INTERIM REPORT 2017

SIX MONTHS TO
30 NOVEMBER 2016

abano healthcare group limited

ABANO AT A GLANCE

For over sixteen years, Abano has been investing into healthcare businesses where we can add value and realise their potential.

Our vision is to build market leading brands and businesses that have the competitive advantage of size, scale and reputation.

Our primary focus is the $11-billion revenue trans-Tasman dental market and we own the second largest group in the region, made up of Lumino the Dentists in New Zealand and Maven Dental Group in Australia.

We also have an investment in the radiology market in New Zealand, through a 71% shareholding in Ascot Radiology in Auckland.

OUR BUSINESSES ARE LOCATED ACROSS AUSTRALIA AND NEW ZEALAND

OVER 2,000 STAFF CARING FOR THOUSANDS OF PATIENTS EVERY DAY

202 DENTAL PRACTICES

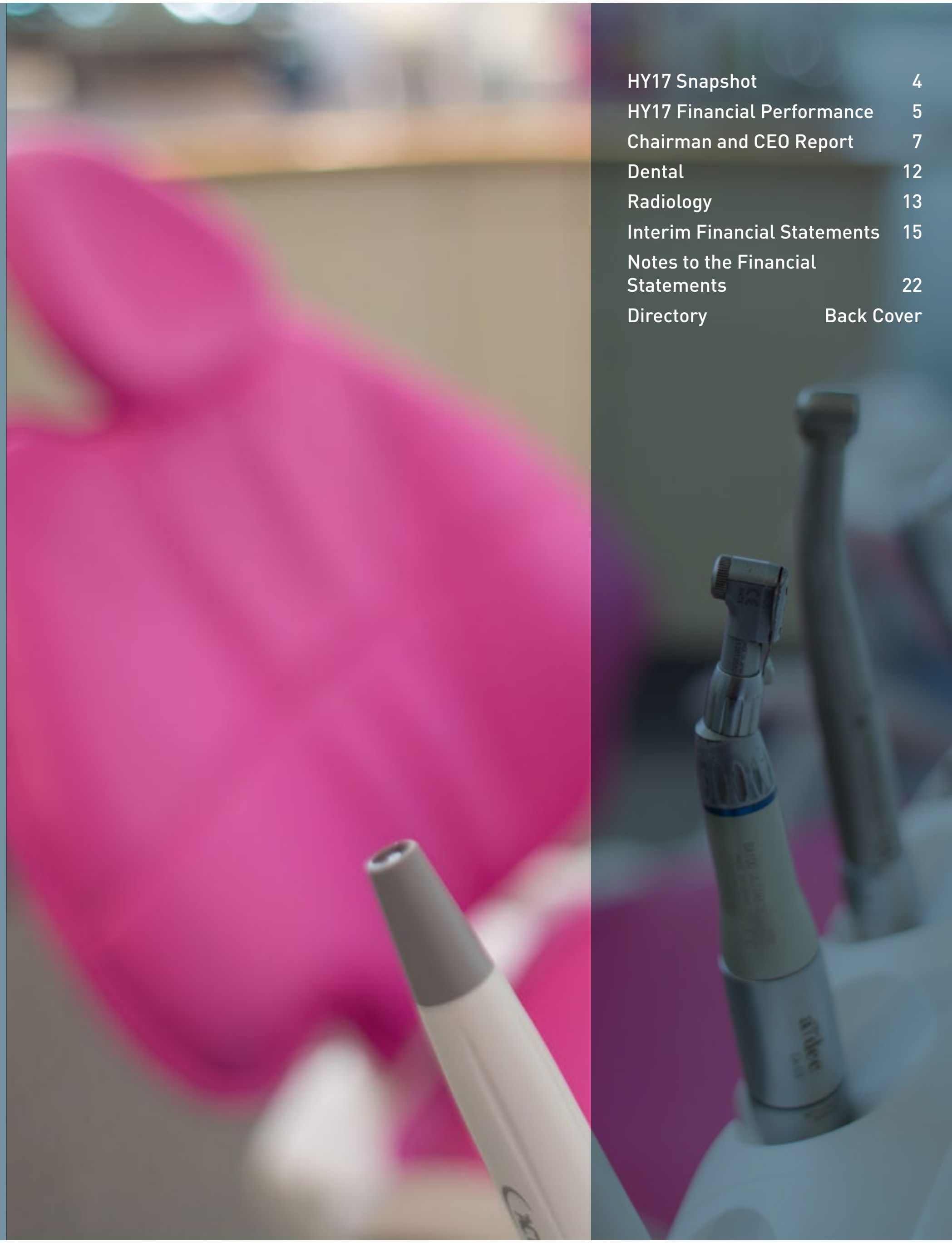
5 RADIOLOGY CLINICS

94% OF GROSS REVENUE FROM THE DENTAL SECTOR

~50% OF GROSS REVENUE FROM AUSTRALIA

LISTED ON THE NEW ZEALAND STOCK EXCHANGE

As at 31 January 2017



HY17 SNAPSHOT

FINANCIAL RESULTS

- Record half year result ahead of guidance and well ahead of prior year
- Increased contributions and margins from all business units
- Gross revenue[1] of $138.9m and revenue of $116.8m
- EBITDA[2] of $16.5m up 29% on HY16 and Underlying EBITDA[3] up 27% to $16.8m
- Net Profit After Tax (NPAT) up 73% to $5.9m and Underlying NPAT[3] up 61% to $6.3m
- On a like for like basis, excluding the divested audiology business, NPAT was up 86% and Underlying NPAT was up 71% on the previous first half year
- Underlying Earnings Per Share up 58% to $29.53 cents per share
- Record interim dividend of 16 cents per share, up 60% on HY16

