<b>364</b>	389

On the basis that the group is virtually certain of utilising the deferred tax asset, it continues to be recognised in the financial statements.

The deferred tax asset represents non-quarantined losses, closing balances in provisions and differences between tax and accounting fixed asset book values.

The tax effect of quarantined losses which have not been recognised is \$369,428 (2003: \$381,921).

COMPANY	2004 \$000	2003 \$000
Opening balance	215	-
Movement in deferred tax asset	178	-
Recognition of prior years' deferred tax asset	-	215
<b>Closing balance</b>	<b>393</b>	215

The deferred tax asset represents non-quarantined losses, closing balances in provisions and differences between tax and accounting fixed asset book values.

The tax effect of quarantined losses that have not been recognised is \$369,428 (2003: \$369,428).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 10. Property, plant and equipment

GROUP	COST \$000	2004 ACC DEP \$000	BOOK VALUE \$000	COST \$000	2003 ACC DEP \$000	BOOK VALUE \$000
FREEHOLD LAND						
At cost	9,990	-	9,990	10,558	-	10,558
<b>Total freehold land</b>	<b>9,990</b>	<b>-</b>	<b>9,990</b>	10,558	-	10,558
BUILDINGS						
At cost	41,821	4,158	37,663	38,164	3,196	34,968
<b>Total buildings</b>	<b>41,821</b>	<b>4,158</b>	<b>37,663</b>	38,164	3,196	34,968
LEASEHOLD IMPROVEMENTS						
At cost	1,602	1,315	287	1,594	1,284	310
<b>Total leasehold improvements</b>	<b>1,602</b>	<b>1,315</b>	<b>287</b>	1,594	1,284	310
PLANT AND EQUIPMENT						
At cost	17,052	9,962	7,090	14,872	8,141	6,731
Capitalised finance leases	19	11	8	142	53	89
<b>Total plant and equipment</b>	<b>17,071</b>	<b>9,973</b>	<b>7,098</b>	15,014	8,194	6,820
MOTOR VEHICLES						
At cost	1,314	640	674	1,424	575	849
Capitalised finance leases	-	-	-	62	32	30
<b>Total motor vehicles</b>	<b>1,314</b>	<b>640</b>	<b>674</b>	1,486	607	879
CAPITAL WORK IN PROGRESS						
At cost	98	-	98	951	-	951
<b>Total capital work in progress</b>	<b>98</b>	<b>-</b>	<b>98</b>	951	-	951
<b>Total property, plant and equipment</b>	<b>71,896</b>	<b>16,086</b>	<b>55,810</b>	67,767	13,281	54,486
COMPANY	COST \$000	2004 ACC DEP \$000	BOOK VALUE \$000	COST \$000	2003 ACC DEP \$000	BOOK VALUE \$000
Plant and equipment at cost	234	36	198	44	3	41
<b>Total fixed assets</b>	<b>234</b>	<b>36</b>	<b>198</b>	44	3	41

#### CAPITALISED INTEREST

No interest costs were capitalised into fixed assets during the year (2003: \$7,000).



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 11. Commitments and contingencies

The following amounts have been committed to by the Group or Company but have not been recognised in the financial statements:

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
OPERATING LEASES				
<b>Non-cancellable operating lease commitments:</b>				
Payable within one year	1,851	1,382	261	130
Payable in one to two years	1,519	1,089	294	130
Payable in two to five years	1,477	1,011	282	108
Payable beyond five years	141	121	-	-
	<b>4,988</b>	3,603	<b>837</b>	368
<b>Analysis of total operating lease commitments:</b>				
Property	3,626	2,900	496	368
Motor vehicles	645	323	260	-
Plant and equipment	717	380	81	-
	<b>4,988</b>	3,603	<b>837</b>	368
CAPITAL EXPENDITURE				
Amounts committed to capital expenditure	719	929	-	-
	<b>719</b>	929	-	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 12. Investments in subsidiaries

