

# ElderCare Financial Statements

2003



ELDERCARE NEW ZEALAND LIMITED



abano healthcare group limited

## DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 31 May 2003

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 2003 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.

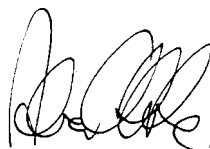
The directors have pleasure in presenting the financial statements of ElderCare New Zealand Limited, set out on pages 44 to 69, for the year ended 31 May 2003.

The financial statements presented on the following pages were authorised for issue on the date below.

For and on behalf of the Board



**Jim Syme**  
**CHAIRMAN**



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

30 July 2003

**AUDITORS' REPORT**

as at 31 May 2003

**AUDITORS' REPORT**

TO THE SHAREHOLDERS OF ELDERCARE NEW ZEALAND 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 2003 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 2003 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 taxation, 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 2003 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 30 July 2003 and our unqualified opinion is expressed as at that date.

Chartered Accountants

**PricewaterhouseCoopers**

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Auckland

## STATEMENTS OF FINANCIAL PERFORMANCE

for the year ended 31 May 2003

ELDERCARE NEW ZEALAND LIMITED AND SUBSIDIARIES		GROUP		COMPANY	
	NOTES	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Revenue	2	58,328	40,418	1,750	1,435
<b>Operating surplus / (deficit) before income tax</b>	2	<b>2,396</b>	(2,455)	<b>(4,119)</b>	(964)
Income tax benefit	9	389	-	215	-
<b>Operating surplus / (deficit) after income tax</b>		<b>2,785</b>	(2,455)	<b>(3,904)</b>	(964)
Minority interest in surplus of subsidiary	6	(786)	(368)	-	-
<b>Net surplus / (deficit) attributable to shareholders of the Company</b>		<b>1,999</b>	(2,823)	<b>(3,904)</b>	(964)
<b>Comprising:</b>					
Operating surplus / (deficit) from continuing activities		1,999	(2,979)	(3,904)	(1,120)
Operating surplus from discontinued activities		-	156	-	156
		<b>1,999</b>	(2,823)	<b>(3,904)</b>	(964)

## STATEMENTS OF MOVEMENTS IN EQUITY AND CAPITAL FUNDS

for the year ended 31 May 2003

ELDERCARE NEW ZEALAND LIMITED AND SUBSIDIARIES		GROUP		COMPANY	
	NOTES	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>Equity and capital funds at beginning of year</b>		<b>41,540</b>	29,864	<b>46,067</b>	31,591
Net surplus / (deficit) for the year	5	1,999	(2,823)	(3,904)	(964)
Minority interests in current year retained earnings	6	786	368	-	-
Foreign currency translation reserve		(3)	-	-	-
Gain arising on amalgamation		-	-	-	1,028
<b>Total recognised revenues and expenses</b>		<b>2,782</b>	(2,455)	<b>(3,904)</b>	64
<b>OTHER MOVEMENTS</b>					
Ordinary shares issued during the year	3	190	6,596	190	6,596
Optional convertible notes	3	(2,394)	9,251	(2,394)	9,251
Mandatory convertible notes converted during the year	3	(127)	(1,435)	(127)	(1,435)
Reduction in value of mandatory convertible notes	3	(19)	-	(19)	-
Minority interest acquired during the year	6	11	-	-	-
Dividends paid to minority interests during the year	6	-	(281)	-	-
<b>Equity and capital funds at end of year</b>		<b>41,983</b>	41,540	<b>39,813</b>	46,067

## STATEMENTS OF FINANCIAL POSITION

as at 31 May 2003

ELDERCARE NEW ZEALAND LIMITED AND SUBSIDIARIES		GROUP		COMPANY	
	NOTES	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	3	52,447	52,257	52,447	52,257
Share options reserve	3	-	1,000	-	1,000
Accumulated losses	5	(19,243)	(22,242)	(20,181)	(17,277)
Foreign currency translation reserve		(3)	-	-	-
<b>Shareholders' equity</b>		<b>33,201</b>	31,015	<b>32,266</b>	35,980
Minority interest	6	1,235	438	-	-
<b>Total equity</b>		<b>34,436</b>	31,453	<b>32,266</b>	35,980
<b>CAPITAL FUNDS</b>					
Mandatory convertible notes	3	-	146	-	146
Optional convertible notes	3	7,547	9,941	7,547	9,941
<b>Total capital funds</b>		<b>7,547</b>	10,087	<b>7,547</b>	10,087
<b>Total equity and capital funds</b>		<b>41,983</b>	41,540	<b>39,813</b>	46,067
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	7	32,209	33,253	32,189	33,200
Deferred income		216	445	-	-
<b>Total non-current liabilities</b>		<b>32,425</b>	33,698	<b>32,189</b>	33,200
<b>CURRENT LIABILITIES</b>					
Bank overdraft		1,051	105	1,051	82
Payables and accruals	15	5,851	5,231	558	579
Borrowings	7	70	159	-	-
<b>Total current liabilities</b>		<b>6,972</b>	5,495	<b>1,609</b>	661
<b>Total liabilities</b>		<b>39,397</b>	39,193	<b>33,798</b>	33,861
<b>TOTAL EQUITY, CAPITAL FUNDS AND LIABILITIES</b>		<b>81,380</b>	80,733	<b>73,611</b>	79,928
<b>CURRENT ASSETS</b>					
Cash and bank balances		930	1,003	12	13
Receivables and prepayments	14	9,527	9,713	1,627	1,157
Inventories		1,022	750	-	-
Deferred tax asset	9	389	-	215	-
Properties intended for sale		-	3,267	-	-
Investments in listed securities		4	2	4	2
<b>Total current assets</b>		<b>11,872</b>	14,735	<b>1,858</b>	1,172
<b>NON-CURRENT ASSETS</b>					
Receivables and prepayments	14	419	711	419	711
Investments in subsidiaries	12	-	-	28,221	26,447
Other investments		5	5	-	-
Advances to subsidiaries		-	-	43,072	51,476
Property, plant and equipment	10	54,486	52,662	41	14
Intangible assets	13	14,598	12,620	-	108
<b>Total non-current assets</b>		<b>69,508</b>	65,998	<b>71,753</b>	78,756
<b>TOTAL ASSETS</b>		<b>81,380</b>	80,733	<b>73,611</b>	79,928

