Abano Healthcare Six Month Report to Shareholders 2010

For the six month period
to 30 November 2009

abano healthcare group limited

REGIONS OF BUSINESS

AUDIOLOGY

BAY AUDIO HEARING EXPERTS

Sountex The Hearing Care Professionals

DynaSound Hearing Healthcare Centre 靈聰聽覺服務中心

national hearing care

DIAGNOSTICS

Insight RADIOLOGY

ASCOT RADIOLOGY

GREEN LANE IMAGING

AOTEA PATHOLOGY

DENTAL

Lumino The Dentists

dentalpartners

REHABILITATION

BURTONS Healthcare

PARTNERS health

RANWORTH healthcare
Our people are here to help people

Orthotic Centre

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SIX MONTH HIGHLIGHTS

OPERATIONS AND PERFORMANCE

- Revenues of $102.3 million
- EBITDA of $13.0 million and Operating NPAT of $3.4 million
- Acquired six dental practices in New Zealand, increasing the Lumino The Dentists network to 48 practices across the country
- Grew Dental Partners in Australia to 22 practices
- Entered the Malaysian audiology market with the acquisition of two stores, taking the total number of Bay Audio stores in Asia to 11
- Rolled out ten new Greenfield Bay Audio stores in high profile retail malls or shopping centres in Australia, growing the Bay Audio network to 58 stores
- Named Company of the Year in the Deloitte/Management Magazine Top 200 Awards in November 2009

STRUCTURAL CHANGES

- Sold Bay Audiology New Zealand to National Hearing Care for $157.8 million on 3 November 2009
- One off gain on sale of Bay Audiology New Zealand of $76.6 million, resulting in Abano's consolidated NPAT being $80.0 million
- Interests associated with Peter Hutson invested $11 million to increase their shareholding in Bay International from 15 percent to 50 percent
- Acquired, on a 50:50 basis with interests associated with Peter Hutson, an aggregate 13 percent stake in the merged Bay Audiology/National Hearing Care audiology business for a total cost of $30 million
- Introduced Dividend Reinvestment Plan

FOLLOWING PERIOD END

- Returned $29.5 million to shareholders following settlement of the sale of Bay Audiology New Zealand through a special early interim dividend of 52 cents per share in addition to a pro rata, voluntary share buy-back and cancellation offer, both of which were completed and paid in December 2009
- With the reduced debt requirements, Abano reduced the ASB NZ debt facility from $100 million to $80 million
- Alison Paterson appointed as a director to the National Hearing Care board to represent the interests of Abano and interests associated with Peter Hutson
- Opening of three new Greenfield Bay Audio clinics in Australia
- Acquisition of a further two dental practices in Australia and piloted a new Greenfield practice in Queensland, taking the Dental Partners network to 25 practices

	SIX MONTHS ENDED 30 NOVEMBER 2009 ($M)	SIX MONTHS ENDED 30 NOVEMBER 2008 ($M)
Revenues	102.3	86.1
EBITDA	13.0	14.4
Operating Net Profit After Tax	3.4	4.1
Gain on Sale of Bay Audiology New Zealand less other costs associated with the sale	76.6	-
Net Profit After Tax	80.0	4.1
Operating Earnings Per Share	14.68 cents per share	17.74 cents per share
Earnings Per Share	344.17 cents per share	17.74 cents per share
Interim Dividend	52 cents per share*	13 cents per share**

* Special early interim dividend paid in December 2009 following settlement of the sale of Abano's New Zealand audiology business. If adjusted for six month period, dividend was effectively 7.3 cents per share.

** Nine month interim dividend paid in January 2009. If adjusted for six month period, dividend was effectively 8.9 cents per share.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

It has been a busy and pleasing first half year of performance and change for Abano, particularly given the very difficult economic climate and trading conditions in New Zealand.

For the first six months to 30 November 2009, we reported increased revenues, compared with the same period last year, of $102.3 million. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $13.0 million and Operating Net Profit After Tax (Operating NPAT) of $3.4 million, were both down on the same period last year.

The decreased operating profit performance was due largely to the sale of Bay Audiology during the period, with only five months of trading contribution from the New Zealand audiology operations included in the result. There was also only one month of 50 percent of the equity accounted results from the new joint venture in Bay International, which now incorporates all our remaining off shore audiology operations in Australia and Asia.