The Company's investments in subsidiaries comprises shares at cost. Significant subsidiaries comprise:

NAME OF ENTITY	PRINCIPAL ACTIVITIES	INTEREST HELD BY GROUP	
		2004	2003
ElderCare New Zealand Limited <sup>(1)</sup>	Aged Care	100%	100%
Medical Laboratory Wellington Limited	Pathology	100%	100%
Wellington Pathology Limited <sup>(2)</sup>	Pathology	100%	100%
New Zealand Dental Group Limited <sup>(3)</sup>	Dental	100%	100%
ElderCare Nominees Limited	Not trading	100%	100%
<b><sup>(1)</sup> Subsidiaries of ElderCare New Zealand Limited (100% unless otherwise specified)</b>			
Ranworth Healthcare Limited *	Traumatic brain injury rehabilitation care provider		
Care New Zealand Limited	Aged care provider		
ElderCare Central Limited	Aged care provider		
ElderCare St Lukes Limited	Not trading		
Gracelands Retirement Village (1999) Limited	Retirement village		
Greenvalley Services Limited	Aged care provider		
Regents Park Village Limited	Not trading		
<b>Subsidiaries of ElderCare Central Limited</b>			
St Johns Wood Trust Lifecare Limited	Assisted living facility		
Molly Ryan Trust Lifecare Limited	Not trading		
Te Mata Residential Estate Limited	Not trading		
<b><sup>(2)</sup> Subsidiary of Wellington Pathology Limited</b>			
Nelson Diagnostic Laboratory Limited	Pathology		
<b><sup>(3)</sup> Subsidiary of New Zealand Dental Group Limited</b>			
Geddes Dental Group NZ Limited	Dental		
<b>Subsidiary of Geddes Dental Group NZ Limited</b>			
Geddes Dental Group Victoria Pty Limited (67% shareholding)	Dental		

All subsidiaries have a balance date of 31 May.

\* 67% shareholding as at 31 May 2003.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### ACQUISITION OF SUBSIDIARY

During the year the Company acquired the minority shareholding in Ranworth Healthcare Limited for total cash consideration of \$3,348,033 and the businesses of Burtons Healthcare and Health Partners for total cash consideration of \$1,580,534. The operating results of these acquisitions have been included in the statement of financial performance of the Group and Company from 1 June 2003 (Ranworth) and 1 August 2003 (Burtons and Health Partners).

During the prior year the Group acquired 100% of the business of Geddes Dental for total cash consideration of \$1,784,302 and assumed debt of \$1,145,000. The operating results of the business were included in the statement of financial performance of the Group from 1 November 2002.

#### Summary of the effect of the acquisition of minority shareholding in Ranworth Healthcare Limited:

	GROUP 2004 \$000	COMPANY 2004 \$000
<b>Fair value of net assets acquired:</b>		
Goodwill on acquisition	2,935	-
Assets acquired	413	-
<b>Consideration paid</b>	<b>3,348</b>	<b>-</b>

#### Summary of the effect of the acquisition of Burtons Healthcare and Health Partners:

	GROUP 2004 \$000	COMPANY 2004 \$000
<b>Fair value of net assets acquired:</b>		
Current assets	14	14
Current liabilities	(55)	(55)
Long-term liabilities	(3)	(3)
Property, plant & equipment	79	79
Goodwill on acquisition	1,546	1,546
<b>Consideration paid</b>	<b>1,581</b>	<b>1,581</b>

### 13. Intangible assets

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Goodwill (gross) at beginning of year	16,128	13,381	-	109
Accumulated amortisation at beginning of year	(1,530)	(761)	-	(1)
<b>Unamortised balance at beginning of year</b>	<b>14,598</b>	<b>12,620</b>	<b>-</b>	<b>108</b>
Acquired during the year	4,481	2,747	1,546	-
Amortised during the year	(1,022)	(769)	(66)	-
Transferred during the year	100	-	-	(108)
<b>Unamortised balance at end of year</b>	<b>18,157</b>	<b>14,598</b>	<b>1,480</b>	<b>-</b>
Comprising:				
Goodwill (gross)	20,709	16,128	1,546	-
Accumulated amortisation	(2,552)	(1,530)	(66)	-
	<b>18,157</b>	<b>14,598</b>	<b>1,480</b>	<b>-</b>