KEY EVENTS

- Acquired 13 practices which are expected to provide approximately $17m in additional annualised gross revenue (A$12.8m and NZ$4.2m)
- Merged eight dental practices into four locations as part of ongoing strategy to realise operational efficiencies and maximise capacity
- Dental brand rollout continuing in Australia with 27 practices rebranded as at end-January 2017
- Election of Dr Ginni Mansberg to the Board
- Trevor Janes re-elected Chairman of the Board and Pip Dunphy re-elected as Deputy Chairman, following Abano's 2016 annual meeting
- Received and responded to partial takeover offer from Healthcare Partners Holdings Limited, with the Abano Board unanimously recommending that shareholders reject the offer

POST-PERIOD END

- Acquired a further eight dental practices and exceeded 200 dental practices milestone, with 21 practices acquired in the financial year to date (as at 31 January 2017)

[1] Gross revenue is a non-GAAP financial measures and includes Australian dental revenues before payment of dentists' commissions.
[2] EBITDA is earnings before interest, tax, depreciation and amortisation and is a non-GAAP financial measure
[3] Underlying earnings are reported for both NPAT (a GAAP compliant measure) and EBITDA and exclude gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. Both measures are reconciled back to reported NPAT. It is the measure used within the Company to evaluate performance, establish strategic goals and to allocate resources.
More information on gross revenue and underlying earnings is available on the Abano website at www.abano.co.nz/underlyingearnings.

HY17 FINANCIAL PERFORMANCE

Abano delivered a record performance for the first half of the 2017 financial year (HY17), with growth from Abano's dental and radiology businesses delivering a strong result ahead of guidance and well above the previous first half year period for FY16 (HY16).

For the six months to 30 November 2016, Abano generated gross revenue of $138.9m and revenue of $116.8m.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were $16.5m up 29% on the prior first half year (HY16: $12.8m), with Underlying EBITDA up 27% to $16.8m (HY16: $13.2m).

Net Profit After Tax (NPAT) was up 73% to $5.9m (HY16: $3.4m) and Underlying NPAT was up 61% to $6.3m (HY16: $3.9m).

The results for the previous half year period include Abano's 50% shareholding in Bay International, which was then sold in June 2016. On a like for like basis, excluding the divested audiology business, NPAT was up 86% and Underlying NPAT was up 71% on the previous first half year. This demonstrates the strong ongoing growth from the existing dental and radiology businesses.

DIVIDEND

Based on the strong result, Abano's Directors were pleased to confirm a record partially imputed 16 cent per share dividend, up 60% on the corresponding period last year (HY16: 10cps). This is in line with Abano's dividend policy where, subject to relevant factors at the time including working capital and growth, the annual dividend paid will be between 50% and 70% of Underlying NPAT.

An increasing portion of Abano's tax paid profits are now being generated outside of New Zealand and this is impacting on our ability to fully impute dividends.

Abano's usual Dividend Reinvestment Plan (DRP) was suspended for the FY17 interim dividend, due to the partial takeover bid from Healthcare Partners Holdings Limited, whose directors - Peter and Anya Hutson and James Reeves - refused to allow the DRP to operate. The DRP has previously been well supported by shareholders with approximately 50% of all dividends being taken up in shares under the DRP over the past five years.

All of Abano's Directors are shareholders in the company, either directly or through associated interests. It is the Directors' practice to participate in the DRP as well as to reinvest 50% of their after tax directors' fees in Abano shares acquired on-market. In the past twelve months, each Director's individual shareholdings has increased by at least 22%.

As Abano was unable to offer the DRP for the FY17 interim dividend, Abano's Directors bought shares on-market with the dividends received in respect of shares they own.

RECONCILIATION TO UNDERLYING NPAT

The previous year's first half results (HY16) include gross revenue and NPAT contributions from Abano's 50% share in Bay International, which was divested in June 2016. While the audiology business had provided $21.8m in gross revenue, its NPAT was only just over breakeven for HY16. On a like for like basis, removing the equity accounted audiology business, gross revenue in FY16 would have been $130.0m and NPAT would have been $3.2m.

SIX MONTHS TO 30 NOVEMBER (UNAUDITED MANAGEMENT ACCOUNTS)	HY17 $MILLION	HY16 $MILLION
Gross Revenue	138.9	151.8
Revenue	116.8	108.0
EBITDA	16.5	12.8
Add back: Acquisition and transaction costs	0.3	0.4
Underlying EBITDA	16.8	13.2
NPAT	5.9	3.4
RECONCILIATION TO UNDERLYING NPAT		
Add back: Acquisition and transaction costs	0.3	0.4
Add back: Fair value amortisation and revaluation of deferred acquisition consideration	0.1	0.1
Underlying NPAT	6.3	3.9
Net Assets per Security	$5.51	$4.41
Net Tangible Assets per Security*	($3.04)	($3.39)

*Net assets less intangible assets

CHAIRMAN AND CEO'S REPORT

Abano delivered a pleasing half year financial performance as we continued to focus on building our presence in the $11 billion revenue trans-Tasman dental market as well as increasing returns for our radiology business.

All our businesses increased both their earnings as well as margins compared to the previous first half year period (HY16). Despite the divestment of the audiology business, Abano reported record earnings and profit for the FY17 first half year, generated by the dental and radiology businesses.

STRONG GROWTH IN DENTAL DRIVING RECORD RESULTS

Gross revenue $130.5m, up 6%
Underlying EBITDA $16.4m, up 19%

Our trans-Tasman dental group continues to grow in size and scale and, following period end, we celebrated exceeding our 200 practices milestone, with 108 practices across New Zealand and 94 in Australia as at the end of January 2017.

During HY17, we acquired 13 practices which are expected to provide approximately $17m in additional annualised gross revenue (A$12.8m and NZ$4.2m). We also merged eight practices into four locations, as part of our ongoing strategy to realise operational efficiencies and maximise capacity across our networks.

A further eight practices have been acquired during December and January, making a total of 21 practices in the financial year to date, providing approximately $28m in additional annualised gross revenue. We are on track to achieve our target of adding 31 dental practices, or more than $35 million in annualised gross revenue, to our dental group in FY17.