## STATEMENTS OF CASH FLOWS

for the year ended 31 May 2003

ELDERCARE NEW ZEALAND LIMITED AND SUBSIDIARIES	NOTE	GROUP		COMPANY	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
<b>Cash was provided from:</b>					
Receipts from residents, patients and customers		57,202	39,736	-	-
Goods & services tax received		156	351	153	-
Interest received		56	26	-	4
Income tax refunded		54	-	-	-
		<b>57,468</b>	40,113	<b>153</b>	<b>4</b>
<b>Cash was applied to:</b>					
Payments to suppliers and employees		50,159	34,435	2,122	1,844
Goods & services tax paid		-	-	-	40
Income tax paid		-	154	-	-
Finance lease charges		25	21	-	-
Interest paid		2,461	3,510	2,458	326
		<b>52,645</b>	38,120	<b>4,580</b>	2,210
<b>Net cash inflow / (outflow) from operating activities</b>		<b>4,823</b>	1,993	<b>(4,427)</b>	(2,206)
CASH FLOWS FROM INVESTING ACTIVITIES					
<b>Cash was provided from:</b>					
Sale of fixed assets		5,407	5,923	-	-
Sale of securities		-	523	-	523
Advances from subsidiaries		-	-	9,780	-
Other investment income		38	30	-	30
Cash balances acquired		16	624	-	-
		<b>5,461</b>	7,100	<b>9,780</b>	553
<b>Cash was applied to:</b>					
Purchase of property, plant and equipment		2,957	1,053	31	14
Purchase of investments in subsidiaries	12	1,721	8,669	1,721	8,669
Advances to subsidiaries		-	-	-	29,686
Other advances		542	78	-	-
		<b>5,220</b>	9,800	<b>1,752</b>	38,369
<b>Net cash inflow / (outflow) from investing activities</b>		<b>241</b>	(2,700)	<b>8,028</b>	(37,816)

## STATEMENTS OF CASH FLOWS

for the year ended 31 May 2003

ELDERCARE NEW ZEALAND LIMITED AND SUBSIDIARIES	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Proceeds from issue of share capital	-	5,159	-	5,159
Proceeds from issue of convertible notes	-	5,045	-	5,045
Proceeds from borrowings	5,240	39,312	5,240	39,188
	<b>5,240</b>	<b>49,516</b>	<b>5,240</b>	<b>49,392</b>
<b>Cash was applied to:</b>				
Repayment of borrowings	7,398	45,483	6,138	9,449
Repayment of shareholder advances	-	410	-	-
Finance lease principal repayments	252	143	-	-
Redemption of convertible notes	2,912	-	2,912	-
Convertible notes interest	761	-	761	-
Dividends paid to minority interests	-	281	-	-
	<b>11,323</b>	<b>46,317</b>	<b>9,811</b>	<b>9,449</b>
<b>Net cash (outflow) / inflow from financing activities</b>	<b>(6,083)</b>	<b>3,199</b>	<b>(4,571)</b>	<b>39,943</b>
<b>Net (decrease) / increase in cash held</b>	<b>(1,019)</b>	<b>2,492</b>	<b>(970)</b>	<b>(79)</b>
Add opening cash brought forward	898	(1,594)	(69)	10
<b>Cash balance at end of year</b>	<b>(121)</b>	<b>898</b>	<b>(1,039)</b>	<b>(69)</b>
<b>Cash comprises:</b>				
Cash at bank	930	1,003	12	13
Bank overdrafts	(1,051)	(105)	(1,051)	(82)
	<b>(121)</b>	<b>898</b>	<b>(1,039)</b>	<b>(69)</b>

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

for the year ended 31 May 2003

ELDERCARE NEW ZEALAND LIMITED AND SUBSIDIARIES	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Net surplus / (deficit) for the year	1,999	(2,823)	(3,904)	(964)
Add minority interest in surplus of subsidiaries	786	368	-	-
	<b>2,785</b>	<b>(2,455)</b>	<b>(3,904)</b>	<b>(964)</b>
<b>Adjusted for non-cash items:</b>				
Depreciation	2,597	1,898	4	-
Amortisation of intangible assets	769	429	-	-
Recognition of deferred tax asset	(389)	-	(215)	-
Movement in provisions and writedowns	-	2,044	-	-
Interest expense on convertible notes	257	513	257	513
Interest income on advances made to executives	(192)	-	(192)	-
Executive compensation expense	89	33	55	33
Other non-cash	(4)	-	(4)	-
	<b>3,127</b>	<b>4,917</b>	<b>(95)</b>	<b>546</b>
<b>Movement in working capital:</b>				
(Increase) / decrease in receivables and prepayments	(232)	(692)	(1,230)	(1,306)
(Decrease) / increase in accounts payables and accruals	(366)	492	43	(257)
(Decrease) / increase in deferred income	(153)	(526)	-	-
	<b>(751)</b>	<b>(726)</b>	<b>(1,187)</b>	<b>(1,563)</b>
<b>Items classified as financing activities</b>				
Convertible notes interest paid	761	-	761	-
	<b>761</b>	<b>-</b>	<b>761</b>	<b>-</b>
<b>Items classified as investing activities:</b>				
Add back cost of sales - investing activity	(133)	482	-	-
Realised gain on sale of properties	(927)	(156)	-	(156)
Investment income	(39)	(69)	(2)	(69)
	<b>(1,099)</b>	<b>257</b>	<b>(2)</b>	<b>(225)</b>
<b>Net cash flows from operating activities</b>	<b>4,823</b>	<b>1,993</b>	<b>(4,427)</b>	<b>(2,206)</b>

# STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 May 2003

## STATUTORY BASE

The financial statements presented here are for ElderCare New Zealand Limited ("Company") and the consolidated Group comprising ElderCare New Zealand 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. ElderCare New Zealand 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 ElderCare New Zealand 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.