An amortisation period of 20 years has been adopted in respect of all goodwill.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 14. Receivables and prepayments

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
CURRENT				
Accounts receivable	5,771	5,763	295	-
Prepayments	920	795	108	6
Other receivables	295	1,516	135	168
Executive convertible note plan	1,680	1,331	1,680	1,331
Prepaid rebanking fees*	131	122	131	122
<b>Total receivables and prepayments - Current</b>	<b>8,797</b>	<b>9,527</b>	<b>2,349</b>	<b>1,627</b>
NON-CURRENT				
Executive convertible note plan	60	288	60	288
Prepaid rebanking fees*	-	131	-	131
<b>Total receivables and prepayments - Non-Current</b>	<b>60</b>	<b>419</b>	<b>60</b>	<b>419</b>

\*These relate to the cost of rebanking, the benefit of which accrues to the Group over three years from 2002.

### 15. Payables and accruals

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
CURRENT				
Accounts payable	1,854	1,958	56	55
Employee entitlements	2,461	2,836	187	218
Directors' fees	45	38	45	38
Deferred income	103	150	-	-
Sundry creditors and accruals	1,576	687	389	247
Goods & Services Tax	351	6	21	-
ACC levies	268	176	24	-
<b>Total payables and accruals - Current</b>	<b>6,658</b>	<b>5,851</b>	<b>722</b>	<b>558</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

### 16. Related party transactions and balances

COMPANY	TRANSACTION		BALANCE OUTSTANDING	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
			DEBIT / (CREDIT)	
TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES				
<b>Transactions within the Group</b>				
Net cash advances, expenditure recharges and management fees	(1,156)	(8,404)	41,916	43,072
<b>Transactions with Cullen Investments Limited</b>				
Reimbursement for expenditure incurred on behalf of the Company	20	20	-	(2)
Repayment of convertible note principal & interest	3,527	2,500	-	(3,355)
Interest accrued on convertible note	172	505	-	-
<b>Transactions with gen-i Limited</b>				
Purchase of I.T. equipment and consumables	3	8	-	-
SUBSIDIARY COMPANIES	TRANSACTION		BALANCE OUTSTANDING	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
			DEBIT / (CREDIT)	
TRANSACTIONS BETWEEN SUBSIDIARY COMPANIES AND RELATED PARTIES				
<b>Transactions with Cullen Investments Limited</b>				
On-charge of costs incurred	-	4	-	(1)
<b>Transactions with gen-i Limited</b>				
Purchase of I.T. equipment and consumables	60	158	3	(9)
<b>Transactions with Lab Solutions Limited</b>				
Cash advances and expenditure recharges	98	108	231	133
<b>Transactions with PACK Limited</b>				
Rental on property	26	26	-	-
<b>Transactions with Software of Excellence Limited</b>				
Purchase of dental software and I.T. consulting services	230	-	-	-

Cullen Investments Limited and gen-i Limited are related through common control and directors.

Software of Excellence Limited is related through a common director.

No related party debts have been written off or forgiven during the year.

### 17. Subsequent events

There has been no events subsequent to year-end.

## ADDITIONAL STATUTORY INFORMATION

### Interests Register

#### Entries in the Interests Register for the year

The following directors have declared interests in the identified entities pursuant to section 140(2) of the Companies Act 1993; the declaration serves as notice that the director may benefit from any transactions between the Company or Group and the identified entities.