Our dental growth is through dental practice acquisitions and selected greenfield openings, as well as realising existing opportunities for organic growth across our networks. Acquisitions are earnings accretive from the day of acquisition, and provide a return on investment in excess of Abano's Weighted Average Cost of Capital. This compares to a greenfields strategy which takes time to reach capacity and, given the high upfront capital costs, may not be earnings accretive for a few years. Same store sales growth for a greenfield business is normally significantly higher in the earlier years as they move off a zero base, whereas acquired practices commence operations at a much higher level of earnings.

We have a strong pipeline of potential acquisitions and we expect our dental growth trajectory to continue through the second half of the financial year. Our acquisition strategy will continue to provide additional operational and scale benefits for the dental group as we expand.

The collaboration and closer working relationships between our two dental businesses have progressed well. The benefits of this and the recent initiatives put in place by the Australian dental business to combat the challenging economic conditions and volatility in Australia have started to be realised earlier than expected.

The brand rollout is continuing in Australia with 27 practices rebranded by the end of January 2017, well on the way towards our target of 50 practices (more than half the Maven Dental Group network) rebranded by financial year end. This will provide a platform for the group to launch branded marketing campaigns, similar to the highly successful campaigns run by Lumino the Dentists in New Zealand. The first of these, an 18 Months Interest Free Offer, which was one of Lumino's most successful campaigns, will commence in February 2017.

Lumino the Dentists in New Zealand continued to perform well in the first half year, despite the impact of the Kaikoura/Wellington earthquake in the second half of November 2016 and major roadworks impacting one of our larger practices in Auckland. Same store sales were in line with the previous half year period with an improved margin.

In Australia, the more challenging economic conditions appear to be having an impact on the dental industry, confirmed by reports from other dental corporates. Same store sales growth for Maven Dental Group was down 5% for the half year,[4] however, despite the economic conditions and the initial costs associated with the rebranding, Maven's margin increased on the previous half year period.

Pleasingly, Maven Dental Group noted an improvement in the last two months of the period, with the decline in same store sales improving to (2)%. This improved performance has continued with Maven delivering a strong result for December 2016.

[4] Dental corporates vary in how they calculate same store growth. Abano calculates monthly same store growth on a working days basis not on a calendar month basis.

RADIOLOGY DELIVERS UPLIFT FOR FIRST HALF YEAR

Gross Revenue $8.4m, up 13%
Underlying EBITDA $1.8m, up 71%

Ascot Radiology delivered improving revenue and EBITDA for the half year period, with continuing growth in demand for its high end scanning services, including PET CT and digital tomosynthesis mammography.

The business is benefitting from investment made into new services in the past two years, as well as an improved customer call centre and upgrades at its Greenlane clinics.

PARTIAL TAKEOVER OFFER

In November 2016, Abano received a notice of partial takeover offer from Healthcare Partners Holdings Limited, to take Healthcare Partners' holding to 50.01% of the shares in Abano. Healthcare Partners is a company associated with Peter Hutson, Anya Hutson and James Reeves, who have all been involved in previous attempts to gain control of Abano's businesses and to force changes to Abano's Board. Prior to the takeover, Healthcare Partners owned 19.02% of Abano's shares.

The Abano Board has unanimously recommended that shareholders reject the offer. The reasons for the Directors' recommendation are outlined in the Abano Target Company Statement, which incorporates the Independent Adviser's Report, and was released on 14 December 2016.

All of Abano's major institutional shareholders, and retail investors who we have spoken to, have informed us that they support the Board's position to reject the partial takeover offer. Two large independent broking firms have also advised that they agree with the Abano Board's recommendation.

Abano's Directors and senior management intend to reject the Healthcare Partners' offer in respect of all the Abano shares they hold or control, unless there is a change in circumstances. The takeover offer closing date has been extended to 3 March 2017. If Healthcare Partners varies the offer before then, your Board will consider the revised offer and advise shareholders accordingly.

In summary, the main reason for the Board's recommendation to reject the offer is that the price is too low, given that it is a partial offer for only some of your shares, and the Board believes that it is highly likely you will be left with the majority of your shares should the offer be successful.

Based on Healthcare Partners' public disclosures, as at 14 February 2017 just 1.02% of Abano's shares have been tendered into the offer since it opened almost two months ago.

It is important to note that shareholders cannot time their acceptance of the offer to maximise the number of shares taken up by Healthcare Partners, and acceptances, once given, cannot be withdrawn if you change your mind. The offer will automatically extend by 14 days if Healthcare Partners reaches its acceptance target within the last seven days of the offer period. The Abano Board will advise you if Healthcare Partners reaches its acceptance target so that you can consider your options. It is the Board's view that there is no benefit in accepting early.

OUTLOOK

Abano's positive growth has continued into the second half of the year with a December 2016 result above expectations. We expect to deliver full year financial results in line with the FY17 financial forecasts detailed in the Grant Samuel Independent Adviser's report.

The dental sector remains our primary focus and we have a well-established and growing presence in the dental market, with our trans-Tasman dental group currently generating gross annualised revenue of approximately $265 million.

We expect to continue growing our Underlying Earnings Per Share, with a growth rate in excess of 15% per annum over the near term.

Abano has a well planned and communicated strategy; knowledgeable clinical and management teams leading our businesses; a track record of increasing shareholder value; and oversight from an experienced Board comprised wholly of Independent Directors.

In line with our clearly communicated strategy, we are continuing to work towards achieving our three-year strategic Key Performance Indicators and delivering value to shareholders.

Trevor Janes
Chairman

Richard Keys
Chief Executive Officer

14 February 2017

LUMINO THE DENTISTS: GIVING BACK IN WAIROA

For the third year in a row, a team of Lumino dentists, hygienists, dental assistants and support staff took time out from their summer break to provide free dental care to the people of Ngati Pahauwera in Wairoa.

