ANNUAL REPORT

FINANCIAL STATEMENTS 2016

abano healthcare group limited

CONTENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group as at 31 May 2016 and their financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of 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 Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The directors consider they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the financial statements of Abano Healthcare Group Limited, set out on pages 3 to 41, for the year ended 31 May 2016.

The financial statements presented on the following pages were authorised for issue on 26 July 2016.

For and on behalf of the Board

Trevor Janes
CHAIRMAN

Philippa Dunphy
DEPUTY CHAIRMAN

Independent Auditors' Report
to the shareholders of Abano Healthcare Group Limited

Report on the Financial Statements

We have audited the Group financial statements of Abano Healthcare Group Limited ("the Company") on pages 3 to 41, which comprise the balance sheet as at 31 May 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 May 2016 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Group's preparation and fair presentation of the group financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are independent of the Group. Our firm carries out other services for the Group in the areas of scrutineering of shareholder voting and other assurance services. The provision of these other services has not impaired our independence.

Opinion

In our opinion, the financial statements on pages 3 to 41 present fairly, in all material respects, the financial position of the Group as at 31 May 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Auckland

26 July 2016

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INCOME STATEMENT

For the year ended 31 May 2016

	NOTE	TOTAL 2016 $000	TOTAL 2015 $000	DISCONTINUED 2015 $000	CONTINUING 2015 $000
Revenue	4	213,744	222,203	34,604	187,599
Patient consumables and cost of products sold		(32,290)	(37,020)	(8,934)	(28,086)
Employee benefits		(117,535)	(118,148)	(15,015)	(103,133)
Depreciation and amortisation		(9,735)	(10,104)	(647)	(9,457)
Occupancy costs		(16,377)	(16,302)	(1,741)	(14,561)
Acquisition and transaction costs		(649)	(1,154)	-	(1,154)
Other operating expenses	5	(21,752)	(20,863)	(1,824)	(19,039)
Other operating income	6	1,452	845	22	823
Operating profit	1	**16,858**	**19,457**	**6,465**	**12,992**
Finance income	7	187	294	47	247
Finance expenses	7	(6,253)	(6,090)	(107)	(5,983)
Fair value amortisation and revaluation of deferred acquisition consideration	7/15	63	53	-	53
Fair value amortisation of provisions	7/27	(23)	(37)	-	(37)
Realised foreign exchange gain		11	1	-	1
Impairment of software	22	(79)	-	-	-
Gain/(loss) on sale of jointly controlled entity/ subsidiary/business	10/11	20,333	(8,960)	(8,987)	27
Share of profit/(loss) of jointly controlled entity	11	724	(54)	-	(54)
Profit before income tax		**31,821**	**4,664**	**(2,582)**	**7,246**
Income tax expense	19	(3,346)	(4,568)	(1,811)	(2,757)
Profit for the year		**28,475**	**96**	**(4,393)**	**4,489**
Attributable to :					
Equity holders of the Company share of profit		**28,442**	**(1,268)**	**(5,738)**	**4,470**
Non-controlling interests share of profit		33	1,364	1,345	19
		28,475	**96**	**(4,393)**	**4,489**
Earnings per share (cents)	2	134.68	(6.11)	(27.66)	21.55

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2016

	2016 $000	2015 $000
Profit for the period - continuing	7,418	4,489
Profit for the period - discontinued	21,057	(4,393)
Profit for the year	**28,475**	**96**
Other comprehensive income		
Items that may be subsequently reclassified to Income Statement		
Cash flow hedges, net of tax	(596)	(378)
Exchange differences on translating foreign operations	(582)	(582)
Total comprehensive income for the year	**27,297**	**(864)**
Total comprehensive income attributable to:		
Equity holders of the Company	27,264	(2,228)
Non-controlling interests	33	1,364
	27,297	**(864)**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 20.

All other comprehensive income items relate to continuing operations.

BALANCE SHEET

As at 31 May 2016

	NOTE	2016 $000	2015 $000
ASSETS			
Non-current assets			
Property, plant and equipment	21	46,397	40,559
Goodwill	12	170,542	144,944
Other intangible assets	22	3,351	2,498
Non-current receivables	23	2,494	2,307
Investment in joint venture	11	-	12,044
Deferred tax asset	20	3,049	2,895
Total non-current assets		**225,833**	**205,247**
Current assets			
Cash and cash equivalents		4,250	3,904
Current trade and other receivables	23	37,434	6,086
Inventories	24	6,136	5,896
Total current assets		**47,820**	**15,886**
TOTAL ASSETS		**273,653**	**221,133**
EQUITY			
Share capital	13	45,924	43,300
Foreign currency translation reserve		(4,870)	(4,288)
Cash flow hedge reserve		(2,483)	(1,887)
Retained earnings		75,681	52,478
Total equity attributable to equity holders of the Company		**114,252**	**89,603**
Non-controlling interest		776	770
TOTAL EQUITY		**115,028**	**90,373**
LIABILITIES			
Non-current liabilities			
Borrowings	14	117,784	89,891
Non-current payables	25	2,674	3,751
Deferred tax liabilities	20	153	187
Derivative financial instruments	17	3,192	2,476
Deferred acquisition consideration	15	6,893	6,371
Provisions	27	588	538
Total non-current liabilities		**131,284**	**103,214**
Current liabilities			
Derivative financial instruments	17	306	196
Current income tax liabilities		439	1,058
Deferred acquisition consideration	15	1,447	3,647
Trade and other payables	25	25,104	22,529
Provisions	27	45	116
Total current liabilities		**27,341**	**27,546**
TOTAL LIABILITIES		**158,625**	**130,760**
TOTAL EQUITY AND LIABILITIES		**273,653**	**221,133**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2016