## INVESTMENTS IN LISTED SECURITIES

Gains and losses on listed securities are taken to the statement of financial performance when realised. Investments in listed securities are stated at cost or deemed cost.

## 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 2003

### 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.

### PROPERTIES INTENDED FOR SALE

Properties intended for sale comprise properties, under construction, completed and awaiting sale, and surplus properties which are expected to be sold within the next 12 months. Their carrying value is the lower of cost or net realisable value.

### 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

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

### COMPARATIVE INFORMATION

Certain comparative information has been adjusted so as to more appropriately reflect its nature and to ensure consistency of classification with the current year.

### 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 2003

### 1. Segment information

#### INDUSTRY SEGMENTS

	AGED CARE		REHABILITATION		DIAGNOSTICS		DENTAL		TOTAL	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>OPERATING REVENUE</b>										
Segment	23,275	23,467	12,388	10,698	17,902	6,097	4,518	-	58,083	40,262
Unallocated									245	156
<b>Total Revenue</b>	<b>23,275</b>	<b>23,467</b>	<b>12,388</b>	<b>10,698</b>	<b>17,902</b>	<b>6,097</b>	<b>4,518</b>	<b>-</b>	<b>58,328</b>	<b>40,418</b>
<b>OPERATING SURPLUS</b>										
Segment*	3,267	3,194	1,955	617	917	433	(396)	-	5,743	4,244
Unallocated									(2,958)	(6,699)
<b>Operating surplus after income tax</b>									<b>2,785</b>	<b>(2,455)</b>
<b>SEGMENT ASSETS</b>										
Property, plant & equipment	50,237	49,526	385	334	2,511	2,788	1,312	-	54,445	52,648
Other assets	3,883	6,695	7,029	5,656	9,941	11,312	3,386	-	24,239	23,663
<b>Total segment assets</b>	<b>54,120</b>	<b>56,221</b>	<b>7,414</b>	<b>5,990</b>	<b>12,452</b>	<b>14,100</b>	<b>4,698</b>	<b>-</b>	<b>78,684</b>	<b>76,311</b>
Unallocated assets									2,696	4,422
<b>Total assets</b>									<b>81,380</b>	<b>80,733</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 2003

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

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

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Revenue				
- operating revenue	(57,463)	(39,743)	-	-
- non-operating revenue	(292)	(69)	(1,548)	(1,274)
- gain on sale of villas and apartments	(321)	(372)	-	-
- gain on sale of surplus land	-	(56)	-	-
- interest received	(252)	(22)	(202)	(5)
- realised gain on investment in listed securities	-	(156)	-	(156)
Fees paid to principal auditors (PricewaterhouseCoopers)				
- audit fees	110	120	36	25
- non-statutory audit fees	59	14	-	4
- income tax returns	75	59	75	8
- amalgamations, compliance and taxation advice	86	52	44	44
- financial modelling	-	10	-	-
- accounting advice	5	-	5	-
Audit fees paid to other auditors	3	34	-	-
Fees paid to other accountants*	43	175	-	24
Change in doubtful debts provision	(143)	(105)	-	-
Bad and doubtful debts written off	87	110	-	-
Depreciation				
- land and buildings	696	808	-	-
- property, plant and equipment	1,706	951	4	-
- motor vehicles	195	139	-	-
Goodwill amortisation	769	429	-	1
Rental expense on operating leases	1,927	1,396	29	33
Interest				
- on borrowings	2,618	3,272	2,607	234
- on convertible notes	1,018	513	1,018	513
- finance lease charges	23	21	-	-
Directors' fees	158	97	141	59
Equity-based executive compensation expense	89	33	55	33
Donations	11	3	-	-
(Gain) on sale of/write-down in value of properties intended for sale	(927)	2,200	-	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
*Fees paid to other accountants comprise:				
Accounting systems implementation				
- Deloitte Touche Tohmatsu	17	33	-	-
- BWG Technologies	-	24	-	-
General Accounting				
- Ferrier Hodgson	-	31	-	24
- Grant Thornton	-	74	-	-
- Moore & de Lisle	20	11	-	-
- West Yates	6	2	-	-
	<b>43</b>	<b>175</b>	<b>-</b>	<b>24</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:				
Principal auditors (PricewaterhouseCoopers):				
- due diligence, taxation advice and completion audit on business acquisitions	102	97	102	97
Other accountants - for accounting systems implementation:				
- Deloitte Touche Tohmatsu	97	71	-	-
- BWG Technologies	-	8	-	-
Fees paid to accounting firms which are not included in the above but which were incurred in relation to equity raising and netted off against the proceeds of equity raising, comprised payments made to:				
- Ferrier Hodgson	-	43	-	43

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### 3. Equity and capital funds

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>ISSUED AND PAID UP CAPITAL</b>				
Balance at beginning of year	52,257	45,661	52,257	45,661
Conversion of mandatory convertible notes	127	1,435	127	1,435
Proceeds of new equity placement	63	5,161	63	5,161
<b>Issued and paid up capital at end of year</b>	<b>52,447</b>	<b>52,257</b>	<b>52,447</b>	<b>52,257</b>
<b>SHARE OPTIONS RESERVE</b>				
Balance at beginning of year	1,000	1,000	1,000	1,000
Expired during year	(1,000)	-	(1,000)	-
<b>Share options reserve at end of year</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>CAPITAL FUNDS</b>				
<b>Mandatory convertible notes</b>				
Balance at beginning of year	146	1,581	146	1,581
Reduction in value of convertible notes	(19)	-	(19)	-
Conversion into ordinary shares	(127)	(1,435)	(127)	(1,435)
<b>Mandatory convertible notes at end of year</b>	<b>-</b>	<b>146</b>	<b>-</b>	<b>146</b>
<b>Optional convertible notes</b>				
Balance at beginning of year	9,941	690	9,941	690
Issued during year	173	8,763	173	8,763
Principal repaid during the year	(2,912)	-	(2,912)	-
Accrued interest repaid during the year	(762)	-	(762)	-
Equity-based executive compensation expense	89	33	89	33
Interest accrued	1,018	455	1,018	455
<b>Optional convertible notes at end of year</b>	<b>7,547</b>	<b>9,941</b>	<b>7,547</b>	<b>9,941</b>
<b>Total capital funds at end of year</b>	<b>7,547</b>	<b>10,087</b>	<b>7,547</b>	<b>10,087</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### EQUITY AND CAPITAL FUNDS ISSUED

#### Ordinary shares

As at 31 May 2003 there were 194,835,832 fully paid ordinary shares on issue (2002: 193,681,527). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

As at 31 May 2003 there were no options on issue (2002: 31,034,274). During the 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 to retained earnings during the year ended 31 May 2003.