Twelve volunteers from across the Lumino group spent two weeks in the small East Coast town in January 2017, providing more than $45,000 of free dental care to 125 patients. Services included multiple extractions through to semi aesthetic work and hygiene cleans. In one case, a young man in his early 20s had six teeth extracted and required extensive follow up repair work.

There is limited access to dental care in Wairoa and education is an important part of the team's work. Pleasingly, a number of returning patients have made a real effort with their oral health and the results are showing in their great smiles.

While the Lumino team was incredibly busy, it was not all work and no play for volunteers, with trips to Mahia to enjoy the beaches and surf.

The initiative was supported by the Ngati Pahauwera development trust fund and Mainfreight who helped move the Mobile Dental Unit to Wairoa.

DENTAL

KEY EVENTS

- Acquired 13 practices expected to provide approximately $17 million in additional annualised gross revenue (A$12.8m and NZ$4.2m)
- Merged eight practices into four locations, as part of our ongoing strategy to realise operational efficiencies and maximise capacity across our networks
- Rollout of the Maven Dental Group brand with 27 practices rebranded by end-January 2017
- Continued collaboration and closer working relationships between Lumino and Maven

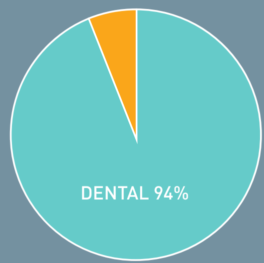
THE OPPORTUNITY

- $11-billion revenue trans-Tasman dental market
- Highly fragmented industry with corporate groups owning less than 10% of total practices
- Long term sector growth trend with increasing demand for dental services
- Predominantly privately funded. Abano's dental businesses have minimal reliance on Government or insurance funding
- Growing acceptance and popularity of the corporate model amongst dentists
- Changing workforce with increasing number of dentists, increase in supply of new graduates and higher numbers of female dentists with a preference for flexible working conditions

100% OWNERSHIP

MORE THAN 200 PRACTICES AND OVER 1,800 STAFF
(AS AT 31 JANUARY 2017)

ABANO HY17 GROSS REVENUE



GROSS REVENUE $130.5M, UP 6%

UNDERLYING EBITDA $16.4M, UP 19%

ABANO DENTAL IS THE SECOND LARGEST TRANS-TASMAN DENTAL GROUP AND ONE OF THE FASTEST GROWING

RADIOLOGY

KEY EVENTS

- Focus on growing demand for existing modalities, particularly digital tomosynthesis mammography
- Launch of new pre-natal scanning services
- Relationship building with referrers, including specialists and GPs

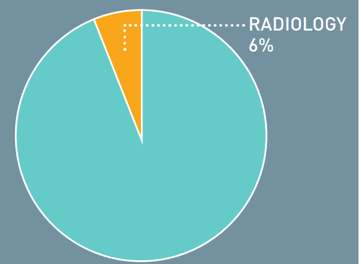
THE OPPORTUNITY

- Competitive market. Ascot Radiology has a strong reputation as a high end provider and is the preferred provider for a number of medical specialists
- High barriers to entry due to the investment cost into scanning technologies and highly qualified clinical workforce
- Predominantly privately funded, with some funding from ACC and the Ministry of Health
- New technologies driving industry change
- Growing demand from patients wanting more effective diagnosis at an earlier stage