	NOTE	SHARE CAPITAL $000	TREASURY SHARES $000	FOREIGN EXCHANGE TRANSLATION RESERVE $000
Balance at 1 June 2014		**40,940**	**(918)**	**(3,706)**
Comprehensive Income				
Profit/(loss) for the year		-	-	-
Other comprehensive income				
Cash flow hedge movement				
Fair values losses		-	-	-
Tax benefit on fair value losses		-	-	-
Foreign exchange translation reserve		-	-	(582)
Total other comprehensive income		-	-	(582)
Total comprehensive income		**-**	**-**	**(582)**
Transactions with owners				
Dividends paid	3	-	-	-
Dividend reinvestment plan	3/13	2,360	-	-
2011 share scheme - put expired and shares issued	8	918	-	-
2011 share scheme - transfer of shares from treasury stock	8	(918)	918	-
Non-controlling interest share of divested subsidiary		-	-	-
Change in non-controlling interest		-	-	-
Foreign investor tax credits recognised		-	-	-
Total transactions with owners		**2,360**	**918**	**-**
Balance at 31 May 2015		**43,300**	**-**	**(4,288)**
Balance at 1 June 2015		**43,300**	**-**	**(4,288)**
Comprehensive Income				
Profit/(loss) for the year		-	-	-
Other comprehensive income				
Cash flow hedge movement				
Fair values gains		-	-	-
Tax liability on fair value gains		-	-	-
Foreign exchange translation reserve		-	-	(582)
Total other comprehensive income		-	-	(582)
Total comprehensive income		**-**	**-**	**(582)**
Transactions with owners				
Dividends paid	3	-	-	-
Dividend reinvestment plan	3/13	2,507	-	-
Executive compensation expense	8	117	-	-
2015 share scheme - shares issued		352	-	-
2015 share scheme - transfer of shares to treasury stock		-	(352)	-
Foreign investor tax credits recognised		-	-	-
Total transactions with owners		**2,976**	**(352)**	**-**
Balance at 31 May 2016		**46,276**	**(352)**	**(4,870)**

CASH FLOW HEDGE RESERVE $000	RETAINED EARNINGS $000	TOTAL $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
(1,509)	**58,787**	**93,594**	**1,265**	**94,859**
-	(1,268)	(1,268)	1,364	96
(526)	-	(526)	-	(526)
148	-	148	-	148
-	-	(582)	-	(582)
(378)	-	(960)	-	(960)
(378)	**(1,268)**	**(2,228)**	**1,364**	**(864)**
-	(4,957)	(4,957)	(1,380)	(6,337)
-	-	2,360	-	2,360
-	-	918	-	918
-	-	-	-	-
-	-	-	(455)	(455)
-	(153)	(153)	(24)	(177)
-	69	69	-	69
-	**(5,041)**	**(1,763)**	**(1,859)**	**(3,622)**
(1,887)	**52,478**	**89,603**	**770**	**90,373**
(1,887)	**52,478**	**89,603**	**770**	**90,373**
-	28,442	28,442	33	28,475
(827)	-	(827)	-	(827)
231	-	231	-	231
-	-	(582)	-	(582)
(596)	-	(1,178)	-	(1,178)
(596)	**28,442**	**27,264**	**33**	**27,297**
-	(5,314)	(5,314)	(27)	(5,341)
-	-	2,507	-	2,507
-	-	117	-	117
-	-	352	-	352
-	-	(352)	-	(352)
-	75	75	-	75
-	**(5,239)**	**(2,615)**	**(27)**	**(2,642)**
(2,483)	**75,681**	**114,252**	**776**	**115,028**

STATEMENT OF CASH FLOWS

For the year ended 31 May 2016

	NOTE	2016 $000	2015 $000
Cash flows from operating activities			
Receipts from customers		216,463	188,296
Payments to suppliers and employees		(186,459)	(164,262)
Interest received		70	247
Interest paid		(6,177)	(6,218)
Income tax paid		(3,852)	(3,443)
Discontinued operations		-	7,568
Net cash generated from operating activities		**20,045**	**22,188**
Cash flows from investing activities			
Sale of property, plant and equipment		304	157
Sale of subsidiaries/business		175	358
Purchase of property, plant and equipment	21	(13,831)	(8,546)
Purchase of businesses	9/15	(31,170)	(29,804)
Dividends paid to non-controlling interests		(27)	(21)
Other investing cash flows		(57)	371
Discontinued operations		1,133	9,692
Net cash used in investing activities		**(43,473)**	**(27,793)**
Cash flows from financing activities			
Proceeds from borrowings	11	46,680	26,755
Repayment of borrowings		(20,117)	(21,345)
Equity raised - executive share scheme		511	407
Equity raised - dividend reinvestment plan	13	2,507	2,360
Dividends paid		(5,314)	(4,957)
Net cash used in financing activities		**24,267**	**3,220**
Net increase/(decrease) in cash held		**839**	**(2,385)**
Cash at beginning of the period		3,904	6,279
Net increase/(decrease) in cash held		839	(2,385)
Exchange loss on cash and cash equivalents held by foreign subsidiary		(493)	10
Cash at end of period		**4,250**	**3,904**
Cash comprises:			
Cash at bank		4,250	3,904
		4,250	**3,904**

STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 May 2016

RECONCILIATION OF OPERATING CASH FLOWS

	2016 $000	2015 $000
Profit for the year	**28,442**	**(1,268)**
Non-cash items:		
Depreciation	8,932	9,387
Amortisation of intangible assets	803	717
Impairment of software	79	-
Recognition of deferred tax asset	95	(242)
Fair value amortisation and revaluation of deferred acquisition consideration	(63)	(53)
Fair value amortisation of provisions	23	37
Foreign investor tax credits recognised	75	69
Executive compensation expense	117	-
Non-controlling interests share of profit	33	1,364
	10,094	**11,279**
Movement in working capital:		
Decrease in trade and other receivables	880	3,426
Increase/(decrease) in trade and other payables	1,166	(1,810)
(Increase)/decrease in inventories	(233)	273
	1,813	**1,889**
Items classified as investing activities:		
Realised loss on sale of property, plant and equipment	104	120
Realised (gain)/loss on sale of jointly controlled entity/ subsidiaries/business	(20,333)	8,960
Acquisition and divestment costs	649	1,154
Share of (profit)/loss in jointly controlled entity	(724)	54
	(20,304)	**10,288**
Net cash flows from operating activities	**20,045**	**22,188**

BASIS OF PREPARATION

For the year ended 31 May 2016

GENERAL INFORMATION

Abano Healthcare Group Limited (Abano or the Company) is a healthcare and medical service provider. The Company is a listed public company, incorporated and domiciled in New Zealand.

The consolidated financial statements of the Company for the year ended 31 May 2016, comprise the Company and its subsidiaries (together the Group) and the Group's interest in jointly controlled entities.

The consolidated financial statements are presented in New Zealand dollars rounded to the nearest thousand.

Certain comparative amounts have been reclassified in order to conform with the current year's presentation.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Company is registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013 (FMC Act 2013). The Company is also listed on the New Zealand Stock Exchange (NZX). The consolidated financial statements have been prepared in accordance with the requirements of Part 7 of the FMC Act 2013.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Principles (GAAP), incorporating New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements comply with NZ IFRS, other applicable New Zealand Financial Reporting Standards, and authoritative notices that are applicable to entities that apply NZ IFRS. The Group has designated itself as a profit-oriented entity for the purposes of complying with NZ IFRS. The Group financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements are prepared on a historical cost basis, with the exception of financial assets and liabilities (including derivative instruments) at fair value through the profit or loss.