#### Share issues

The following share issues took place during the year:

##### Equity placement:

On 29 August 2002, 136,103 shares were issued at \$0.186 per share to certain senior executives in lieu of 61% of their bonuses for the year ended 31 May 2002. The price at which the shares were issued was the average closing price of the Company's shares on the NZX in the five days following the Company's announcement of results for the year ended 31 May 2002. The amount credited to paid up capital was \$25,315.

On 22 November 2002, 204,973 shares were issued at \$0.186 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 on the NZX in the five days following the release by the Company of its updated forecast of results for the year ending 31 May 2003, released on 14 November 2002. The amount credited to paid up capital was \$38,125.

##### Conversion of convertible notes:

On 31 May 2003 a mandatory convertible note with a face value of \$126,601 was converted into 813,229 ordinary shares.

#### Optional convertible notes

The following convertible notes were issued during the year:

On 21 June 2002, 500,000 convertible notes with a combined face value of \$172,500 were issued to a senior executive under the ElderCare New Zealand Limited Convertible Note Plan. The notes will convert into ordinary shares in three tranches in amounts of 200,000, 150,000 and 150,000 on or after 1 June 2003, 1 June 2004 and 1 June 2005 respectively, and prior to 1 June 2007, at the discretion of the note holder. Loans secured only over the convertible notes to a combined value of \$172,500 have been provided to the participant to purchase the convertible notes and are repayable either on the date the notes are converted into ordinary shares in the Company or the date that the notes are redeemed. In accordance with the Company's policy of fair value accounting for its Convertible Note Plan an amount of \$10,455 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 2003 (2002: \$ nil). The fair value of the notes at grant date was determined by Ferrier Hodgson, Chartered Accountants.

In addition to this, an amount of \$78,169 (2002: \$32,619) has been charged to the Statement of Financial Performance as executive remuneration, reflecting the portion of the fair value of notes at grant date that vested during the year ended 31 May 2003 in respect of convertible notes issued to senior executives in the year ended 31 May 2002.

The following convertible notes were redeemed for cash during the year:

On 31 January 2003, convertible notes with a face value of \$1,066,330 plus accrued interest of \$106,633 were redeemed for cash. The convertible notes were the first of three equal series of convertible notes issued on 31 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 (the "Medlab Vendor Notes").

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

On 21 November 2002, a part repayment was made under the convertible notes with a face value of \$5,000,000 issued to Cullen Investments Limited on 2 November 2001 (the "Cullen Notes") in accordance with authority granted by shareholders at the Company's Annual General Meeting held on 31 October 2001. The part payment of \$2,500,000 reduced the face value of the notes by \$1,845,426 and included accrued interest at that time of \$654,574.

As a result of the above movements the following convertible notes remained on issue as at 31 May 2003:

Convertible notes with a face value of \$3,154,574 issued to Cullen Investments Limited. The notes expire on 2 November 2003 and bear an interest rate of 11.75% per annum, calculated on a daily basis and accrued to the notes monthly in arrears, compounding monthly on the last day of the month. At expiry, the Company can elect to repay all or part of the note amount, including accrued interest, or may convert all or part of the note amount, including accrued interest, into ordinary shares at the lower of 22 cents per share or a 10% discount to the average volume weighted market value of the shares in the Company over the 10 business days prior to the date of conversion. Cullen Investments Limited has the option to require the Company to convert 25% of the original note amount, including accrued interest (a maximum of \$1,579,330), at the lesser of 22 cents per share or a 10% discount to the average volume weighted market value of the shares in the Company over the 10 business days prior to the date of conversion. The Company has the option to repay up to a further \$1,904,574 of the face value of the notes in cash at any time prior to expiry. During the year ended 31 May 2003 interest of \$499,883 was accrued to the Cullen Notes value (2002: \$349,669). At 31 May 2003 net outstanding cumulative interest of \$194,978 has been accrued to the remaining convertible notes value.

Convertible notes with a face value of \$2,132,664 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 two equal remaining series of notes from those issued on 31 January 2002 and mature on 31 January 2004 and 31 January 2005 respectively. 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 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 2003 interest of \$284,844 was accrued to the convertible note value (2002: \$105,172). At 31 May 2003 net outstanding interest of \$283,383 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 (2002: \$1,254,200) 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 2003 interest of \$233,480 was accrued to the convertible notes value (2002: \$ nil). The value of the notes in the Statement of Financial Position as at 31 May 2003 also includes \$121,243 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 and 31 May 2003.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

Summary of optional convertible notes on issue:

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>EXECUTIVE CONVERTIBLE NOTES</b>				
Balance at beginning of year	1,287	690	1,287	690
Issued during year	173	564	173	564
Interest accrued during year	233	-	233	-
Fair value charge for notes which have vested	89	33	89	33
<b>Balance at end of year</b>	<b>1,782</b>	<b>1,287</b>	<b>1,782</b>	<b>1,287</b>
<b>NON-EXECUTIVE CONVERTIBLE NOTES</b>				
Balance at beginning of year	8,654	-	8,654	-
Issued during year	-	8,199	-	8,199
Principal repaid during year	(2,912)	-	(2,912)	-
Accrued interest repaid during year	(762)	-	(762)	-
Interest accrued during year	785	455	785	455
<b>Balance at end of year</b>	<b>5,765</b>	<b>8,654</b>	<b>5,765</b>	<b>8,654</b>
<b>Total optional convertible notes</b>	<b>7,547</b>	<b>9,941</b>	<b>7,547</b>	<b>9,941</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### 4. Earnings per share