71% OWNERSHIP IN PARTNERSHIP WITH RADIOLOGISTS

FIVE CLINICS ACROSS AUCKLAND

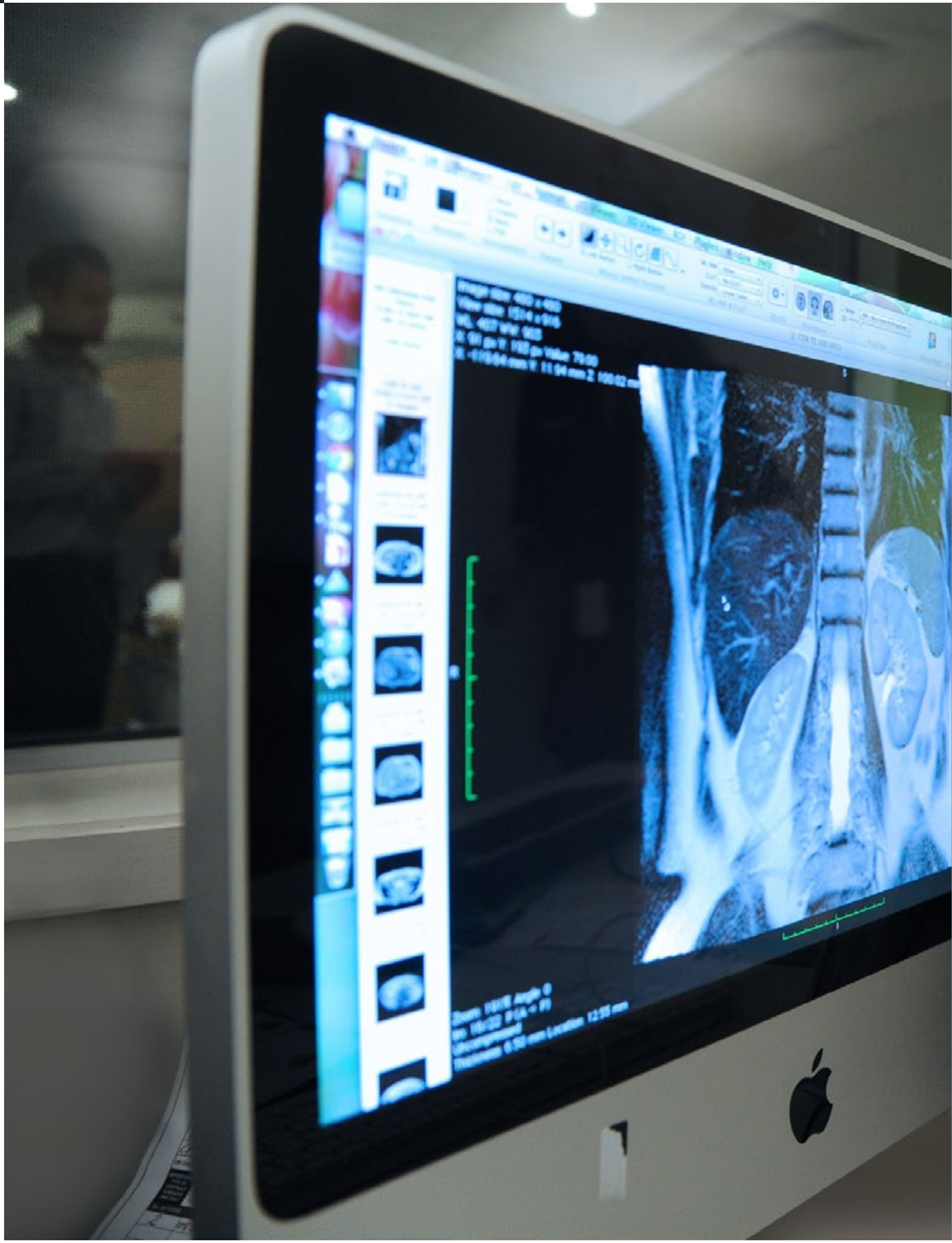
ABANO HY17 GROSS REVENUE



GROSS REVENUE $8.4M, UP 13%

UNDERLYING EBITDA $1.8M, UP 71%

ASCOT RADIOLOGY IS A HIGH END RADIOLOGY PROVIDER OFFERING LEADING EDGE TECHNOLOGIES AND EXPERT DIAGNOSIS FROM CLINICS AROUND AUCKLAND



INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 NOVEMBER 2016

abano healthcare group limited

INCOME STATEMENT

For the six months ended 30 November 2016 (unaudited)

	NOTE	NOV 2016 $000	NOV 2015 $000
Revenue		116,809	107,999
Patient consumables and cost of products sold		(17,307)	(16,113)
Employee benefits		(63,161)	(59,509)
Depreciation and amortisation		(5,205)	(5,047)
Occupancy costs		(8,631)	(8,052)
Acquisition and transaction costs		(346)	(457)
Other operating expenses		(11,963)	(11,813)
Other operating income		1,066	700
Operating profit	2	**11,262**	**7,708**
Finance income		71	97
Finance expenses		(2,619)	(2,986)
Fair value amortisation and revaluation of deferred acquisition consideration	8	(80)	(63)
Fair value amortisation of provisions		(12)	(12)
Realised foreign exchange gain/(loss)		(16)	17
Share of profit of jointly controlled entity		-	231
Profit before income tax		8,606	4,992
Income tax expense		(2,581)	(1,609)
Profit for the period		**6,025**	**3,383**
Attributable to :			
Equity holders of the Company share of profit		**5,874**	**3,392**
Non-controlling interests share of profit/(loss)		151	(9)
		6,025	**3,383**
Earnings per share (cents)		27.48	16.14

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 November 2016 (unaudited)

	NOV 2016 $000	NOV 2015 $000
Profit for the period	**6,025**	**3,383**
Other comprehensive income		
Items that may be subsequently reclassified to Income Statement		
Cash flow hedges, net of tax	700	156
Exchange differences on translating foreign operations	(1,277)	861
Total comprehensive income for the period	**5,448**	**4,400**
Total comprehensive income attributable to:		
Equity holders of the Company	5,297	4,409
Non-controlling interests	151	(9)
	5,448	**4,400**

BALANCE SHEET

As at 30 November 2016 (unaudited)

	NOTE	NOV 2016 $000	NOV 2015 $000	MAY 2016 $000
ASSETS				
Non-current assets				
Property, plant and equipment	3	47,227	44,772	46,397
Goodwill	4	178,386	162,089	170,542
Other intangible assets	3	4,460	2,742	3,351
Derivative financial instruments		-	63	-
Non-current receivables		2,490	2,369	2,494
Investment in Joint Venture		-	11,950	-
Deferred tax asset		3,021	2,973	3,049
Total non-current assets		**235,584**	**226,958**	**225,833**
Current assets				
Cash and cash equivalents		4,415	4,461	4,250
Current trade and other receivables		7,236	6,412	37,434
Inventories		6,667	5,998	6,136
Current income tax asset		17	(447)	(439)
Total current assets		**18,335**	**16,424**	**47,381**
TOTAL ASSETS		**253,919**	**243,382**	**273,214**
EQUITY				
Share capital		47,545	44,845	45,924
Foreign currency translation reserve		(6,147)	(3,427)	(4,870)
Cash flow hedge reserve		(1,783)	(1,731)	(2,483)
Retained earnings		77,308	52,738	75,681
Total equity attributable to equity holders of the Company		**116,923**	**92,425**	**114,252**
Non-controlling interest		921	749	776
TOTAL EQUITY		**117,844**	**93,174**	**115,028**
LIABILITIES				
Non-current liabilities				
Borrowings	6	97,393	112,795	117,784
Non-current payables		1,456	3,068	2,674
Deferred tax liabilities		223	260	153
Derivative financial instruments		2,401	2,435	3,192
Deferred acquisition consideration	8	6,538	7,051	6,893
Provisions		493	562	588
Total non-current liabilities		**108,504**	**126,171**	**131,284**
Current liabilities				
Derivative financial instruments		110	70	306
Deferred acquisition consideration		2,111	1,645	1,447
Trade and other payables		25,155	22,322	25,104
Provisions		195	-	45
Total current liabilities		**27,571**	**24,037**	**26,902**
TOTAL LIABILITIES		**136,075**	**150,208**	**158,186**
TOTAL EQUITY AND LIABILITIES		**253,919**	**243,382**	**273,214**