The significant accounting policies applied in the preparation of these financial statements are provided throughout the notes to the financial statements.

The financial statements were approved by the Board of Directors (the Board) on 26 July 2016.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the foreign operations are measured using the currency of the primary economic environment in which it operates (the functional currency).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the transaction at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges.

Foreign operations

The results and Balance Sheets of all foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
- income and expenses for each Income Statement are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operations and translated at the closing rate.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business that represents a separate major line of business. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In applying the accounting policies management continually makes judgements, estimates and assumptions based on historical experience and various other factors, including expectations of future events that may have an impact on the reported financial statements of the Group. All judgements estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions and the differences may be material. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

BASIS OF PREPARATION

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Information about assumptions and estimation uncertainties that have a significant risk of material adjustment are described in the following notes:

- Impairment testing of goodwill (note 12).
- Fair value measurement of financial instruments (notes 15 and 18).
- Estimation of useful lives of assets (notes 21 and 22).

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

There have been no changes in accounting standards that would have a material impact on the financial statements.

NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

A number of new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) are effective for future periods and which the Group will adopt when they become effective. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- **NZ IFRS 9, 'Financial instruments', (effective for 31 May 2019 reporting period).** NZ IFRS 9 introduces new requirements for classification and measurement of financial assets and financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of NZ IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. Early adoption is permitted. The Group has yet to assess the full impact of NZ IFRS 9 and appropriate timing of adoption.
- **NZ IFRS 15, 'Revenue from contracts with customers', (effective for 31 May 2019 reporting period).** NZ IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes current revenue recognition guidance including NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and related Interpretations. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. NZ IFRS 15 has far more prescriptive guidance than in the superseded standards and related interpretations and this may result in substantial changes to the timing of revenue recognition for some entities. Early adoption of NZ IFRS 15 is permitted. The Group has yet to assess the full impact of NZ IFRS 15 and appropriate timing of adoption.
- **NZ IFRS 16, 'Leases', (effective for 31 May 2020 reporting period).** NZ IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases and supersedes NZ IAS 17. NZ IFRS 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. A lessee shall either apply apply NZ IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying NZ IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption of NZ IFRS 16 is permitted if NZ IFRS 15 Revenue from Contracts with Customers has also been applied. The Group has yet to assess the full impact of NZ IFRS 16 and appropriate timing of adoption.

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 2016

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL STATEMENTS PRESENTATION

Abano is pleased to present a new structure for its financial statements. The new structure has been designed to improve the clarity and usefulness of the financial statements. The notes to the financial statements have been structured under the following categories:

- Operations
- Investments
- Funding
- Taxation
- Other

Significant accounting policies which are relevant to an understanding of the financial statements and summarise the measurement basis used are provided throughout the notes.

OPERATIONS

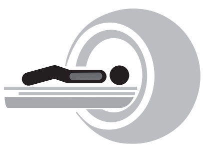
1. SEGMENT REPORTING

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 Board.

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 have been determined as:

DENTAL

This sector provides a full range of general and specialist dental work, including complex restorative and cosmetic dental services. The majority of revenue comes from private patients and the sector has businesses operating in New Zealand and Australia. Dental is the Group's largest business and generated 81.4% of Abano's gross revenues during the 2016 financial year with 188 practices as at 31 May 2016.



DIAGNOSTICS

Following the sale of the Pathology business in the second half of FY15, this sector comprises Radiology businesses operating in New Zealand. Radiology provides full modality scanning services including MRI Scanning, CT Scanning, PET CT Scanning, Ultrasound Scanning, Mammography and Interventional Radiology. The majority of revenue comes from private patients with the remainder from DHB, ACC and MOH contracts.

AUDIOLOGY

This sector provided professional clinical audiology services, particularly hearing tests, the supply and fitting of hearing aid devices, and follow up consultations, all of which are provided to both private patients as well as publicly funded patients. The Group had businesses operating in this sector in Australia, Malaysia, Singapore and Taiwan. In May 2016, the Group agreed to sell its 50% shareholding in Bay International Limited to interests associated with its joint venture partner. The results for this sector are equity accounted to 30 April 2016 (refer note 11).

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT REPORTING (CONTINUED)

For the year ended May 2016	Dental $000	Diagnostics [1] $000	Audiology $000	Rehabilitation $000	Corporate $000	Segment Total $000	Equity Account for Audiology $000	Reported Total $000
Gross revenue[2]	241,893	15,013	40,157	-	-	297,063	(40,157)	256,906
Revenue	198,731	15,013	40,157	-	-	253,901	(40,157)	213,744
Earnings before interest, tax, depreciation and amortisation (EBITDA)	27,072	2,445	2,266	-	(2,924)	28,859	(2,266)	26,593
Depreciation and amortisation	(7,701)	(1,954)	(862)	-	(80)	(10,597)	862	(9,735)
Operating profit	19,371	491	1,404	-	(3,004)	18,262	(1,404)	**16,858**
Net financing costs								(6,026)
Realised foreign exchange gain								11
Share of profit of jointly controlled entity								724
Impairment of software								(79)
Gain on sale of jointly controlled entity/ subsidiary								20,333
Net profit before tax								**31,821**
Acquisition and transaction costs included in EBITDA	649	-	-	-	-	649	-	649
TOTAL ASSETS	**218,465**	**20,738**	**-**	**-**	**34,450**	**273,653**	**-**	**273,653**
TOTAL LIABILITIES	**89,259**	**4,027**	**-**	**-**	**65,339**	**158,625**	**-**	**158,625**
CAPITAL EXPENDITURE	**11,573**	**1,900**	**518**	**-**	**361**	**14,352**	**(518)**	**13,834**

For the year ended May 2015	Dental $000	Diagnostics $000	Audiology $000	Rehabilitation $000	Corporate $000	Segment Total $000	Equity Account for Audiology $000	Reported Total $000
Gross revenue[2]	211,125	41,487	40,125	7,674	-	300,411	(40,125)	260,286
Revenue	173,042	41,487	40,125	7,674	-	262,328	(40,125)	222,203
Earnings before interest, tax, depreciation and amortisation (EBITDA)	23,907	7,582	2,013	1,403	(3,331)	31,574	(2,013)	29,561
Depreciation and amortisation	(7,453)	(2,538)	(1,486)	(60)	(53)	(11,590)	1,486	(10,104)
Operating profit	16,454	5,044	527	1,343	(3,384)	19,984	(527)	**19,457**
Net financing costs								(5,780)
Realised foreign exchange gain								1
Share of loss of jointly controlled entity								(54)
Loss on sale of subsidiary								(8,960)
Net profit before tax								**4,664**
Acquisition and transaction costs included in EBITDA	1,140	-	-	-	14	1,154	-	1,154
TOTAL ASSETS	**186,366**	**20,515**	**23,492**	**-**	**14,252**	**244,625**	**(23,492)**	**221,133**
TOTAL LIABILITIES	**93,546**	**5,440**	**50,615**	**-**	**31,774**	**181,375**	**(50,615)**	**130,760**
CAPITAL EXPENDITURE	**8,210**	**365**	**694**	**30**	**189**	**9,488**	**(694)**	**8,794**