DIRECTOR	ENTITY	INTEREST
A.W. Clarke	No interests declared	
M.G. Kidd	Auldhouse Computer Training Limited	Director
	Australian Finance Holdings Limited	Director
	Axis Property Group Holdings Limited	Director
	Bendon Limited	Director
	Cullen Capital Limited	Director
	Cullen Investments Limited	Director
	Cullen Sports Limited	Director
	Elders Finance Limited	Director
	Excell Corporation Limited	Director
	FAI Finance Corporation (NZ) Limited	Director
	gen-i Limited	Director
	Hanover Group Limited	Director
	Inhouse Services Limited	Shareholder/Director
	Leasing Solutions Limited	Director
	Living & Giving Limited	Director
	Logan Corporation Limited	Director
	Malibu Equities Limited	Director
	Medical Holdings Limited	Director
	Nationwide Finance Limited	Director
	New Zealand Healthcare Limited	Director
	Noel Leeming Financial Services Limited	Director
	Onesource Limited	Director
	Pacific Retail Finance Limited	Director
	Pacific Retail Group Limited	Director
	Pacific Retail Properties Limited	Director
	Pacific Retail Services Limited	Director
	Sapphire Equities Limited	Director
	United Finance Limited	Director
	United Healthcare Limited	Director
P.S. Newland	Bendon Limited	Director <sup>(2)</sup>
	Cullen Capital Limited	Director <sup>(2)</sup>
	Cullen Group Limited	Director <sup>(2)</sup>
	Cullen Investments Limited	Director <sup>(2)</sup>
	Cullen Sports Limited	Director <sup>(2)</sup>
	Excell Corporation Limited	Director <sup>(2)</sup>
	gen-i Limited	Director
	Living & Giving Limited	Director <sup>(1)</sup>
	Logan Corporation Limited	Director <sup>(2)</sup>
	Malibu Equities Limited	Director <sup>(2)</sup>
	Medical Holdings Limited	Director <sup>(2)</sup>
	New Zealand Healthcare Limited	Director <sup>(2)</sup>
	New Zealand Warriors Limited	Director <sup>(2)</sup>
	Noel Leeming Financial Services Limited	Director <sup>(2)</sup>
	Pacific Retail Finance Limited	Director <sup>(2)</sup>
	Pacific Retail Group Limited	Director <sup>(2)</sup>
	Pacific Retail Properties Limited	Director <sup>(2)</sup>
	Pacific Retail Services Limited	Director <sup>(2)</sup>
	RMG Limited	Director <sup>(2)</sup>
	Sapphire Equities Limited	Director <sup>(2)</sup>
	Soul Bar & Bistro Limited	Director <sup>(2)</sup>
	United Healthcare Limited	Director <sup>(2)</sup>

<sup>(1)</sup> Resigned 13 August 2003    <sup>(2)</sup> Resigned 22 December 2003

## ADDITIONAL STATUTORY INFORMATION

DIRECTOR	ENTITY	INTEREST
A.M. Paterson	Barnardos Council	Member
	BPAC NZ Limited	Director
	Electricity Complaints Commission	Member
	Governing Board Centre of Research Excellence Growth & Development (University of Auckland)	Member
	Landcorp Farming Limited	Director
	Metro Water Limited	Director
	Nga Pae o Te Maramatanga	Member
	Reserve Bank of New Zealand	Director
J.M.R. Syme	Wrightson Limited	Director
	ASB Bank Limited and subsidiaries	Director
	ASB Group (Life) Limited (holding company for Sovereign Assurance)	Director
	Kiwi Income Properties Limited (Manager-Kiwi Income Property Trust)	Unit Holder/Director
	Metro Water Limited	Director
	Software of Excellence International Limited	Shareholder/Director
C.A. Teague	Waste Management NZ Limited and Subsidiaries	Shareholder/Director
	FTT Limited	Shareholder/Director
	PACK Limited	Shareholder/Director
	Pathology Consultants Limited	Shareholder/Director
	Lab Solutions Limited	Director

### Directors' share dealings

Mr Alan Clarke was issued 63,212 shares in lieu of bonus, in August 2003 (2003: 204,973). This issue was in accordance with shareholders' approval granted at the Company's 2002 Annual General Meeting.