In addition to the Operating NPAT contribution, there was a one off gain of $76.6 million from the sale of Bay Audiology New Zealand, resulting in a Group NPAT for the period of $80.0 million. This one off gain takes into account all costs associated with the Bay Audiology transaction, including financing costs of closing out a portion of the existing debt facility and interest rate hedges to reflect the significantly lower debt and forward facility requirements across the Group.

Despite only five months contribution from Bay Audiology New Zealand, revenues increased compared with the same period last year, reflecting the increased investment made into our growth businesses, particularly in dental on both sides of the Tasman and audiology in Australia.

The sale of Abano's New Zealand audiology business, Bay Audiology, to National Hearing Care ("NHC") for $157.8 million, settled in early November 2009.

We were pleased to achieve a strong price with an existing industry participant for this great New Zealand company.

The sale meant we were able to return significant value to our shareholders, through a special early interim dividend of 52 cents per share as well as a pro rata, voluntary 1 for 3 share buy-back and cancellation offer of $5.93 per share.

Of note, was the buy back and cancellation offer being undersubscribed by $28.6 million with only $17.3 million taken up. As a consequence, we applied the surplus to retiring more debt. We planned to cancel approximately 7.7 million shares through the buy-back, reducing the shares on issue to just over 15 million, however, only 2.9 million shares were cancelled resulting in just over 20.9 million shares remaining on issue. While the board accepts this as a vote of confidence by shareholders, the impact going forward will be that the planned earnings per share profile in the medium term will be lower than anticipated as more shares remain on issue.

Following the settlement of the Bay Audiology sale, we acquired, on a 50:50 basis with interests associated with Peter Hutson, an aggregate 13 percent stake in the merged Bay Audiology New Zealand/NHC business. The total investment cost of $30 million was met as to 50 percent each by Abano and the Hutson interests. As part of the transaction, Alison Paterson was appointed as a director onto the NHC board to represent both parties' interests in NHC.

Our remaining audiology businesses in Australia and Asia continue to be owned by Bay International Limited. In November 2009, the Peter Hutson interests invested $11 million in cash and increased their shareholding in Bay International from 15 percent to 50 percent. As Abano no longer owns a majority share in this entity, any profit or loss from our 50 percent shareholding in Bay International is now equity accounted. This means that 50 percent of Bay International's net profit or loss will be accounted for in Abano's consolidated financial statements, rather than consolidating all of Bay International's revenue and expenses and deducting a minority share.

Along with returning value to shareholders, the gain on the sale of Bay Audiology was also used to repay debt. We took this opportunity to reduce the New Zealand ASB debt facility from $100 million to $80 million. The one off cost of the facility reduction and the cancellation of the respective interest rate swaps on the debt have been accounted for in the transaction costs related to the sale of Bay Audiology.

Following these shareholder returns, we now have a gearing ratio (net debt: net debt + equity) of under 15 percent, with no New Zealand debt and cash reserves and funding facilities in place to continue investment for our existing growth businesses of audiology in Australia and Asia, dental in New Zealand and Australia and radiology in New Zealand.

These are all strong businesses with considerable potential and long term growth opportunities.

DENTAL

Both our Australian and New Zealand dental businesses now have established footprints with positive contributions that continued to grow in the first six months of the 2010 financial year.

CHAIRMAN & MANAGING DIRECTOR'S REPORT CONTINUED

The Australian economy has been one of the most resilient in the OECD over the past 18 months, especially in Queensland where the majority of our Australian operations in Dental Partners are based.

During the first half the acquisition rate was temporarily slowed while we consolidated operations and watched the deteriorating global credit crisis and any impact it may have in Australia, and our network grew to 22 practices. Given a steady performance and a resilient Australian economy, accelerated growth plans are now in place and Dental Partners will resume growth through acquisition in coming months. A further two practices were acquired and one new practice was opened in December 2009, after the end of the period in review, taking the network to 25.

Although consolidated results from the New Zealand business were up on the same period last year, there was a more noticeable impact from the recession with slightly lower same practice revenues during this period. However, almost all the New Zealand practices experienced an improvement in performance into November. Growth also continued in New Zealand with six new acquisitions, taking the Lumino The Dentists network to a 48 practice network.