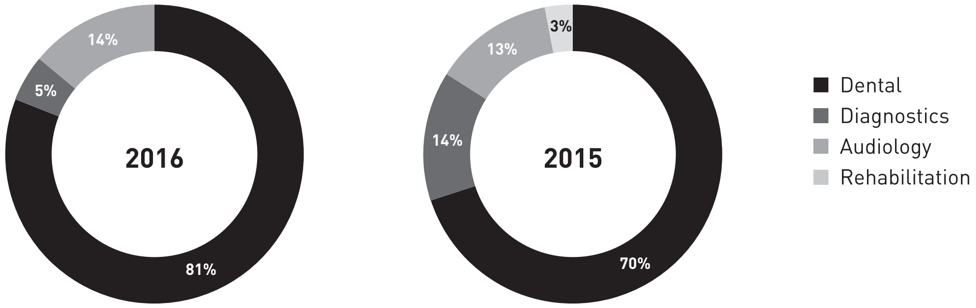
1 For the year ended 31 May 2016, Diagnostics includes only the Radiology business as Aotea Pathology was sold on 1 May 2015.

2 Gross revenue includes Australian dental revenues before payment of dentists' commissions and revenue from the equity accounted Bay Group to 30 April 2016 (refer note 11).

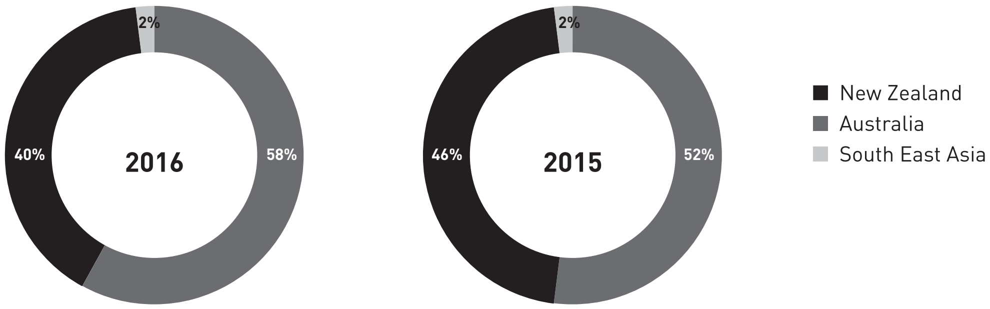
NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT REPORTING (CONTINUED)

Revenue by Segment



Revenue by Region



Gross revenue includes Australian dental revenues before payment of dentists' commissions and revenue from the equity accounted Bay Group to 30 April 2016 (refer note 11).

ENTITY WIDE DISCLOSURES	NEW ZEALAND		AUSTRALIA		SOUTH EAST ASIA		TOTAL	
	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000
Revenues from external customers[1]	120,406	137,633	128,204	118,538	5,291	6,157	253,901	262,328
Total non-current assets[2]	111,606	90,504	114,227	111,865	-	6,578	225,833	208,947

1 Revenue includes revenue from the equity accounted Bay Group to 30 April 2016 (refer note 11).

2 2015 comparative includes the non-current assets of the equity accounted Bay Group.

During the year ended 31 May 2016, no single external customer accounted for more than 10% of revenue (2015: $24.3M recognised across the Group's Diagnostic, Dental and Rehabilitation segments).

2. EARNINGS PER SHARE

	2016 $000	2015 $000
Basic and diluted earnings per share		
Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares on issue during the year.		
Profit/(loss) attributable to equity holders of the Company		
Continuing operations	7,385	4,470
Discontinued operations	21,057	(5,738)
Weighted average number of ordinary shares on issue	21,119	20,747
Basic earnings per share (cents)		
Continuing operations	34.97	21.55
Discontinued operations	99.71	(27.66)
	134.68	**(6.11)**

NOTES TO THE FINANCIAL STATEMENTS

3. DIVIDENDS - ORDINARY SHARES

	2016 Cents	2015 Cents	2016 $000	2015 $000
Interim dividend for the year ended 31 May 2016	10.0	-	2,138	-
Final dividend for the year ended 31 May 2015	15.0	-	3,176	-
Interim dividend for the year ended 31 May 2015	-	10.0	-	2,104
Final dividend for the year ended 31 May 2014	-	13.7	-	2,853
Dividends paid to non-controlling interests			27	1,380
	25.0	**23.7**	**5,341**	**6,337**

Policies

Dividends are paid in cash in accordance with the dividend policy of the Group. The dividends were fully imputed.

Supplementary dividends

Supplementary dividends of $75,312 (2015: $68,607) were paid to shareholders not tax resident in New Zealand of which the Company received a foreign investor tax credit entitlement

Dividend reinvestment plan

Under the Company's dividend reinvestment plan, holders of ordinary shares may elect to reinvest the net proceeds of cash dividends payable or credited to acquire further fully paid ordinary shares in the Company. In respect of the year ended 31 May 2016, 349,572 shares with a total value of $2.53M were issued in lieu of cash dividends (2015: $2.36M).

4. REVENUE

	2016 $000	2015 $000
Sale of goods	1,771	1,598
Services rendered	211,973	220,605
	213,744	**222,203**

Policies

Revenue includes the fair value of the consideration received or receivable for the sale of services or products, net of sales taxes and other indirect taxes, rebates and discounts.

Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits will accrue to the Group, and when the following criteria are met:

- Sales of services are recognised according to the conditions of the contract, generally in the accounting period in which the service is rendered by reference to the proportion of the total services to be provided.
- Sales of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer.

5. OTHER OPERATING EXPENSES

	2016 $000	2015 $000
Operating expenses include:		
Directors' fees	444	448
Donations	47	27
Net loss on sale of plant & equipment	104	120
Rental expense on operating leases	12,249	12,372
Auditors' fees		
Audit services - PwC New Zealand	271	272
Audit fees - PwC Australia	105	108
Other services provided [1]	31	26

[1] Other services provided included internal controls review, software review and shareholder voting scrutineering.