	GROUP	
	2003	2002
Earnings per share from continuing operations - undiluted (cents)	1.0	(1.6)
Earnings per share from continuing operations - fully diluted (cents)	0.8	(1.6)

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	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Balance at beginning of year	(22,242)	(19,419)	(17,277)	(17,341)
Net surplus/(deficit) for the year	1,999	(2,823)	(3,904)	(964)
Transfer of share options reserve on expiry of options	1,000	-	1,000	-
Gain arising on amalgamation	-	-	-	1,028
<b>Balance at end of year</b>	<b>(19,243)</b>	<b>(22,242)</b>	<b>(20,181)</b>	<b>(17,277)</b>

### 6. Minority interest

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Balance at beginning of year	438	351	-	-
Acquired during the year	11	-	-	-
Share of surpluses/(losses) of subsidiaries	786	368	-	-
Dividends paid to minority interests	-	(281)	-	-
<b>Balance at end of year</b>	<b>1,235</b>	<b>438</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### 7. Borrowings

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>BORROWINGS DUE WITHIN 12 MONTHS</b>				
Capitalised lease obligations	70	159	-	-
	<b>70</b>	159	-	-
<b>NON-CURRENT BORROWINGS</b>				
Secured bank loans	32,189	33,200	32,189	33,200
Capitalised lease obligations	20	53	-	-
	<b>32,209</b>	33,253	<b>32,189</b>	33,200
<b>SECURED BANK LOANS</b>				
<b>Principal repayment schedule</b>				
Later than one, not later than two years	32,189	33,200	32,189	33,200
Later than two, not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<b>32,189</b>	33,200	<b>32,189</b>	33,200
<b>CAPITALISED LEASE OBLIGATIONS</b>				
<b>Principal repayment schedule</b>				
Later than one, not later than two years	20	53	-	-
Later than two, not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<b>20</b>	53	-	-

#### Security

Bank loans are secured by mortgages over specific Group properties, included in either fixed assets or properties intended for sale, and a general security agreement over the Group's assets and undertakings.

#### Lease commitments

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

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### 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, third party loans, loans to employees, payables and accruals, notes payable 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 2003 and 31 May 2002.

#### 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 2003 or 31 May 2002.

#### 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 2003, 63% of the Group debt was fixed (31 May 2002: 0%). Finance leases are at fixed rates.

The policy also specifies a maturity profile for fixed rate debt that is progressively being implemented to achieve compliance by 31 December 2003.

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

Details of the amounts, maturity profile and fixed rates of interest of the swap agreements entered into by the Group as at 31 May 2003 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
\$6.0m	29 August 2002	29 August 2003	6.05%
\$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%
\$5.0m	31 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 2003 was \$387,453

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### 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%	930				930
Executive convertible note plan	9.24%	1,427	-	-	-	1,427
<b>Total assets</b>		<b>2,357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,357</b>
LIABILITIES						
Bank overdraft	8.55%	1,051	-	-	-	1,051
Borrowings	6.90%	32,189	-	-	-	32,189
<b>Total liabilities</b>		<b>33,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,240</b>
HEDGED (UNRECOGNISED)						
Interest rate swaps (face value)	7.34%	6,000	11,000	5,000	5,000	27,000
<b>Total hedged (unrecognised)</b>		<b>6,000</b>	<b>11,000</b>	<b>5,000</b>	<b>5,000</b>	<b>27,000</b>

COMPANY	EFFECTIVE INTEREST RATES	CURRENT \$000	1-2 YEARS \$000	2-5 YEARS \$000	>5 YEARS \$000	TOTAL \$000
ASSETS						
Bank	0%	12				12
Executive convertible note plan	9.24%	1,427	-	-	-	1,427
<b>Total assets</b>		<b>1,439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,439</b>
LIABILITIES						
Bank overdraft	8.55%	1,051	-	-	-	1,051
Borrowings	6.90%	32,189	-	-	-	32,189
<b>Total liabilities</b>		<b>33,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,240</b>
HEDGED (UNRECOGNISED)						
Interest rate swaps (face value)	7.34%	6,000	11,000	5,000	5,000	27,000
<b>Total hedged (unrecognised)</b>		<b>6,000</b>	<b>11,000</b>	<b>5,000</b>	<b>5,000</b>	<b>27,000</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 2003

### 9. Income tax

GROUP	2003 \$000	2002 \$000
Operating surplus/(deficit) before income tax	2,396	(2,455)
<b>Permanent differences:</b>		
Non-taxable income	(308)	(528)
Non-deductible expenditure	1,021	2,649
Other permanent differences	-	587
Movement in timing differences	(1,182)	(406)
<b>Surplus/(deficit) prior to group loss offsets</b>	<b>1,927</b>	<b>(153)</b>
<b>Group loss offset</b>	<b>(1,927)</b>	<b>-</b>
<b>Surplus subject to income tax</b>	<b>-</b>	<b>-</b>
Income tax thereon at 33%	-	-
Recognition of prior years' deferred tax asset	389	-
<b>Income tax benefit recognised in the Statement of Financial Performance</b>	<b>389</b>	<b>-</b>
<b>Comprising:</b>		
Current tax	-	-
Deferred tax	389	-
	<b>389</b>	<b>-</b>

As at 31 May 2003 income tax losses of \$3,340,430 (2002: \$5,267,302) were available to be carried forward for offset against future years taxable income. \$1,157,336 of these losses can only be carried forward in the entity that incurred the loss and cannot be freely offset against other group companies' assessable income.

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 or deductible for tax purposes.

The Group's imputation credit balance as at 31 May 2003 amounted to \$323,665 (2002: \$338,737).