Overall growth of this business will continue in line with previous years, through the acquisition of quality practices which all provide immediate profit contributions and returns to shareholders at greater than our Weighted Average Cost of Capital (WACC).

AUDIOLOGY

Excluding Bay Audiology New Zealand, which was sold during the six month period, our other audiology businesses in Australia and Asia continued to grow through Greenfield development.

A further ten stores were opened in high profile, retail malls and shopping centres in Australia, and growth will continue, particularly in Queensland, but now also into New South Wales and Victoria.

Our audiology footprint in Asia also extended during the six months, with entry into the Malaysian market through the acquisition of two stores. Bay Asia now has 11 stores in Singapore, Hong Kong and Malaysia. The move into Asia is assisted by a world-wide agreement with the Siemens Group and Abano management has had positive discussions with Siemens management, who remain very supportive of an ongoing relationship with Bay International in Australia and Asia.

In coming months, Abano directors, Danny Chan, who has significant expertise in the Asian market, and Peter Hutson, will undertake a market visit to identify further opportunities and potential within the Asia region.

Bay International's move into both the Australia and the Asia regions is still very much in its infancy and growth is predominantly through Greenfield development, where we are opening new clinics in targeted shopping malls. This requires significantly lower up-front investment and capital costs compared with growth by acquisition. However, it does mean there is no immediate profit or income contribution and it takes longer to establish a customer base and positive cash flows.

Each Greenfield site is cash negative during the start up phase, but once fully established, the Greenfield sites generate strong returns on the modest initial investment costs. The programme of new openings is extensive and therefore it will be some time before we see any material positive cashflow streams from this sector as we invest and extend our market footprint across Australia and Asia.

RADIOLOGY

Performance from our radiology sector showed improvement in the first six month period following the expansion of facilities at the Ascot Central clinic and increasing demand for high quality, top end, diagnostic imaging services. The new Insight Radiology acquisition made in December 2008 contributed well in the period with expanded resources and modalities.

We continue to widen our shareholder partnership with key radiologists, in line with our proven partnership model. Over the next few months, we will be introducing two new radiologist shareholders, bringing the total radiologist shareholders across the radiology group to ten.

Our radiology businesses aim to be leaders in their field and we continue to watch with interest the advances in new diagnostic imaging technology, such as PET-CT scanning where we are investigating opportunities.

HOLD BUSINESSES

With the exception of brain injury rehabilitation, our hold businesses in orthotics and pathology all returned steady performances in the first half of the year.

Once again, ongoing ACC changes impacted on referral levels for our brain injury rehabilitation business, which along with additional costs of refurbishment and upgrade to facilities, led to a lower performance in the first six months. ACC referrals slowed down, as they have done before while ACC undertakes further corporate changes, and a recovery in referrals is expected in coming months.

The brain injury rehabilitation management team continues to focus on cost containment and strengthening the services offered for quality rehabilitative care. A new purpose-built residential facility was opened in Hamilton recently and a move in Auckland is planned for the support office team.

The Orthotics business, following a management restructure, provided a solid performance in the six months with a pleasing improvement in contract relationships and operating margin. Following this improved performance, we are currently investigating opportunities to expand the national footprint of this business, which will increase the range of services offered and diversify income sources.

Our pathology business in Wellington continues to perform well. However, the renewal of the Wellington community diagnostics contract with the local DHBs is now only 18 months away.

CHAIRMAN & MANAGING DIRECTOR'S REPORT CONTINUED

We have established and resourced a project team to ensure that the Auckland community diagnostics tender and contracting debacle is not repeated in Wellington.

Our focus is to secure the contract and examine more sustainable models for these services while working closely with the region's communities, DHBs and Government to ensure an ongoing partnership is maintained and that Aotea Pathology is retained as the region's community pathology service provider.

LOOKING AHEAD

During the second six months of the year, we will continue to implement our proven Co-Invest and Build strategy alongside our clinical partners, with growth strategies in place for our audiology businesses in Australia and into Asia, our dental businesses in Australia and New Zealand and our radiology businesses in New Zealand. In addition, new business areas are being explored to compliment the existing sectors of activity.