NOTES TO THE FINANCIAL STATEMENTS

6. OTHER OPERATING INCOME

	2016 $000	2015 $000
Operating income includes:		
Rental income	514	204
Sundry other income	938	641
	1,452	**845**

7. NET FINANCING COSTS

	2016 $000	2015 $000
Financial income		
Cash and cash equivalents	187	294
	187	**294**
Financial expenses		
Bank borrowings	(5,966)	(5,603)
Other borrowings	(287)	(487)
Fair value amortisation and revaluation of deferred acquisition consideration	63	53
Fair value amortisation of provisions	(23)	(37)
	(6,213)	**(6,074)**
Net financing costs	**(6,026)**	**(5,780)**

Policies

Interest expense and interest income are recognised on a time-proportion basis using the effective interest method.

8. SHARE BASED COMPENSATION

Policies

The Group operates an equity settled, share based compensation plan. The fair value of the plan is recognised as an employee expense and is spread over the vesting period, based on the Group's estimate of the shares that will vest.

Judgements

During each period end that the 2015 Executive Share Scheme is in place, the Board will need to estimate whether the earnings per share (EPS) compound annual growth rate (CAGR) will be met for the entire vesting period.

2015 Executive Share Scheme

On 21 August 2015 the Board approved the Executive Share Scheme (the Scheme) to assist in the motivation, retention and reward of Executives. The Board believes that long term performance based share schemes are desirable to ensure there is an alignment of Executives' interests and efforts with the interests of shareholders. The Scheme provides for Executives to be issued shares (Share Scheme Shares), for which the Company provides an interest free loan.

Under the Scheme on 21 August 2015 the Company issued 45,860 new shares to Richard Keys, Chief Executive Officer, (the executive) at the five day volume weighted average price over the previous five trading days of $7.67 per share (being the same price as shares issued on the same day under the Company's Dividend Reinvestment Plan, but without any discount) and provided financial assistance, in the form of an interest free loan of $351,750 to the executive, for the purpose of subscribing for the Share Scheme Shares. The loan is repayable when the shares vest.

Share Scheme Shares will be forfeited if the performance criteria set out below are not met over a three year vesting period, or the executive does not remain in employment with the Company for the term of the Scheme. Until the end of the vesting period, the executive is restricted from trading the shares and any dividends received must first be applied to repayment of any outstanding loan balance.

NOTES TO THE FINANCIAL STATEMENTS

8. SHARE BASED COMPENSATION (CONTINUED)

2015 Executive Share Scheme (Continued)

Vesting of the shares requires satisfaction of Underlying NPAT[1] EPS performance hurdles (measured using the 31 May 2015 year as the base year) that must be met for each of the three years independently or cumulatively. The number of shares vesting will be determined on a sliding scale from nil vesting if EPS CAGR is less than 15% to 100% vesting for an EPS CAGR of 22%.

Shares will vest based on the performance targets being achieved, to a maximum of shares equivalent to $351,750 over the three year vesting period.

The Company has a call option over all Share Scheme Shares. If the performance hurdles are not achieved or the executive's employment terminates before the end of the vesting period, the call option will be exercised for a price equal to the outstanding loan balance.

The executive has an equal and opposite put option over the Share Scheme Shares which can be exercised in relation to forfeited shares at the same price as the put option if the call option is not exercised.

The executive cannot put the Share Scheme Shares back to the Company if performance targets are achieved, and the call option cannot be exercised in these circumstances. If the performance targets are achieved, a performance bonus will be paid to the executive that must be applied to settle the loan balance. Any excess of the performance bonus (net of tax) above the outstanding loan balance will be paid in cash to the executive. In the event of a deficit arising because the bonus is insufficient to settle the loan in full, this must be settled by the executive.

The fair value of the executive's entitlement to the Share Scheme Shares is the issue price of $7.67 being the volume weighted average price per share at the grant date of 21 August 2015.

The share based payment expense of $351,750 will be amortised over the period of service. The total to be expensed is dependent on the expectation, at a point in time, that the performance hurdles will be met. The Board's expectation at 31 May 2016 is that it is probable the EPS CAGR of 22% will be met over the three year vesting period and thus $117,251 has been charged to the Income Statement as executive remuneration in the 2016 financial year.

2011 Executive Share Scheme

On 7 November 2011 the Board approved the Executive Share Scheme (the Scheme). The Scheme provided for certain employees to be issued restricted shares (Share Scheme Shares), for which the Company provides an interest free loan. 226,666 Share Scheme Shares were issued on 5 December 2011, at $4.05 per share, being the volume weighted average price over the previous 20 trading days. A loan of $918,000 was provided to employees on this date to acquire the Share Scheme Shares.

The employees met the performance criteria of the scheme and remained in employment with the Company during the three year term of the Scheme. At the end of the Scheme term, the shares were taken up by all employees and the restrictions removed. The loan of $918,000 was partially repaid, with a balance of $455,613 outstanding at 31 May 2015. The loan was fully repaid during the year ended 31 May 2016. All other obligations under the Scheme have been met and the Scheme is now at an end.

[1] Underlying Net Profit After Tax is a non-GAAP financial measure and excludes gains/losses arising on sale of businesses, IFRS adjustments and impairments, including their tax effect. It is the measure used within the Company to evaluate performance, establish strategic goals and to allocate resources.

NOTES TO THE FINANCIAL STATEMENTS

INVESTMENTS

The Group invests into businesses within the private healthcare and medical services sector.

Policies

The acquisition method of accounting is used to account for the acquisition of businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the business acquired, the difference is recognised directly in the Income Statement.

9. ACQUISITION OF BUSINESSES

During the year the Group acquired the following businesses:

Wellington Orthodontic Associates (Wellington)	10 Jun 15
Love Your Smile Dental Group (NSW)	30 Jun 15
Perio Care Brisbane Implant and Dentistry (QLD)	1 Jul 15
Harish Lala Endondontist (Auckland)	30 Sep 15
Bay Orthodontics (Tauranga)	30 Sep 15
Harris Dental (Christchurch)	30 Oct 15
Gianni Dental (Auckland)	17 Nov 15
All Smiles Repaired (VIC)	26 Nov 15
Courtney Orthodontics (Wellington)	14 Dec 15
Dentistry on Merivale (Christchurch)	29 Feb 16
Churchill Eco Dental (NSW)	23 Mar 16
Wellington Oral Surgery (Wellington)	31 Mar 16
Greymouth Family Dental (Greymouth)	28 Apr 16
R J Begg & Associates (Christchurch)	5 May 16
Ormonde Dental Centre (NSW)	5 May 16
Morton Dentistry (Christchurch)	12 May 16
The Dental Company (Auckland)	18 May 16

Summary of the effect of the acquisitions:

	NOTE	DENTAL $000
Fair value of net assets acquired:		
Current assets		870
Current liabilities		(706)
Non-current assets		3,129
Non-current liabilities		(123)
Goodwill on acquisition	12	26,040
Total consideration		**29,210**
Cash paid		26,540
Deferred acquisition consideration	15	2,670
Total consideration		**29,210**

Dental Practice Acquisitions

The fair value of the net assets acquired is considered to be provisional until the end of the twelve months following the date of acquisition of each dental practice when the initial accounting for the acquisition will be complete.