COMPANY	2003 \$000	2002 \$000
Operating deficit before income tax	(4,119)	(964)
<b>Permanent differences:</b>		
Non-taxable income	-	(156)
Non-deductible expenditure	106	-
Other permanent differences	-	25
Movement in timing differences	3	(23)
<b>Total loss</b>	<b>(4,010)</b>	<b>(1,118)</b>
<b>Prior year losses utilised</b>	<b>-</b>	<b>-</b>
<b>Taxable income</b>	<b>-</b>	<b>-</b>
Income tax thereon at 33%	-	-
Recognition of prior years' deferred tax asset	215	-
<b>Income tax benefit recognised in the Statement of Financial Performance</b>	<b>215</b>	<b>-</b>
<b>Comprising:</b>		
Current tax	-	-
Deferred tax	215	-
	<b>215</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

As at 31 May 2003 and prior to any current year loss offset the Company will have income tax losses of \$5,820,393 (2002: \$1,810,266). \$1,119,479 of these losses are unable to be offset against other group companies.

Other group companies will utilise \$4,010,127 of current year losses incurred during the year.

On the basis that \$4,010,127 of current year losses are transferred to group companies, the Company will have losses of \$1,810,266 to carry forward to the 2004 income year.

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

The Company's imputation credit balance as at 31 May 2003 amounted to \$nil (2002: \$nil).

### Deferred tax asset

GROUP	2003 \$000	2002 \$000
Opening balance	-	-
Recognition of prior years' deferred tax asset	389	-
<b>Closing balance</b>	<b>389</b>	-

On the basis that the group is virtually certain to utilise the deferred tax asset, it has been 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 that have not been recognised is \$381,921 (2002: \$433,234).

COMPANY	2003 \$000	2002 \$000
Opening balance	-	-
Recognition of prior years' deferred tax asset	215	-
<b>Closing balance</b>	<b>215</b>	-

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 (2002: \$369,428).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### 10. Property, plant and equipment

GROUP	COST \$000	2003 ACC DEP \$000	BOOK VALUE \$000	COST \$000	2002 ACC DEP \$000	BOOK VALUE \$000
<b>FREEHOLD LAND</b>						
At cost	10,558	-	10,558	9,882	-	9,882
<b>Total freehold land</b>	<b>10,558</b>	<b>-</b>	<b>10,558</b>	9,882	-	9,882
<b>BUILDINGS</b>						
At cost	38,164	(3,196)	34,968	38,296	(2,627)	35,669
<b>Total buildings</b>	<b>38,164</b>	<b>(3,196)</b>	<b>34,968</b>	38,296	(2,627)	35,669
<b>Leasehold improvements at cost</b>	<b>1,594</b>	<b>(1,284)</b>	<b>310</b>	1,535	(1,245)	290
<b>PLANT AND EQUIPMENT</b>						
At cost	14,872	(8,141)	6,731	12,715	(6,775)	5,940
Capitalised finance leases	142	(53)	89	219	(57)	162
<b>Total plant and equipment</b>	<b>15,014</b>	<b>(8,194)</b>	<b>6,820</b>	12,934	(6,832)	6,102
<b>MOTOR VEHICLES</b>						
At cost	1,424	(575)	849	1,008	(446)	562
Capitalised finance leases	62	(32)	30	292	(135)	157
<b>Total motor vehicles</b>	<b>1,486</b>	<b>(607)</b>	<b>879</b>	1,300	(581)	719
<b>CAPITAL WORK IN PROGRESS</b>						
At cost	951	-	951	-	-	-
<b>Total capital work in progress</b>	<b>951</b>	<b>-</b>	<b>951</b>	-	-	-
<b>Total property, plant and equipment</b>	<b>67,767</b>	<b>(13,281)</b>	<b>54,486</b>	63,947	(11,285)	52,662

#### CAPITALISED INTEREST

Interest costs of \$7,000 were capitalised into building extensions during the year (2002: nil).

COMPANY	COST \$000	2003 ACC DEP \$000	BOOK VALUE \$000	COST \$000	2002 ACC DEP \$000	BOOK VALUE \$000
Plant and equipment at cost	44	(3)	41	15	(1)	14
<b>Total fixed assets</b>	<b>44</b>	<b>(3)</b>	<b>41</b>	15	(1)	14

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### 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	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>OPERATING LEASES</b>				
<b>Non-cancellable operating lease commitments:</b>				
Within one year	1,382	1,075	130	130
One to two years	1,089	520	130	130
Two to five years	1,011	419	108	238
Beyond five years	121	30	-	-
	<b>3,603</b>	<b>2,044</b>	<b>368</b>	<b>498</b>
<b>Analysis of total operating lease commitments:</b>				
Property	2,900	1,254	368	498
Motor vehicles	323	495	-	-
Plant and equipment	380	295	-	-
	<b>3,603</b>	<b>2,044</b>	<b>368</b>	<b>498</b>
<b>CAPITAL EXPENDITURE</b>				
Amounts committed to capital expenditure	929	-	-	-
	<b>929</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### 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	
		2003	2002
ElderCare Management 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%	-
ElderCare Nominees Limited	Not trading	100%	100%
<b><sup>(1)</sup> Subsidiaries of ElderCare Management 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; 100% shareholding effective 1 June 2003.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### ACQUISITION OF SUBSIDIARY

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. Of the \$1,784,302, \$1,720,870 was paid during the year. The operating results of the business have been included in the statement of financial performance of the Group from 1 November 2002.

During the prior year the Group acquired shares in Medical Laboratory Wellington Limited and Wellington Pathology Limited for total consideration of \$11,741,992 comprising cash of \$8,668,998 and convertible notes of \$3,072,994. The prior year results included the operating results of these businesses from 1st February 2002.