Dr Clint Teague was issued 1,616,300 shares on 2 February 2004. The shares were issued for \$0.1708 per share in settlement of a series of convertible notes with a combined face value of \$276,064. The convertible notes were issued to Dr Teague in January 2002 as part consideration for the purchase of 100% of the shares in Medical Laboratory Wellington Limited, Wellington Pathology Limited and Nelson Diagnostic Laboratory Limited.

No other directors have disclosed share dealings to the Board during the year.

### Directors' shareholdings

as at 31 May 2004

	BENEFICIAL INTEREST		NON-BENEFICIAL INTEREST	
	2004	2003	2004	2003
A.W. Clarke	268,185	204,973	-	-
M.G. Kidd	-	-	-	-
P.S. Newland	-	-	-	-
A.M. Paterson	-	-	-	-
J.M.R. Syme	-	-	-	-
C.A. Teague	1,616,300	-	-	-

M.G. Kidd and P.S. Newland, by virtue of their directorships of Cullen Investments Limited, Medical Holdings Limited, Malibu Equities Limited and New Zealand Healthcare Limited, have disclosed a relevant interest in a total of 121,181,035 shares. P.S. Newland resigned as a director of these companies on 22 December 2003.

## ADDITIONAL STATUTORY INFORMATION

### Remuneration of directors

Remuneration and other benefits:

	2004 \$	2003 \$
A.W. Clarke	307,090	330,396
M.G. Kidd	30,000	30,000
P.S. Newland	30,000	30,000
A.M. Paterson	30,000	25,000
J.M.R. Syme	60,000	60,000
C.A. Teague	247,811	267,650

### 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:

	2004		2003	
	GROUP	COMPANY	GROUP	COMPANY
\$100,001 – \$110,000	3	-	2	-
\$120,001 – \$130,000	1	-	1	-
\$130,001 – \$140,000	1	-	-	-
\$140,001 – \$150,000	1	1	2	1
\$150,001 – \$160,000	-	-	2	-
\$170,001 – \$180,000	3	1	1	1
\$190,001 – \$200,000	-	-	1	-
\$200,001 – \$210,000	-	-	1	-
\$220,001 – \$230,000	1	-	-	-
\$240,001 – \$250,000	1	-	1	1
\$250,000 and over	1	-	3	-

The value of the equity based executive compensation is included in total remuneration.

Existing share entitlements under approved convertible notes for the senior executive team of Abano Healthcare Group Limited as at 31 May 2004 are as per the following table:

EXERCISABLE IN	2002	2003	2004	2005	EXPIRY DATE
Alan Clarke Managing Director	1,000,000 @ 15cents 750,000 @ 20cents	250,000 @ 25cents	nil	nil	1 April 2005
Stephen St Paul Group Financial Controller	nil	350,000 @ 22cents	350,000 @ 23cents	350,000 @ 25cents	1 Nov 2006
Craig Percy GM Aged Care	nil	350,000 @ 22cents	350,000 @ 23cents	350,000 @ 25cents	1 Nov 2006
Richard Keys Chief Financial Officer	nil	200,000 @ 30cents	150,000 @ 35cents	150,000 @ 40cents	1 June 2007



## ADDITIONAL STATUTORY INFORMATION

### Subsidiary company directors

The following persons held the office of director in subsidiary companies during the year, and those who resigned their office during the year are noted as such. Directors of subsidiary companies did not receive directors fees or other benefits in their capacity as a director.