The goodwill is attributable to the economies of scale expected from combining the operations of the Group.

The contribution by the businesses acquired during the year to the Group profit before tax, excluding depreciation, since acquisition to 31 May 2016 is $3.1M.

The annualised revenue and profit before tax, excluding depreciation, had the acquired businesses and assets been acquired at the beginning of the year are estimated at $24.4M and $6.4M respectively.

The Group performs a sensitivity analysis of the fair value of the deferred acquisition consideration as set out in notes 15 and 18.

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS IN SUBSIDIARIES

The following subsidiaries have been included in the Group consolidated financial statements.

		LEGAL INTEREST HELD BY GROUP	
NAME OF ENTITY	**PRINCIPAL ACTIVITY**	**2016**	**2015**
Abano Dental Limited	Dental	100%	100%
Kidz Teeth Limited	Dental	70%	70%
Lumino Dental Limited	Dental	100%	100%
Maven Dental Group Pty Limited [1]	Dental	100%	100%
Abano Radiology Limited	Diagnostic	100%	100%
Ascot Radiology Limited	Diagnostic	71%	71%

[1] On 2 October 2015 Dental Partners Pty Limited changed its name to Maven Dental Group Pty Limited.

Policies

Subsidiaries are entities over which the Group has control of the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intercompany transactions and balances are eliminated on consolidation.

Balance dates

The balance date of all subsidiaries is 31 May.

Geography

All subsidiaries are incorporated in New Zealand, except Maven Dental Group Pty Limited which is incorporated in Australia.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. When disposals to non-controlling interests results in a change in control, any gains and losses for the Group are recorded in the Income Statement. If disposals do not result in a change in control, any gain or loss is recognised in the Statement of Changes in Equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant shares acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Increase in share capital of subsidiary

The Company reviews the debt/equity position of its offshore subsidiaries to ensure they are within safe harbour limits for tax deductibility of interest payments in the offshore country. On 25 May 2016 Maven Dental Group Pty Limited (Maven) issued Abano Dental Group Limited 2,193,243 shares for a total of A$13M consideration. This retained Maven's debt/equity position within the tax safe harbour limit for the financial year ended 31 May 2016.

Disposal of subsidiaries in prior year

Sale of Orthotic Centre (N.Z.) Limited

On 30 January 2015 the Company sold its New Zealand orthotics business, Orthotic Centre (N.Z.) Limited to Orthotic Group Holdings Limited for $10.8M plus a subsequent net asset adjustment of $0.3M, resulting in a loss on sale of $0.9M. A further deferred contingent cash payment of $175,051 was received during the current financial year.

Sale of Aotea Pathology Limited

On 1 May 2015 the Company sold its New Zealand pathology business, a 55 percent shareholding in Aotea Pathology Limited to Wellington SCL Limited, a wholly owned subsidiary of Healthscope New Zealand Limited, for $1 plus a subsequent net asset adjustment of $0.1M, resulting in a loss of $8.1M.

The results of the above businesses are presented in these financial statements as discontinued operations in the prior year.

Amalgamation of subsidiaries and change in non-controlling interests in prior year

On 29 May 2015, the Group acquired 400 shares in Ascot Radiology Limited (Ascot) from interests associated with Mr M Roger for consideration of $176,680. Following this transaction, the Group's shareholding in Ascot increased from 69.76% to 71.17%.

On 30 May 2015, Wellington Pathology Limited (WPL) was amalgamated with the Company. The Company held a 100% shareholding in WPL.

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

Policies	Jointly controlled entities are entities over which the Group has contractually agreed sharing of control over the economic activity of that entity. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Investments in jointly controlled entities are accounted for in the Group financial statements using the equity method whereby the Group's share of the recognised gains and losses of jointly controlled entities are included in the consolidated Income Statement and adjusted against the carrying amount of the investment. The Group's investments in jointly controlled entities are initially recorded at cost and include goodwill (net of any impairment losses) identified on acquisition.
Disposal of Investment in Bay International Limited	On 23 May 2016 the Company announced it had entered into an agreement to sell its 50% shareholding in Bay International Limited for $32M to interests associated with its joint venture partner, Peter Hutson, as a result of those interests exercising their existing pre-emptive rights under the Bay International Limited shareholders' deed. On 27 May 2016, the sale became unconditional resulting in a gain on sale of $20.2M and receivable of $32M being recognised. The cash settlement of $32M was received on 17 June 2016. Prior to disposal, the Group accounted for its interests in audiology in Australia and Asia under the equity method recognising 50% of profit of Bay International Limited to 30 April 2016 in the Income Statement.

The Group's investments in jointly controlled entities that were equity accounted during the year comprises:

		2016	2015
Bay International Limited	Audiology	-	50%
Bay Audio Pty Limited [1,2]	Audiology	-	47.5%
Bay Audiology (Singapore) PTE Limited [1]	Audiology	-	50%
Bay Audiology (Malaysia) SDN. BHD [1]	Audiology	-	50%
Bay Audiology (Taiwan) Limited [1]	Audiology	-	50%

1 Direct subsidiaries of Bay International Limited equity accounted to 30 April 2016.

2 On 25 January 2016 Bay International Limited acquired the 5% non-controlling interest in Bay Audio Pty Limited for $296,360.

Bay Audio Pty Limited is incorporated in Australia, Bay Audiology (Singapore) PTE Limited is incorporated in Singapore, Bay Audiology (Malaysia) SDN. BHD is incorporated in Malaysia and Bay Audiology (Taiwan) Limited is incorporated in Taiwan. Together with Bay International Limited these companies form the Bay Group.

Equity investment in the Bay Group:

	2016 $000	2015 $000
Equity investment in Bay Group	11,000	11,000
Offset by share of losses	(11,000)	(11,000)
	-	-

The equity investment in the Bay Group was reduced to zero during the 2012 financial year with the recognition of the Group's share of losses.