The sale of the New Zealand audiology business has resulted in a new look to Abano's portfolio of healthcare businesses. We now have a very strong balance sheet and capital capacity to develop the many growth opportunities we see ahead. Our dental sector will also play an increasingly significant role in the years ahead as we realise the benefits of consolidation and growth on both sides of the Tasman.

Alison Paterson
Chairman

Alan Clarke
Managing Director

Abano Healthcare Interim Financial Statements

For the six month period
to 30 November 2009

abano healthcare group limited

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 No vember 2009 (unaudited)

	NOTE	NOV 2009 $000 TOTAL	NOV 2009 $000 DISCONTINUED OPERATIONS
Revenue		102,331	27,518
Changes in inventories		(8,248)	(6,650)
Patient consumables		(11,950)	-
Employee benefits		(50,294)	(8,591)
Depreciation and amortisation expenses		(3,566)	(989)
Occupancy costs		(6,933)	(2,071)
Other operating expenses		(11,946)	(5,884)
Other operating income		23	-
Operating profit	2	**9,417**	**3,333**
Net financing costs		(4,394)	(2,643)
Amortisation of put option fair value		(493)	(493)
Gain on sale of subsidiary	4	77,714	77,714
Share of profit/(loss) of associates		(27)	115
Profit before income tax		**82,217**	**78,026**
Income tax expense		(1,296)	(164)
Profit after tax		**80,921**	**77,862**
Profit for the period from discontinued operations			
Profit for the period			
Profit attributable to:			
Equity holders of the Company			
Minority Interests			
Earnings per share (from continuing operations)			
Earnings per share (from discontinued operations)			
Earnings per share (total)			

NOV 2009 $000 CONTINUING OPERATIONS	NOV 2008 $000 TOTAL	NOV 2008 $000 DISCONTINUED OPERATIONS	NOV 2008 $000 CONTINUING OPERATIONS
74,813	86,095	28,584	57,511
(1,598)	(8,170)	(6,713)	(1,457)
(11,950)	(6,469)	-	(6,469)
(41,703)	(42,295)	(7,764)	(34,531)
(2,577)	(2,497)	(612)	(1,885)
(4,862)	(5,187)	(1,480)	(3,707)
(6,062)	(9,686)	(4,452)	(5,234)
23	-	-	-
6,084	**11,791**	**7,563**	**4,228**
(1,751)	(2,594)	(956)	(1,638)
-	(1,246)	(1,246)	-
-	-	-	-
(142)	115	115	-
4,191	**8,066**	**5,476**	**2,590**
(1,132)	(3,148)	(2,143)	(1,005)
3,059	**4,918**	**3,333**	**1,585**
77,862			**3,333**
80,921			**4,918**
79,961			4,086
960			832
80,921			**4,918**
CENTS			CENTS
8.15			3.23
336.02			14.51
344.17			17.74

CONSOLIDATED BALANCE SHEET

As at 30 November 2009 (unaudited)

	Note	NOV 2009 $000	NOV 2008 $000	MAY 2009 $000
ASSETS				
Non-current assets				
Property, plant and equipment	3	26,465	29,913	33,985
Intangible assets		77,109	143,698	151,553
Investments in associates		25,858	690	602
Derivative financial instruments		734	-	-
Trade and other receivables		3,386	1,103	1,023
Deferred tax assets		1,239	1,583	3,621
Total non-current assets		**134,791**	**176,987**	**190,784**
Current assets				
Cash and cash equivalents		32,571	9,944	5,047
Trade and other receivables		11,657	24,214	28,563
Inventories		4,585	9,055	6,048
Derivative financial instruments		-	56	-
Total current assets		**48,813**	**43,269**	**39,658**
Total assets		**183,604**	**220,256**	**230,442**
EQUITY				
Share capital		55,223	54,170	55,197
Retained earnings		71,054	2,747	6,165
Cash Flow Hedge Reserve		519	(1,040)	(1,336)
Foreign Currency Translation Reserve		(420)	570	(728)
Total equity attributable to equity holders of the parent		**126,376**	**56,447**	**59,298**
Minority interest		3,009	2,224	3,193
Total equity		**129,385**	**58,671**	**62,491**
LIABILITIES				
Non-current liabilities				
Borrowings	7	14,878	80,912	87,809
Trade and other payables		4,791	3,821	5,404
Derivative financial instruments		-	1,583	1,980
Deferred tax liabilities		334	157	243
Deferred acquisition consideration		3,499	43,249	39,060
Total non-current liabilities		**23,502**	**129,722**	**134,496**
Current liabilities				
Borrowings		1,504	323	217
Provisions		-	56	-
Derivative financial instruments		22	5	55
Deferred acquisition consideration		1,875	2,188	1,149
Current income tax liabilities		389	974	1,605
Trade and other payables		26,927	28,317	30,429
Total current liabilities		**30,717**	**31,863**	**33,455**
Total liabilities		**54,219**	**161,585**	**167,951**
TOTAL EQUITY AND LIABILITIES		**183,604**	**220,256**	**230,442**
Net assets per security		$5.57	$2.55	$2.69
Net tangible assets per security		$2.25	($3.70)	($3.83)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2009 (unaudited)