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2016 (unaudited)

	NOTE	SHARE CAPITAL $000	TREASURY SHARES $000	FOREIGN EXCHANGE TRANSLATION RESERVE $000	CASH FLOW HEDGE RESERVE $000	RETAINED EARNINGS $000	TOTAL $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
Balance at 1 June 2015		**43,300**	**-**	**(4,288)**	**(1,887)**	**52,478**	**89,603**	**770**	**90,373**
Comprehensive Income									
Profit/(loss) for the year		-	-	-	-	3,392	3,392	(9)	3,383
Other comprehensive income									
Cash flow hedge movement									
Fair values gains		-	-	-	230	-	230	-	230
Tax liability on fair value gains		-	-	-	(74)	-	(74)	-	(74)
Foreign exchange translation reserve		-	-	861	-	-	861	-	861
Total other comprehensive income		-	-	861	156	-	1,017	-	1,017
Total comprehensive income		**-**	**-**	**861**	**156**	**3,392**	**4,409**	**(9)**	**4,400**
Transactions with owners									
Dividends paid		-	-	-	-	(3,177)	(3,177)	(12)	(3,189)
Dividend reinvestment plan	7	1,486	-	-	-	-	1,486	-	1,486
Executive compensation expense		59	-	-	-	-	59	-	59
2015 share scheme - shares issued		352	-	-	-	-	352	-	352
2015 share scheme - transfer of shares to treasury stock		-	(352)	-	-	-	(352)	-	(352)
Foreign investor tax credits recognised		-	-	-	-	45	45	-	45
Total transactions with owners		**1,897**	**(352)**	**-**	**-**	**(3,132)**	**(1,587)**	**(12)**	**(1,599)**
Balance at 30 November 2015		**45,197**	**(352)**	**(3,427)**	**(1,731)**	**52,738**	**92,425**	**749**	**93,174**
Balance at 1 June 2016		**46,276**	**(352)**	**(4,870)**	**(2,483)**	**75,681**	**114,252**	**776**	**115,028**
Comprehensive Income									
Profit/(loss) for the year		-	-	-	-	5,874	5,874	151	6,025
Other comprehensive income									
Cash flow hedge movement									
Fair values gains		-	-	-	988	-	988	-	988
Tax liability on fair value gains		-	-	-	(288)	-	(288)	-	(288)
Foreign exchange translation reserve		-	-	(1,277)	-	-	(1,277)	-	(1,277)
Total other comprehensive income		-	-	(1,277)	700	-	(577)	-	(577)
Total comprehensive income		**-**	**-**	**(1,277)**	**700**	**5,874**	**5,297**	**151**	**5,448**
Transactions with owners									
Dividends paid		-	-	-	-	(4,264)	(4,264)	(6)	(4,270)
Dividend reinvestment plan	7	1,562	-	-	-	-	1,562	-	1,562
Executive compensation expense		59	-	-	-	-	59	-	59
Foreign investor tax credits recognised		-	-	-	-	17	17	-	17
Total transactions with owners		**1,621**	**-**	**-**	**-**	**(4,247)**	**(2,626)**	**(6)**	**(2,632)**
Balance at 30 November 2016		**47,897**	**(352)**	**(6,147)**	**(1,783)**	**77,308**	**116,923**	**921**	**117,844**

STATEMENT OF CASH FLOWS

For the six months ended 30 November 2016 (unaudited)

	NOTE	NOV 2016 $000	NOV 2015 $000
Cash flows from operating activities			
Receipts from customers		130,480	121,597
Payments to suppliers and employees		(116,194)	(109,397)
Interest received		20	49
Interest paid		(2,663)	(2,962)
Income tax paid		(3,227)	(2,245)
Net cash generated from operating activities		**8,416**	**7,042**
Cash flows from investing activities			
Sale of property, plant and equipment		-	314
Sale of interest in jointly controlled entities	5	32,000	-
Purchase of property, plant and equipment	3	(5,425)	(8,006)
Purchase of businesses	4	(12,689)	(17,929)
Dividends paid to non-controlling interests		(6)	(12)
Other investing cash flows		50	310
Net cash generated/(used) in investing activities		**13,930**	**(25,323)**
Cash flows from financing activities			
Proceeds from borrowings		17,020	21,324
Repayment of borrowings		(36,616)	(768)
Equity raised - dividend reinvestment plan	7	1,562	1,486
Dividends paid		(4,264)	(3,177)
Net cash generated/(used) in financing activities		**(22,298)**	**18,865**
Net increase in cash held		**48**	**584**
Cash at beginning of the period		4,250	3,904
Net increase in cash held		48	584
Exchange gain/(loss) on net assets held by foreign subsidaries		117	(27)
Cash at end of period		**4,415**	**4,461**
Cash comprises:			
Cash at bank		4,415	4,461
		4,415	**4,461**

RECONCILIATION OF OPERATING CASH FLOWS

For the six months ended 30 November 2016 (unaudited)

	NOV 2016 $000	NOV 2015 $000
Profit for the year	**5,874**	**3,392**
Non-cash items:		
Depreciation	4,788	4,649
Amortisation of intangible assets	417	398
Recognition of deferred tax asset	(283)	(115)
Fair value amortisation and revaluation of deferred acquisition consideration	80	63
Fair value amortisation of provisions	12	12
Foreign investor tax credits recognised	17	45
Executive compensation expense	59	59
Share of surplus/(loss) retained by non-controlling interests	151	(9)
	5,241	**5,102**
Movement in working capital:		
(Increase)/decrease in trade and other receivables	(1,877)	(18)
Increase/(decrease) in trade and other payables	(1,183)	(1,621)
(Increase)/decrease in inventories	6	(84)
	(3,054)	**(1,723)**
Items classified as investing activities:		
Realised loss on sale of property, plant and equipment	9	45
Acquisition and divestment costs	346	457
Share of profit in jointly controlled entity	-	(231)
	355	**271**
Net cash flows from operating activities	**8,416**	**7,042**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Statement of Accounting Policies

The basis of preparation and 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 2016.