COMPANY	DIRECTORS
ElderCare Central Limited	
ElderCare New Zealand Limited	
ElderCare St Lukes Limited	
Geddes Dental Group NZ Limited	
Gracelands Retirement Village (1999) Limited	
Greenvalley Services Limited	A W Clarke, R G Keys, S C St Paul, B T Monk (resigned 31/07/03)
Molly Ryan Trust Lifecare Limited	
New Zealand Dental Group Limited	
Regents Park Village Limited	
St Johns Wood Trust Lifecare Limited	
Te Mata Residential Estate Limited	
Ranworth Healthcare Limited	A W Clarke, R G Keys, S C St Paul, B T Monk (resigned 31/07/03), J Clough (resigned 31/07/03), A J Beattie (resigned 31/07/03)
Care New Zealand Limited	A W Clarke, R G Keys, C B Percy, S C St Paul, B T Monk (resigned 31/07/03)
Medical Laboratory Wellington Limited	P B Bethwaite, A W Clarke, R G Keys, C A Teague, A B M Tie, K J Thomson, B T Monk (resigned 31/07/03)
Wellington Pathology Limited	
Nelson Diagnostic Laboratory Limited	
ElderCare Nominees Limited	A W Clarke, R G Keys, B T Monk (resigned 31/07/03)

## ADDITIONAL STATUTORY INFORMATION

### Shareholder information

#### Twenty largest Security Holders as at 4 August 2004

	ORDINARY SHARES	% HOLDING
Medical Holdings Limited	53,242,528	24.21
Malibu Equities Limited	24,864,035	11.30
New Zealand Healthcare Limited	24,513,135	11.14
Westpac Banking Corporation - Client Assets no. 2	18,745,410	8.52
Cullen Investments Limited	18,561,337	8.44
Martin Boyd Hamilton Reesby	1,718,985	0.78
Clinton Adam Teague	1,616,300	0.73
David Colin Kimpton	1,513,682	0.69
Macquarie Equities Custodians Limited	1,269,833	0.58
Custodial Services Limited	1,259,999	0.57
Sally Jane Lowry	1,250,000	0.57
Sean Dennehy	1,223,034	0.56
John Clough & Anne Robertson & Ian Robert Ross	1,178,417	0.54
Portfolio Custodian Limited	1,152,033	0.52
Chartwell Investments Limited	1,000,000	0.45
Willem Jan Kiers	1,000,000	0.45
Peter James Stewart	1,000,000	0.45
Rudolf Albert Shulz	998,000	0.45
First NZ Capital Custodians Limited	938,455	0.43
Hugh Green Investments Limited	840,000	0.38
<b>Total</b>	<b>157,885,183</b>	<b>71.76</b>

### Spread of security holders

#### as at 4 August 2004

SIZE OF SHAREHOLDING	NUMBER OF HOLDERS	TOTAL SHARES HELD	% OF SHARES
1 - 4,999	607	1,553,764	0.71
5,000 - 9,999	293	1,880,707	0.86
10,000 - 49,999	774	16,153,722	7.34
50,000 - 99,999	159	10,188,191	4.63
100,000 - 499,999	154	24,741,843	11.25
500,000 - 999,999	15	10,326,789	4.69
1,000,000 or more	19	155,108,728	70.52
	<b>2,021</b>	<b>219,953,744</b>	<b>100.00</b>

## ADDITIONAL STATUTORY INFORMATION

### Donations

Donations of \$18,841 were made during the year (2003: \$11,102).

### 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 26 August 2004 are:

	NUMBER OF SHARES	% HOLDING	DATE OF NOTICE
Eric John Watson <sup>(1)</sup>	121,181,035	55.09%	04 November 2003
Medical Holdings Limited <sup>(2)</sup>	102,619,698	46.66%	15 November 2002
Cullen Investments Limited <sup>(3)</sup>	18,561,337	8.44%	04 November 2003
AXA Asia Pacific Holdings Limited <sup>(4)</sup>	14,793,352	6.73%	19 November 2001

As at 26th August 2004 the Company had 219,953,744 voting securities on issue.