	Note	NOV 2009 $000	NOV 2008 $000
Cash flows from operating activities			
Receipts from customers		74,912	56,398
Payments to suppliers and employees		(66,429)	(50,446)
Interest received		246	203
Interest paid		(1,946)	(466)
Income tax paid		(378)	(270)
Discontinued operations		5,636	5,319
Net cash generated from operating activities	11	**12,041**	**10,738**
Cash flows from investing activities			
Sale of property, plant and equipment		52	19
Sale of subsidiaries/businesses		103,575	15
Purchase of property, plant and equipment		(1,728)	(4,715)
Purchase of subsidiaries/businesses		(4,132)	(31,676)
Investment in associates		(26,000)	-
Other investment income		(1,752)	-
Dividends paid to minority interest shareholders		(161)	(150)
Other investing cash flows		(2,375)	-
Discontinued operations		24,178	(12,157)
Net cash used in investing activities		**91,657**	**(48,664)**
Cash flows from financing activities			
Proceeds from borrowings		-	35,222
Settlement of borrowings		(41,723)	(853)
Dividends paid		(2,869)	(1,169)
Discontinued operations		(32,079)	12,306
Net cash used in financing activities		**(76,671)**	**45,506**
Net increase/(decrease) in cash held		**27,027**	**7,579**
Cash at beginning of the period		4,880	1,528
Cash at end of period		**31,907**	**9,107**
Cash comprises			
Cash at bank		32,571	9,944
Bank overdrafts		(356)	(226)
Exchange loss on net assets held by foreign subsidiaries		(308)	(611)
		31,907	**9,107**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2009 (unaudited)

	SHARE CAPITAL $000	TREASURY SHARES $000	FOREIGN EXCHANGE TRANS-LATION RESERVE $000	CASH FLOW HEDGE RESERVE $000	RETAINED EARNINGS $000	TOTAL $000	MINORITY INTEREST $000	TOTAL EQUITY $000
Balance at 1 June 2008	**54,637**	**(482)**	**(31)**	**-**	**(170)**	**53,954**	**1,369**	**55,323**
Total comprehensive income for the period			601	(1,040)	4,086	3,647	832	4,479
Dividends paid					(1,169)	(1,169)		(1,169)
Executive share scheme	15					15		15
Foreign exchange movement on minority interest						-	23	23
Balance at 30 November 2008	**54,652**	**(482)**	**570**	**(1,040)**	**2,747**	**56,447**	**2,224**	**58,671**
Balance at 1 June 2009	**56,115**	**(918)**	**(728)**	**(1,336)**	**6,165**	**59,298**	**3,193**	**62,491**
Total comprehensive income for the period			308	1,855	79,961	82,124	960	83,084
Dividends paid					(15,069)	(15,069)	(1,563)	(16,632)
Executive share scheme	26					26		26
Minority share of losses transferred to comprehensive interest on sale of Bay Audiology						-	419	419
Balance at 30 November 2009	**56,141**	**(918)**	**(420)**	**519**	**71,057**	**126,379**	**3,009**	**129,388**

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 November 2009 (unaudited)

	Note	NOV 2009 $000	NOV 2008 $000
Profit for the period		**80,921**	**4,918**
Other comprehensive income			
Cash flow hedges, net of tax		1,855	(1,040)
Exchange differences on translating foreign operations		308	601
Total comprehensive income for the period		**83,084**	**4,479**
Profit attributable to:			
Equity holders of the Company		82,124	3,647
Minority interests		960	832)
		83,084	**4,479**

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

Except as described below, the accounting policies used in the preparation of the interim financial statements are consistent with those of the financial statements for the year ended 31 May 2009.