The condensed interim financial statements are prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IAS 34 and IAS34: Interim Financial Reporting. These interim financials statements should be read in conjunction with the annual financial statements for the year ended 31 May 2016, which have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.

2. Segment Information

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

2. Segment Information (Continued)

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Abano Board of Directors. Management has determined the operating segments based on the reports reviewed by the Board. In addition to GAAP measures, the Board also uses non-GAAP measures to assess the commercial performance of the segments.

The reportable operating segments for the period ended 30 November 2016 have been determined as Dental and Diagnostics. Prior to agreement to sell its 50% shareholding in Bay International Limited in May 2016 (refer note 5), jointly controlled Audiology entities were accounted for using the equity method.

For the six months ended 30 November 2016	Dental $000	Diagnostics $000	Audiology $000	Corporate $000	Segment Total $000
Gross revenue[1]	130,479	8,383	-	-	138,862
Revenue	108,426	8,383	-	-	116,809
Earnings before interest, tax, depreciation and amortisation (EBITDA)	16,056	1,815	-	(1,404)	16,467
Depreciation and amortisation	(4,139)	(1,008)	-	(58)	(5,205)
Operating profit	11,917	807	-	(1,462)	**11,262**
Net financing costs					(2,640)
Foreign exchange gain					(16)
Net profit before tax					**8,606**
Acquisition and transaction costs included in EBITDA	333	-	-	13	346
TOTAL ASSETS	**227,209**	**19,925**	**-**	**6,785**	**253,919**
TOTAL LIABILITIES	**92,696**	**3,834**	**-**	**39,545**	**136,075**
CAPITAL EXPENDITURE	**4,843**	**315**	**-**	**52**	**5,210**

For the six months ended 30 November 2015	Dental $000	Diagnostics $000	Audiology $000	Corporate $000	Segment Total $000	Equity Account for Audiology $000	Reported Total $000
Gross revenue[1]	122,550	7,405	21,815	-	151,770	(21,815)	129,955
Revenue	100,594	7,405	21,815	-	129,814	(21,815)	107,999
Earnings before interest, tax, depreciation and amortisation (EBITDA)	13,369	1,060	1,015	(1,674)	13,770	(1,015)	12,755
Depreciation and amortisation	(4,016)	(999)	(492)	(32)	(5,539)	492	(5,047)
Operating profit	9,353	61	523	(1,706)	8,231	(523)	7,708
Net financing costs							(2,964)
Foreign exchange gain							17
Share of profit of jointly controlled entity							231
Net profit before tax							**4,992**
Acquisition and transaction costs included in EBITDA	457	-	-	-	457	-	457
TOTAL ASSETS	**209,255**	**21,122**	**23,900**	**13,452**	**267,729**	**(23,900)**	**243,829**
TOTAL LIABILITIES	**104,593**	**4,606**	**49,848**	**41,456**	**200,503**	**(49,848)**	**150,655**
CAPITAL EXPENDITURE	**6,068**	**1,475**	**875**	**285**	**8,703**	**(875)**	**7,828**

[1] Gross revenue includes Australian dental revenues before payment of dentists' commissions and revenue from the equity accounted Bay Group (comparative period).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

3. Property, Plant & Equipment and Intangible Assets

During the six months to 30 November 2016 the Group acquired property, plant and equipment with a cost of $3.7m (30 November 2015: $7.2m) and intangible assets (excluding goodwill) of $1.5m (30 November 2015: $0.6m).

An additional $2.2m of property, plant and equipment was acquired as part of business acquisitions during the six months (30 November 2015: $1.5m).

4. Acquisition of Businesses

During the six months to 30 November 2016 the Group acquired the following businesses for a total cash consideration of $11.9m and deferred consideration of $0.7m. The payment of deferred consideration is subject to achieving future performance targets which are generally in excess of the current EBITDA.

All acquisitions were asset purchases with the Group obtaining 100% control.

	ACQUISITION DATE
Murray Dental (Christchurch)	30 Jun 16
Toothworkx (QLD)	30 Jun 16
Brendan O'Dea (Christchurch)	1 Jul 16
Tranquil Dental (QLD)	21 Jul 16
Knox Dental (Dunedin)	1 Aug 16
Plateau Dental Care (NSW)	3 Aug 16
Kieran O'Neill Orthodontics (Invercargill)	12 Aug 16
Darfield Dental (Darfield)	9 Sep 16
Newcastle Dental Laser Centre (QLD)	26 Sep 16
The Ortho Practice (NSW)	13 Oct 16
Leamington Dental (Cambridge)	1 Nov 16

Summary of the effect of the above acquisitions:

	DENTAL $000
Fair value of net assets acquired:	
Current assets	622
Current liabilities	(394)
Non-current assets	2,178
Goodwill on acquisition	10,178
Total consideration	**12,584**
Cash paid	11,867
Deferred acquisition consideration	717
Total consideration	**12,584**

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

4. Acquisition of Businesses (Continued)

The acquired businesses have contributed revenue and EBITDA to the Group, in the period from their acquisition date to 30 November 2016, of $3.3m and $0.9m respectively.

The revenue and EBITDA to 30 November 2016 had the businesses and assets been acquired at the beginning of the period are estimated at $6.6m and $1.5m for the six months respectively.

Refer note 8 for the methodology applied to fair value the deferred acquisition consideration.

5. Disposal of Investment in Jointly Controlled Entities in Prior Year

In May 2016, the Group agreed to sell its 50% shareholding in Bay International Limited to interests associated with its joint venture partner, Peter Hutson, resulting in a gain on sale of $20.2m and a receivable of $32.0m being recognised in the financial statements for the year ended 31 May 2016. Cash settlement of $32.0m was received on 17 June 2016.