#### Summary of the effect of the acquisition of Geddes Dental

	GROUP 2003 \$000
<b>Fair value of net assets acquired:</b>	
Bank balances	16
Net current liabilities	(2,079)
Property, plant and equipment	1,111
Minority interest	(11)
Goodwill on acquisition	2,747
<b>Consideration paid</b>	<b>1,784</b>

### 13. Intangible assets

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Goodwill (gross) at beginning of year	13,381	5,949	109	-
Accumulated amortisation at beginning of year	(761)	(332)	(1)	-
<b>Unamortised balance at beginning of year</b>	<b>12,620</b>	<b>5,617</b>	<b>108</b>	<b>-</b>
Acquired during the year	2,747	7,432	-	109
Transferred during the year	-	-	(108)	-
Amortised during the year	(769)	(429)	-	(1)
<b>Unamortised balance at end of year</b>	<b>14,598</b>	<b>12,620</b>	<b>-</b>	<b>108</b>
Comprising:				
Goodwill (gross)	16,128	13,381	-	109
Accumulated amortisation	(1,530)	(761)	-	(1)
	<b>14,598</b>	<b>12,620</b>	<b>-</b>	<b>108</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 2003

### 14. Receivables and prepayments

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>CURRENT</b>				
Accounts receivable	5,763	7,856	-	39
Prepayments	795	-	6	-
Other receivables	1,516	923	168	184
Executive convertible note plan	1,331	805	1,331	805
Prepaid rebanking fees*	122	129	122	129
<b>Total current receivables and prepayments</b>	<b>9,527</b>	<b>9,713</b>	<b>1,627</b>	<b>1,157</b>
<b>NON-CURRENT</b>				
Executive convertible note plan	288	449	288	449
Prepaid rebanking fees*	131	262	131	262
<b>Total non-current receivables and prepayments</b>	<b>419</b>	<b>711</b>	<b>419</b>	<b>711</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	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>CURRENT</b>				
Accounts payable	1,958	1,658	55	170
Employee entitlements	2,836	2,021	218	194
Directors' fees	38	-	38	-
Deferred income	150	62	-	-
Sundry creditors and accruals	687	1,490	247	215
Residents' trust accounts	6	-	-	-
Goods & Services Tax	176	-	-	-
<b>Total payables and accruals</b>	<b>5,851</b>	<b>5,231</b>	<b>558</b>	<b>579</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

### 16. Related party transactions and balances

COMPANY	TRANSACTION		BALANCE OUTSTANDING	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
			DEBIT / (CREDIT)	
TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES				
<b>Transactions within the Group</b>				
Net cash advances, expenditure recharges and management fees	(8,404)	30,228	43,072	51,476
<b>Transactions with Cullen Investments Limited</b>				
Reimbursement for expenditure incurred on behalf of the Company	20	85	(2)	(6)
Repayment of convertible note principal & interest	2,500	-	(3,355)	(5,350)
Interest accrued on convertible note	505	350	-	-
<b>Transactions with gen-i Limited</b>				
Purchase of I.T. equipment and consumables	8	-	-	-
SUBSIDIARY COMPANIES	TRANSACTION		BALANCE OUTSTANDING	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
			DEBIT / (CREDIT)	
TRANSACTIONS BETWEEN SUBSIDIARY COMPANIES AND RELATED PARTIES				
<b>Transactions with Cullen Investments Limited</b>				
On-charge of costs incurred	4	11	(1)	(9)
<b>Transactions with gen-i Limited</b>				
Purchase of I.T. equipment and consumables	158	51	(9)	(1)
<b>Transactions with Lab Solutions Limited</b>				
Cash advances	108	25	133	25
<b>Transactions with PACK Limited</b>				
Rental on property	26	9	-	-

The ultimate controlling entity of the Group is Medical Holdings Limited with a 52.95% relevant interest.

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

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

### 17. Subsequent events

On 30 May 2003 the Company announced its intention to purchase the remaining 33% shareholding in Ranworth Healthcare Limited from its minority shareholders, for a cash price of approximately \$3 million. Final settlement of this purchase is expected in August 2003.

On 8 July 2003 the Company announced a conditional agreement to acquire the businesses of Burtons Healthcare Limited and Health Partners Limited for approximately \$1.5 million.

## 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
	Cullen Capital Limited	Director
	Cullen Group Limited	Director
	Cullen Investments Limited	Director
	Cullen Sports Limited	Director
	Excell Corporation Limited	Director
	gen-i Limited	Director
	Living & Giving Limited	Director
	Logan Corporation Limited	Director
	Malibu Equities Limited	Director
	Medical Holdings Limited	Director
	New Zealand Healthcare Limited	Director
	New Zealand Warriors Limited	Director
	Noel Leeming Financial Services Limited	Director
	Pacific Retail Finance Limited	Director
	Pacific Retail Group Limited	Director
	Pacific Retail Properties Limited	Director
	Pacific Retail Services Limited	Director
	RMG Limited	Director
	Sapphire Equities Limited	Director
	Soul Bar & Bistro Limited	Director
	United Healthcare Limited	Director

## ADDITIONAL STATUTORY INFORMATION

DIRECTOR	ENTITY	INTEREST
A.M. Paterson	Landcorp Farming Limited	Director
	Electricity Complaints Commission	Member
	Governing Board Centre of Research Excellence Growth & Development (University of Auckland)	Member
	Reserve Bank of New Zealand	Director
	Wrightson Limited	Director
	Metro Water Limited	Director
	Barnardos	Council Member
	Market Surveillance Panel, New Zealand Stock Exchange	Member
J.M.R. Syme	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
	Waste Management NZ Limited and Subsidiaries	Shareholder/Director
C.A. Teague	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 204,973 shares in lieu of bonus, in November 2002. This issue was in accordance with shareholders' approval granted at the Company's 2002 Annual General Meeting.

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

### Directors' shareholdings

as at 31 May 2003

	BENEFICIAL INTEREST		NON-BENEFICIAL INTEREST	
	2003	2002	2003	2002
A.W. Clarke	204,973	-	-	-
M.G. Kidd	-	-	-	-
P.S. Newland	-	-	-	-
A.M. Paterson	-	-	-	-
J.M.R. Syme	-	-	-	-
C.A. Teague	-	-	-	-

M.G. Kidd and P.S. Newland, by virtue of their directorships of Medical Holdings Limited, Malibu Equities Limited and New Zealand Healthcare Limited, have disclosed a relevant interest in a total of 102,619,698 shares.