The interim financial statements are prepared in accordance with NZ IAS 34: Interim Financial Reporting. The following standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

NZ IAS 1 (revised), Presentation of financial statements
The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented seperately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.The Group has elected to present two statements: an income statement and statement of comprehensive income. These interim financial statements have been prepared under the revised disclosure requirement.

2. Segment Information

NZ IFRS 8, 'Operating Segments' has replaced NZ IAS 14, 'Segment Reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker has been identified as the Abano Board. The Board reviews the group's internal reporting in order to assess performance and to allocate funding and resources. Management has determined the operating segments based on these reports.

The Board considers the business from both a product and a geographic perspective. From a product perspective, management assesses the performance of Rehabilitation, Diagnostics, Dental and Audiology.

Following the sale of Bay Audiology in New Zealand and the change to equity accounting for Bay International Limited, the Audiology segment is treated as discontinued operations.

	NOV 2009 $000	NOV 2008 $000
Operating result for reportable segments	**7,705**	**5,923**
Corporate overheads not allocated to continuing operations	(1,621)	(1,695)
Operating Profit	**6,084**	**4,228**
Net financing costs	(1,751)	(1,638)
Share of loss of associates	(142)	-
Profit before income tax and discontinued operations	**4,191**	**2,590**

NOTES TO THE FINANCIAL STATEMENTS

	REHABILITATION		DIAGNOSTICS		DENTAL		TOTAL CONTINUING OPERATIONS		TOTAL DISCONTINUED OPERATIONS AUDIOLOGY		TOTAL	
	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000
Segment Revenue												
Segment 10,632		10,865	19,127	17,547	45,053	29,098	74,813	57,510	27,633	28,700	**102,446**	**86,210**
Unallocated [1]							(142)	-	-	-	**(142)**	**-**
Segment Revenue							**74,671**	**57,510**	**27,633**	**28,700**	**102,304**	**86,210**
Segment Result [2]												
Segment 840		1,589	3,119	2,629	3,746	1,745	7,705	5,923	2,726	6,746	**10,431**	**12,669**
Unallocated							-	-	-	-	**(1,014)**	**(878)**
Segment result (before interest and taxation)							**7,705**	**5,923**	**2,726**	**6,746**	**9,417**	**11,791**
Depreciation	207	168	854	746	1,439	904	2,500	1,818	989	612	3,489	2,430
Unallocated											77	67
											3,566	**2,497**
Total assets	18,226	18,792	33,365	31,330	72,867	62,759	124,457	112,881	-	105,402	124,457	218,283
Unallocated											59,147	1,973
											183,604	**220,256**

(1) Unallocated revenue consists of share of profits in associates.
(2) Operating results include the allocation of attributable corporate overheads. Unallocated costs are specific to the Company.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, Plant and Equipment

During the period to 30 November 2009 the Group acquired property, plant and equipment with a cost of $4,836,808 (30 November 2008: $3,874,996).

An additional $613,813 of property, plant and equipment was acquired as part of business acquisitions during the period (30 November 2008: $7,116,415).

As a result of the sale of Bay Audiology and the recognition of the Group's investment in Bay International Limited using the equity method, the net book value of the property, plant and equipment was reduced by $11.9 million.

4. Disposal of Subsidiary

On 3 November 2009 the Group sold its New Zealand audiology business, Bay Audiology Limited to National Hearing Care (New Zealand) Limited, a company associated with Crescent Capital Partners, for NZ$157.8 million, resulting in a gain on sale of $77.7 million.

Its results are presented in these financials statements as a discontinued operation. The income statement and cash flow statement distinguish discontinued operations from continuing operations. Comparative figures have been restated.

5. Investments in Associates

On 16 October 2009 the Group exercised an option to acquire, on a 50:50 basis with interests associated with Peter Hutson, an aggregate 13 percent stake in the merged Bay Audiology/National Hearing Care audiology business formed on completion of the sale of Bay Audiology to National Hearing Care (New Zealand) Limited. The total investment cost of NZ$30.0 million was met as to 50% each by Abano and the Hutson interests.