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Shareholder loan to Bay International Limited as parent of the Bay Group:

	2016 $000	2015 $000
Gross amount of shareholder loan:		
Opening balance	21,529	21,839
Funds received	(1,133)	(310)
Closing balance	**20,396**	**21,529**
Offset by share of gains/(losses):		
Opening balance	(9,485)	(9,431)
Share of gains/(losses)	724	(54)
Closing balance	**(8,761)**	**(9,485)**
Net balance of Shareholder Loan	**11,635**	**12,044**
Net financial asset disposed of	(11,635)	-
	-	**12,044**

The shareholder loan has been accounted for as part of the Group's net investment in the Bay Group, as a result the Group's share of the Bay Group's losses have been offset against the carrying amount of the loan since 2012.

Summary of aggregated financial information for equity accounted investments, all of which are unlisted, are as follows:

	2016 $000	2015 $000
Current assets	-	7,561
Non-current assets	-	15,931
Current liabilities	-	50,615
Equity	-	(27,123)
Revenues	40,157	40,131
Profit/(Loss)	1,448	(108)

NOTES TO THE FINANCIAL STATEMENTS

12. GOODWILL

	NOTE	2016 $000	2015 $000
Opening net book value		144,944	136,305
Acquired through acquisition of businesses	9	26,040	25,909
Finalisation of provisional goodwill - prior year acquisitions		(12)	-
Transfers		-	59
Disposals		-	(15,815)
Foreign exchange movement		(86)	(1,502)
Fair value movement		(344)	(12)
Closing net book value		**170,542**	**144,944**
Cost		170,775	145,177
Accumulated amortisation		(233)	(233)
Net book value		**170,542**	**144,944**

Goodwill by Segment:

	2016 $000	2015 $000
Diagnostics	5,850	5,850
Dental:		
- New Zealand	68,539	51,666
- Australia	96,153	87,428
	170,542	**144,944**

Policies

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired business or subsidiary at the date of acquisition.

Goodwill on acquisitions of businesses or subsidiaries is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses.

As Goodwill has an indefinite life, it is tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to the lowest level for which there are separately identifiable cash flows (cash generating units or CGUs). The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

Judgements

To assess impairment, management must estimate the future cash flows of operating segments including the CGUs that make up those segments. This entails making estimates for:

- the expected revenue growth rate;
- the appropriate discount rate to apply when discounting future cash flows.

Assumptions

The recoverable amount of a CGU is determined based on the higher of fair value less costs of disposal or value in use calculations. These value in use calculations use cash flow projections derived from the Group's strategic plan forecasts. These forecasts cover a four year period with average growth rates ranging from 1.3% to 3.0% (2015: 1.5% to 8.2%).

Cash flows beyond the four year period are extrapolated using an estimated growth rate of 2% (2015: 2%). The growth rate does not exceed the long term average growth rate for the sectors in which the CGUs operate. Cash flows are discounted at an after tax discount rate of 8.2% (2015: 8.2%).

Conclusion

The value in use calculations support the carrying amount of the recorded goodwill at year end and no impairment is required. The Group does not consider any reasonably possible change in the assumptions applied to goodwill would reduce the recoverable amounts below their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

FUNDING

13. SHARE CAPITAL

	NUMBER OF SHARES 000	ORDINARY SHARES $000	TREASURY SHARES $000	TOTAL $000
At 31 May 2014	20,537	40,940	(918)	40,022
Dividend reinvestment plan - shares issued	338	2,360	-	2,360
2011 Executive share scheme - put expired, shares issued and paid for	-	918	-	918
2011 Executive share scheme - transfer of shares from treasury stock	-	(918)	918	-
At 31 May 2015	**20,875**	**43,300**	**-**	**43,300**
Share Option Expense	-	117	-	117
Dividend reinvestment plan - shares issued	350	2,507	-	2,507
2015 Executive share scheme - shares issued	46	352	-	352
2015 Executive share scheme - transfer to treasury stock	-	-	(352)	(352)
At 31 May 2016	**21,271**	**46,276**	**(352)**	**45,924**

Policies

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Shares on issue

As at 31 May 2016 there were 21,270,984 ordinary shares on issue (2015: 20,875,552). All ordinary shares rank equally with one vote attached to each fully paid ordinary share. There is no other class of share issued.

Executive Share Scheme

During the year, the Board approved the 2015 Executive Share Scheme (the Scheme). On 21 August 2015, the Company issued 45,860 new shares to Richard Keys, Chief Executive Officer (refer note 8).

During the prior year, settlement of the 2011 Executive share scheme took place.

Dividend Reinvestment Plan

During the year, shares were issued under the Dividend Reinvestment Plan (DRP). 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, less a 2.5% discount.

The DRP was applied to the dividend paid on 21 August 2015 (2015: 21 August 2014). 199,944 (2015: 214,647) shares were issued at $7.48 (2015: $6.54) per share.

The DRP was also applied to the dividend paid on 22 January 2016 (2015: 23 January 2015). 149,628 (2015: 123,426) shares were issued at $6.89 (2015: $7.88) per share.

14. BORROWINGS

	2016 $000	2015 $000
Non-current borrowings		
Secured bank loans	117,784	89,891
	117,784	**89,891**

During 2016 the Group undertook a number of amendments to its Loan Facilities with ASB Bank Limited (ASB).

- On 30 September 2015 the Group redocumented each of its three loan facility agreements to incorporate various amendment letters since initial execution.
- On 15 February 2016 the Group extended each of its loan facilities by one year and rebalanced its facilities by converting A$10M from its Australian facility limit to the New Zealand facility at AUD/NZD spot rate on the day of conversion.
- On 13 April 2016 the Group temporarily increased one of its NZD facility limits by $15M until reversion date of 30 November 2016, unless repaid earlier.

Subsequent to year end, on receipt of settlement proceeds from the sale of the Company's 50% interest in Bay International, the undrawn temporary facility of $15M was cancelled. Sale proceeds of $32M were used to repay debt, bringing the balance at 17 June 2016 to $85.4M and contemporaneously the ASB released its security over the assets of Bay International Limited (refer note 11).