Prior to disposal, the Group had joint control of this entity and accounted for its interests in audiology in Australia and Asia using the equity method recognising 50% of profit of Bay International Limited in the Income Statement for the comparative period.

6. Borrowings

The Group's net bank debt as at 30 November 2016 was $93.0m (30 November 2015: $108.3m). The Group currently has facilities with ASB Bank of $60.8m ($36.7m utilised) and A$75m (A$60.8m utilised). The Group bank debt is non current.

7. Dividend Reinvestment Plan

Under the Dividend Reinvestment Plan (DRP), applied to the dividend paid on 22 August 2016, the Company issued 194,282 shares at $8.09 per share.

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 11 August 2016, less a 2.5% discount.

8. Fair Value Measurement

The following table sets out an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair values and are grouped into levels based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

8. Fair Value Measurement (Continued)

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
As at 30 November 2016				
Financial liabilities				
Interest rate swaps - cash flow hedges	-	2,511	-	2,511
Measured at amortised cost				
Deferred acquisition consideration	-	-	8,649	8,649
As at 30 November 2015				
Financial assets				
Interest rate swaps - cash flow hedges	-	63	-	63
Financial liabilities				
Interest rate swaps - cash flow hedges	-	2,505	-	2,505
Measured at amortised cost				
Deferred acquisition consideration	-	-	8,696	8,696

There were no transfers between any levels and no change in valuation techniques during the six months ended 30 November 2016 and 2015.

Interest rate swaps are valued by applying discounted cash flow methodology that uses BBSY or BKBM spot rates from forward interest rate curves for the duration of each swap.

Deferred acquisition consideration is valued by applying discounted cash flow methodology that considers the present value of expected payment discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA or NPAT, the amount to be paid under each scenario and the probability of each scenario. The significant unobservable inputs are a range of same store sales growth rates of 0.5% to 5% (30 November 2015: 1.5% to 4%) and discount rates of 2.9% to 3.8% (30 November 2015: 3.1% to 5.5%). The estimated fair value would increase if the same store revenue growth was higher and the discount rate was lower. Generally a change in the same store annual growth rate is accompanied by a directionally similar change in EBITDA.

Sensitivities to reasonably possible changes in non-market observable valuation inputs would not have a material impact on the Group's financial results.

Reconciliation - deferred consideration	NOV 2016 $000	NOV 2015 $000
Opening balance at start of period	8,340	10,018
Deferred consideration paid during period	(638)	(3,042)
Deferred consideration on new acquisitions	717	1,536
Fair value amortisation on deferred acquisitions	167	306
Foreign exchange movement	(82)	137
Provisional deferred consideration revalued against goodwill	232	(16)
Prior deferred consideration revalued (recognised in Income Statement)	(87)	(243)
Closing balance at end of period	**8,649**	**8,696**
Total fair value movements for the period included in the Income Statement for liabilities held at the end of the reporting period	80	63

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

9. General Information

The condensed consolidated interim financial statements presented are those of Abano Healthcare Group Limited and its subsidiaries (the Group). Abano Healthcare Group Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 under which the financial statements are prepared. The Group is a profit oriented entity.

10. Contingent Liabilities

The Group is party to legal proceedings arising from its operations. The Group establishes provisions for claims and proceedings that constitute a present obligation when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of such obligation can be made. As of 30 November 2016 the only legal proceedings pending are those for which the Group has determined that the possibility of a material outflow is remote.

11. NZX Waiver

On 26 May 2016, NZX granted Abano Healthcare Group Limited a waiver from NZX Main Board Listing Rule 9.2.1. In effect, this meant that Abano was not required to obtain shareholder approval for the sale of its 50% shareholding in Bay International Limited, and assignment of outstanding shareholder loans, to interests associated with Peter Hutson (being the trustees of the SF No. 2 Trust (Hutson Trustees)), a related party of Abano, for a cash payment of $32.0m (the Transaction). The waiver was granted on two conditions, being that Abano's directors certified to NZX a number of matters (including that the terms of the Transaction are in the best interests of Abano and that the Hutson Trustees had no influence over Abano's decision to give, or the terms of, the sale notice which triggered the Transaction), and that the waiver, its conditions and the implications of the waiver are disclosed in Abano's next half-year report and annual report. The full details and text of the conditions of the waiver are available to view on NZX's website, www.nzx.com, under Abano's ticker code ABA.

12. Subsequent Events

Business Acquisitions

The Group has acquired three dental practices since balance date:

Coastlands Dental Health Centre (Wellington)	7 December 2016
Lutwyche Dental (QLD)	16 December 2016
Hodgson & Muir Orthodontists (Auckland)	20 December 2016

The financial impact from the acquisition of these practices is not considered material to the Group.

DIRECTORS

Eduard (Ted) van Arkel
Appointed 5 July 2011

Murray Boyte
Appointed 26 February 2015

Danny Chan
Appointed 19 December 2008

Philippa (Pip) Dunphy
Deputy Chairman
Appointed 25 September 2012

Trevor Janes
Chairman
Appointed 23 September 2005

Dr Ginni Mansberg
Appointed 24 August 2016

AUDIT AND RISK ASSURANCE COMMITTEE

Chairman: Pip Dunphy
Danny Chan
Trevor Janes
Dr Ginni Mansberg

GOVERNANCE AND REMUNERATION COMMITTEE

Chairman: Ted van Arkel
Murray Boyte
Trevor Janes

REGISTERED OFFICE AND ADDRESS FOR SERVICE

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

AUDITORS

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street, Auckland

BANKERS

ASB Bank Limited
12 Jellicoe Street, Auckland

Commonwealth Bank of Australia
240 Queen Street
Brisbane, Australia

SOLICITORS

Harmos Horton Lusk
Vero Centre
48 Shortland Street, Auckland

SHARE REGISTRAR

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna, Auckland