The Group continues to have interests in audiology in Australia and Asia through its investment in Bay International Limited. In November 2009, the interests associated with Peter Hutson invested $11.0 million in cash and increased their shareholding in Bay International Limited from 15 percent to 50 percent. As the Group no longer owns a majority share in this entity, any profit or loss from its 50 percent shareholding in Bay International is accounted for under the equity method.

6. Acquisition of Businesses

During the period to 30 November 2009 the Group acquired the following businesses for a total cash consideration of $4.0 million.

Dr Kerry Roberts (Sydney)	5 Jun 2009
Remuera Dental Centre (Auckland)	16 Jun 2009
Sountex Audiology (Malaysia)	1 Aug 2009
Providental (Temuka)	3 Aug 2009
Gentle Dentists (Auckland)	12 Oct 2009
Hamilton Dental Surgery (New Plymouth)	2 Nov 2009
Paul Burgess Dental (Nelson)	2 Nov 2009
Garry Rae Dental (Greymouth)	16 Nov 2009

NOTES TO THE FINANCIAL STATEMENTS

Summary of the effect of the acquisitions:

	DENTAL $000	AUDIOLOGY $000	TOTAL $000
Fair value of net assets acquired:			
Current assets	72	64	136
Current liabilities	(10)	(4)	(14)
Non-current assets	612	2	614
Acquisition costs	36	54	90
Goodwill on acquisition	2,895	292	3,187
Consideration paid	**3,605**	**408**	**4,013**
Deferred acquisition consideration	1,015	-	1,015
Total Consideration	**4,620**	**408**	**5,028**
Goodwill on acquisition	2,895	292	3,187
Deferred acquisition consideration	1,015	-	1,015
Acquisition costs	36	54	90
Total goodwill recognised	**3,946**	**346**	**4,292**

The businesses acquired have contributed $362,208 to the Group operating result in the period from their acquisition date to 30 November 2009.

Management do not believe that it is possible to reasonably estimate what the revenue and profit from the business combination would have been if they had been part of the Group from the beginning of the period.

7. Borr owings

The Group has used proceeds from the sale of Bay Audiology to repay borrowings from ASB Bank.

At the end of the period the Group had gross borrowings of $14.2 million from Commonwealth Bank of Australia, a facility ring fenced to fund acquisitions of the Dental Partners business in Australia.

During the period the ASB Bank facility was reduced from $100.0 million to $80.0 million.

8. Subsequent events

Special Early Interim Dividend and Dividend Reinvestment Plan

On 2 December 2009 the Group paid a special early interim dividend totalling $12.2 million (52 cents per share), as declared on 3 November 2009. The liability for this dividend is reflected under Current Trade and Other Payables in the balance sheet.

Under the Dividend Reinvestment Plan (DRP) applying to the dividend, 572,897 shares were issued at $5.93 per share on 2 December 2009.

The issue price was determined, in accordance with the DRP, as the volume weighted average sale price for all Abano shares sold on the NZX over the five trading days immediately following the record date of 17 November 2009, less a 2.5% discount.

NOTES TO THE FINANCIAL STATEMENTS

Share Buy Back Scheme

On 23 December 2009 the Group declared unconditional, and proceeded with the settlement of, its share buyback offer. The offer, which closed on 18 December 2009, received acceptances in respect of 2,909,218 ordinary shares (representing 11.6% of the market value of all shares on issue at the time shareholders were first notified of the acquisition).

Although this level of acceptance was less than the minimum acceptance condition set out in the Offer Document (being 3,761,097 shares or 15% of the market value of all shares on issue at the time shareholders were first notified of the acquisition), the Board, as permitted by the Offer Document, waived the minimum acceptance condition and declared the offer unconditional.

The acquired shares were purchased at the offer price of $5.93 per share, repesenting an aggregate acquisition amount of $17.3 million.

9. Related Parties Transactions

Mr P Hutson, Mrs A Hutson and Mr S Wright (the **"Hutson interests"**) are all associated persons and had interests in the following transactions relating to and resulting from the sale of Bay Audiology Limited to National Hearing Care (New Zealand) Limited ("NHC"):

Sale of Bay Audiology Limited

The Hutson interests held 30% of the shares of Bay Audiology Limited which were sold to NHC. The Hutson interests held "put and call" options in relation to these shares, with the "put" option requiring the Group to acquire the shares at various possible exercise dates. These "put and call" options were terminated as part of the sale process and the related deferred acquisition liability on the Group's balance sheet was derecognised.