## ADDITIONAL STATUTORY INFORMATION

### Remuneration of directors

Remuneration and other benefits:

	2003 \$	2002 \$
A.W. Clarke	330,396	338,103
M.G. Kidd	30,000	26,250
P.S. Newland	30,000	11,667
A.M. Paterson	25,000	-
J.M.R. Syme	60,000	22,004
C.A. Teague	267,650	86,230

### Remuneration of employees

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

	2003		2002	
	GROUP	COMPANY	GROUP	COMPANY
\$100,000 – \$110,000	2	-	-	-
\$120,001 – \$130,000	1	-	-	-
\$140,001 – \$150,000	2	1	-	-
\$150,001 – \$160,000	2	-	-	-
\$160,001 – \$170,000	-	-	1	1
\$170,001 – \$180,000	1	1	1	-
\$190,001 – \$200,000	1	-	-	-
\$200,001 – \$210,000	1	-	-	-
\$220,001 – \$230,000	-	-	1	1
\$240,001 – \$250,000	1	1	-	-
\$250,000 and over	3	-	-	-

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

The increase in the number of employees receiving remuneration and benefits in excess of \$100,000 is due to the Diagnostics businesses which in 2002 had only been owned for four months.

Existing share entitlements under approved convertible notes for the senior executive team of ElderCare New Zealand Limited as at 31 May 2003 are as per the following table:

## ADDITIONAL STATUTORY INFORMATION

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
Brian Monk Chief Financial Officer	850,000 @ 15cents	750,000 @ 20cents 50,000 @ 22cents	200,000 @ 23cents 75,000 @ 23cents 200,000 @ 25cents	nil	1 Feb 2006 1 Nov 2006 1 Nov 2006
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 GM Business Development	nil	200,000 @ 30cents	150,000 @ 35cents	150,000 @ 40cents	1 June 2007

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

## ADDITIONAL STATUTORY INFORMATION

### Shareholder information

#### Twenty largest Security Holders as at 26 July 2003

	ORDINARY SHARES	% HOLDING
Medical Holdings Limited	53,242,528	27.33
Malibu Equities Limited	24,864,035	12.76
Westpac Banking Corporation - Client Assets no. 2	16,745,410	8.60
New Zealand Healthcare Limited	24,513,135	12.58
David Grant Lowry & Craig Phillip Waymouth	6,560,840	3.37
Quasar Holdings Limited	2,300,000	1.18
Citibank Nominees (New Zealand) Limited	2,004,761	1.03
Terence Charles Brandon	1,870,722	0.96
Martyn Boyd Hamilton Reesby	1,718,985	0.88
Chartwell Investments Limited	1,500,000	0.76
David Colin Kimpton	1,291,460	0.66
Macquarie Equities Custodians Limited	1,269,833	0.65
Portfolio Custodian Limited	1,152,033	0.59
Michael Featherston Toogood & Phillip William Hocquard	951,229	0.49
Custodial Services Limited	905,366	0.47
Hugh Green Investments Limited	840,000	0.43
Ming Lov & Chiu Lov	800,000	0.41
Craig Barry Percy	650,095	0.33
Forbar Custodians Limited	569,114	0.29
John Clough	565,504	0.29
<b>Total</b>	<b>144,315,050</b>	<b>74.07</b>

### Spread of security holders

#### as at 26 July 2003

SIZE OF SHAREHOLDING	NUMBER OF HOLDERS	TOTAL SHARES HELD	% OF SHARES
1 - 4,999	648	1,678,450	0.86
5,000 - 9,999	305	1,969,247	1.01
10,000 - 49,999	768	15,741,105	8.08
50,000 - 99,999	163	10,045,388	5.16
100,000 - 499,999	128	19,485,983	10.00
500,000 - 999,999	10	6,881,917	3.53
1,000,000 or more	14	139,033,742	71.36
	<b>2,036</b>	<b>194,835,832</b>	<b>100.00</b>

## ADDITIONAL STATUTORY INFORMATION

### Donations

Donations of \$11,102 were made during the year (2002: \$3,000).

### Substantial security holders

Pursuant to section 26 of the Securities Amendment Act 1988, the substantial security holders as at 26 August 2003 are:

	NUMBER OF SHARES	% HOLDING	DATE OF NOTICE
Medical Holdings Limited <sup>(1)</sup>	102,619,698	52.95%	15 November 2002
AXA Asia Pacific Holdings Limited <sup>(2)</sup>	14,793,352	8.26%	19 November 2001

(1) Comprising: 53,242,528 shares in which a beneficial interest is held; 49,377,170 shares in which a non-beneficial relevant interest is held.

(2) 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.

### Waiver

In August 2002, the Company obtained a waiver from the Market Surveillance Panel of the New Zealand Stock Exchange in respect of Listing Rule 7.3.2. Consequent to the waiver, shareholders at the Company's Annual General Meeting held on 16 October 2002 approved a three year scheme commencing 17 October 2002 under which the Board may issue shares in consideration for the monetary remuneration that Mr A Clarke (CEO of the Company) is entitled to receive by way of a bonus pursuant to his employment agreement with the Company. Under the approval granted, the Company will not issue more than 250,000 shares to Mr Clarke in any one financial year and a maximum of 750,000 shares over the three year period commencing on 17 October 2002. A total of 204,973 shares were issued to Mr Clarke in the year ended 31 May 2003.

### Shareholders' equity and capital funds

Shareholders' equity and capital funds as at 31 May 2003 totalled \$41.6 million (2002: \$41.5million).

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
31/05/03	Last balance date	194,835,832
02/11/03	25% of the face value of the note issued to Cullen Investments Limited (including capitalised interest) is converted to shares at 22c	202,014,603
31/01/04	Second tranche of Medlab convertible notes is converted to shares at 23c	206,650,820
31/01/05	Third tranche of Medlab convertible notes is converted to shares at 23c	211,287,038
01/04/05	Executive convertible notes are converted on expiry date	213,287,038
01/02/06	Executive convertible notes are converted on expiry date	215,087,038
01/11/06	Executive convertible notes are converted on expiry date	217,512,038
01/06/07	Executive convertible notes are converted on expiry date	218,012,038

## 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  
Westpac Trust Tower  
120 Albert Street  
Auckland

### SOLICITORS

Buddle Findlay  
PricewaterhouseCoopers Tower  
188 Quay Street  
Auckland

### SHARE REGISTRAR

Computershare Investor Services Limited  
159 Hurstmere Road  
Takapuna  
Auckland

### ABANO HEALTHCARE GROUP LIMITED

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