(1) Comprising non-beneficial relevant interests through holdings of entities over which Mr Watson has effective control: 18,561,337 shares held by Cullen Investments Limited; 53,242,528 shares held by Medical Holdings Ltd; 24,864,035 shares held by Malibu Equities Ltd; 24,513,135 shares held by New Zealand Healthcare Ltd.

(2) Comprising beneficial ownership of 53,242,528 shares; non-beneficial relevant interests in 24,864,035 shares held by its related body corporate, Malibu Equities Limited and 24,513,135 shares held by its related body corporate, New Zealand Healthcare Limited; all these shareholdings are also disclosed in the disclosures of Eric John Watson.

(3) These shares are also disclosed in the disclosures of Eric John Watson.

(4) Comprising 6,783,133 shares in which a beneficial interest is held; 8,010,219 shares in which a non-beneficial relevant interest is held.

### Shareholders' equity and capital funds

Shareholders' equity and capital funds as at 31 May 2004 totalled \$40.8 million (2003: \$42.0 million).

The Company currently has a number of equity instruments on issue, including optional convertible notes. The following table identifies the possible impact of these instruments on the quantity of ordinary shares on issue at various future points in time, based on the described assumptions.

	EVENT/ASSUMPTION	POTENTIAL NO. OF SHARES ON ISSUE
31/05/04	Last balance date	219,953,744
31/01/05	Third tranche of Medlab concertible notes is converted to shares of 23c	224,589,961
01/04/05	Executive convertible notes are converted on expiry date	226,589,961
01/04/05	Executive convertible notes are converted on expiry date	228,389,961
01/11/06	Executive convertible notes are converted on expiry date	230,814,961
01/06/07	Executive convertible notes are converted on expiry date	231,314,961

## DIRECTORY

### DIRECTORS

**James Michael Robert Syme**

*Chairman*

Appointed 31 October 2001

**Alan William Clarke**

Appointed 31 October 2001

**Maurice George Kidd**

Appointed 15 March 2000

**Philip Samuel Newland**

Appointed 31 October 2001

**Alison Mae Paterson**

Appointed 16 October 2002

**Clinton Adam Teague**

Appointed 28 February 2002

### AUDIT COMMITTEE

M.G. Kidd (Chairman)

A.M. Paterson

J.M.R. Syme

### REMUNERATION COMMITTEE

A.M. Paterson (Chairman)

P.S. Newland

J.M.R. Syme

### REGISTERED OFFICE AND ADDRESS FOR SERVICE

Ground floor  
2 Hargreaves Street  
College Hill  
Auckland

### AUDITORS

PricewaterhouseCoopers  
PricewaterhouseCoopers Tower  
188 Quay Street  
Auckland

### BANKERS

Westpac Banking Corporation  
PricewaterhouseCoopers Tower  
188 Quay Street  
Auckland

### SOLICITORS

Buddle Findlay  
PricewaterhouseCoopers Tower  
188 Quay Street  
Auckland

### SHARE REGISTRAR

Computershare Investor Services Limited  
159 Hurstmere Road  
Takapuna  
Auckland

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Internet: [www.abanohealthcare.co.nz](http://www.abanohealthcare.co.nz)

## GLOSSARY OF TERMS USED

All figures used are New Zealand dollars

- **Op-EBITDA** Each sector's Earnings before Interest, Tax, Depreciation and Amortisation of Goodwill, including an allocation of Abano corporate costs and before noncore/unusual 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 (including the sale of villas and apartments)
- **ROIC** Return on Invested Capital at EBITDA or Op-EBITDA
- **EPS** Earnings Per Share
- **WACC** Weighted Average Cost of Capital
- **DHB** District Health Board
- **MOH** Ministry of Health
- **ACC** Accident Compensation Corporation
- **PHO** Primary Health Organisation
- **KPI** Key Performance Indicators
- **NZX** New Zealand Exchange
- **Noncore/unusuals** Any one off gain or loss arising from business activities or assets

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