Bay International Restructure

Following the sale of Bay Audiology Limited to NHC the Hutson interests increased their shareholding in Bay International Limited from 15% to 50% (refer note 5), with consequential shareholding, employment, logistical and governance arrangements.

Investment in National Hearing Group Pty Limited

The Hutson interests elected to invest, on a 50:50 basis with the Group, $30.0 million in NHC Group Pty Limited, representing a combined 13% reinvestment in the merged NHC/Bay Audiology business (refer note 5).

The sale of Bay Audiology and the related transactions constituted a "Material Transaction" with a "Related Party" for the purposes of the NZSX Listing rules. A resolution pursuant to NZSX Listing rule 9.2.1 was passed by shareholders in relation to these transactions at the Annual General Meeting held on 8 October 2009.

Share Buy Back Scheme

Interests associated with the Hutson interests wholly own Healthcare Industry Limited ('HIL"), which prior to the share buy back scheme (refer note 8) held 19.69% of the shares in Abano Healthcare Group Limited ('Abano'). HIL participated in the share buy back scheme post the half year review and subsequent its shareholding in Abano was reduced to 14.60% on 23 December 2009.

10. General Information

The Group is a profit-orientated limited liability entity incorporated and domiciled in New Zealand.

NOTES TO THE FINANCIAL STATEMENTS

11. Reconciliation of Operating Cash Flows

For the six months ended 30 November 2009 (unaudited)

	NOV 2009 $000	NOV 2008 $000
Profit for the period	**79,961**	**4,086**
Non-cash items:		
Depreciation and amortisation	3,565	2,497
Utilisation / (recognition) of deferred tax asset	1,686	547
Amortisation of put option fair value	493	1,246
Fair value movement on derivatives	1,557	110
Executive compensation expense	26	15
Share of surplus retained by associates	960	832
	8,287	5,247
Movement in working capital:		
(Increase)/decrease in trade and other receivables	18,372	(6,068)
(Decrease)/increase in trade and other payables	(16,895)	7,609
(Decrease)/increase in deferred income	-	(56)
	1,477	1,485
Items classified as investing activities:		
Realised (gain)/loss on sale of property, plant and equipment	2	35
Realised (gain)/loss on sale of subsidiaries	(77,714)	-
Other investment income	28	(115)
	(77,684)	(80)
Net cash flows from operating activities	**12,041**	**10,738**

DIRECTORY

DIRECTORS

Alison Mae Paterson
Chairman
Appointed 16 October 2002

Trevor David Janes
Deputy chairman
Appointed 23 September 2005

Alan William Clarke
Appointed 31 October 2001

Philip Samuel Newland
Appointed 31 October 2001

Susan Marie Paterson
Appointed 23 September 2005

Peter Lionel Hutson
Appointed 25 November 2008

Danny Chan
Appointed 19 December 2008

AUDIT COMMITTEE

Trevor Janes (chairman),
Alison Paterson, Danny Chan

REMUNERATION COMMITTEE

Susan Paterson (chairman),
Alison Paterson, Philip Newland

NOMINATION COMMITTEE

All board members

REGISTERED OFFICE AND ADDRESS FOR SERVICE

Level 16
West Plaza Building
3-7 Albert St, Auckland

AUDITORS

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay St, Auckland

BANKERS

ASB Bank Limited
135 Albert St, Auckland

Commonwealth Bank of Australia
240 Queen St
Brisbane, Australia

SOLICITORS

Buddle Findlay
PricewaterhouseCoopers Tower
188 Quay St, Auckland

SHARE REGISTRAR

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna, Auckland

Abano Healthcare Group Limited
P O Box 106 514
Auckland 1143
Telephone: + 64 9 300 1410
Facsimile: + 64 9 300 1419
Email: enquiries@abanohealthcare.co.nz
Internet: www.abanohealthcare.co.nz

Abano Healthcare Group Limited
P O Box 106 514
Auckland 1143
Telephone: + 64 9 300 1410
Facsimile: + 64 9 300 1419
Email: enquiries@abanohealthcare.co.nz
Internet: www.abanohealthcare.co.nz