NOTES TO THE FINANCIAL STATEMENTS

14. BORROWINGS (CONTINUED)

The 25 February 2013 Loan Facility Agreement and the 28 May 2013 Acquisition Loan Facility Agreement (together referred to as the Maven Facility) comprise the following terms and tranches:

REVOLVING TRANCHES	CURRENCY	AUD FACILITY AUD$000	MATURITY DATE	FACILITY $000	DRAWN AS OF 31 MAY 2016	UNDRAWN AS OF 31 MAY 2016	APPLICABLE INTEREST RATE AS OF 31 MAY 2016
Revolving Credit Facility Tranche A	AUD	15,000	1 June 2018	16,123	16,123	-	1 month BBSY + 0.90%
Revolving Credit Facility Tranche B	AUD	30,000	30 June 2019	32,248	32,248	-	1 month BBSY + 0.99%
Acquisition Revolving Credit Facility	AUD	30,000	1 July 2020	32,248	4,784	27,464	1 month BBSY + 1.08%
				80,619	53,155	27,464	

The 30 April 2013 Abano Refinance Loan Facility Agreement (Abano Facility) comprises the following terms and tranches:

REVOLVING TRANCHES	CURRENCY	MATURITY DATE	FACILITY $000	DRAWN AS OF 31 MAY 2016	UNDRAWN AS OF 31 MAY 2016	APPLICABLE INTEREST RATE AS OF 31 MAY 2016
Revolving Credit Facility Tranche A	NZD, AUD, HKD, SGD	15 December 2019	30,000	18,863	11,137	3 month BKBM + 0.99%
Revolving Credit Facility Tranche B	NZD, AUD, HKD, SGD	31 March 2019	45,787	45,787	-	3 month BKBM + 0.90%
			75,787	64,650	11,137	

Policies

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank, call deposits and short-term deposit accounts with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Borrowings

Borrowings are initially recognised at fair value, net of any transaction costs. Borrowings are subsequently stated at amortised cost using the effective interest method, where any difference between the net proceeds and redemption value is recognised in the Income Statement over the period of the borrowing. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after Balance Sheet date.

All borrowing costs are expensed.

Facilities

The Facilities are secured by way of a general security agreement over the Group's assets and undertakings. Additionally ASB has a first-ranking security interest over the assets of Bay International Limited that ranks pari passu with our joint venture partner's security interest.

The Facilities agreements contain undertakings and negative obligations which restrict the Group from certain activities including, among other things, incurring debt, creating security interests over assets, and selling or acquiring assets, in each case except as permitted under the Facilities.

The Facilities are subject to specific cash flow covenants as detailed in note 18 under Capital Management Risk. The Group has complied with these covenants at all stages during the year.

Other

The Group's overdraft facilities have a limit of $1M.

As at 31 May 2016 the Group's effective interest rate, including line fees, is 5.06% (2015: 5.56%).

The Group's Radiology subsidiary, Ascot Radiology Limited (Ascot), held funds in trust for its joint venture company (Ascot at Mauranui Limited). As at 31 May 2016, funds held in trust were $0.2M with a payable for the same amount reflected in Ascot's Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

15. DEFERRED ACQUISITION CONSIDERATION

	NOTE	2016 $000	2015 $000
Current deferred acquisition consideration			
Acquisition earn-out liabilities		247	741
Acquisition retention liabilities		1,200	2,906
		1,447	**3,647**
Non-current deferred acquisition consideration			
Acquisition earn-out liabilities		4,033	2,439
Acquisition retention liabilities		2,860	3,932
		6,893	**6,371**
Term schedule			
Later than one year, less than two		2,367	1,862
Later than two years, less the five		3,764	3,749
Over five years		762	760
		6,893	**6,371**
Reconciliation - deferred consideration			
Opening balance at start of year		10,018	8,727
Deferred consideration paid during year		(3,802)	(1,714)
Deferred consideration on new acquisitions	9	2,670	3,202
Fair value amortisation on deferred acquisitions		249	303
Foreign exchange movement		33	(111)
Provisional deferred consideration revalued against goodwill		(516)	(33)
Prior deferred consideration revalued (recognised in Income Statement)		(312)	(356)
Closing balance at end of year		**8,340**	**10,018**

Policies

Total acquisition prices paid for dental practices are negotiated market prices. The majority of the acquisition price is paid at the acquisition date with the remainder being recognised as acquisition retention amounts and earn-out liabilities. These liabilities represent the portion of the purchase price withheld from the vendor as security for the performance of the business for a certain period after acquisition. This is not remuneration for services as dentists are paid separately for their services in the business. The funds are paid to the vendor at the expiry of this term, only if the practice performed to forecast during this time. The payments are not automatically forfeited in the event that a vendor dentist leaves a practice prior to the end of the retention or earn out period. No interest is payable on these amounts.

Following the adoption of IFRS 3 (revised) any revaluations of earn-out liabilities or retention liabilities related to acquisitions post 1 June 2010 are charged to the Income Statement.

Fair value judgements

Refer note 18, fair value adjustments, for the methodology applied to fair value the deferred acquisition consideration. Reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would not have a material effect on the fair value of the deferred acquisition consideration.

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCE LEASES

	2016 $000	2015 $000
FINANCE LEASES		
Non-cancellable finance lease obligations		
Not later than one year	1,272	1,631
Later than one year, not later than five	1,783	3,058
Later than five years	-	-
Total gross lease commitments	**3,055**	**4,689**
Future finance charges on finance leases	(261)	(501)
Present value of finance lease liabilities	**2,794**	**4,188**
Present value of finance lease liabilities is as follows:		
Not later than one year	1,110	1,392
Later than one year, not later than five	1,684	2,796
Later than five years	-	-
	2,794	**4,188**

Policies

Leases in which a significant portion of the risks and rewards of ownership are transferred to the Group are classified as finance leases. Leased assets are recognised initially at the lower of the present value of the lease payments or their fair value. Leased assets are depreciated on the same basis as equivalent property, plant and equipment.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 $000		2015 $000	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rate swaps - cash flow hedges	-	3,498	-	2,672
	-	**3,498**	**-**	**2,672**
Current portion	-	306	-	196
Non-current portion	-	3,192	-	2,476
	-	**3,498**	**-**	**2,672**

Policies

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks. The Group designates certain derivatives as a hedge of a highly probable forecast transaction (cash flow hedge). Where derivatives qualify for hedge accounting, recognition of any gain or loss is made in equity to the extent that the hedge was deemed effective. The portion of the hedge not deemed effective is recognised in the Income Statement.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Hedging relationships are documented at inception, along with the assessment of whether the relationship is highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within finance expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Policies (Continued)	Derivatives held by the Group which are not designated as hedges are classified as financial assets at fair value through profit or loss. These derivatives are carried at fair value. Gains and losses arising from changes in the fair value of these assets are included in the Income Statement. Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.
Interest rate swaps	The notional principal amounts of outstanding interest rate swap contracts for the Group at 31 May 2016 were $97.1M (2015: $62.0M). At 31 May 2016 the fixed rates vary from 2.7% to 4.9% payable (2015: 4.1% to 4.9%) and the floating rates receivable are BKBM in NZD and BBSY in AUD.

18. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group financial performance.

The Group's treasury policy, as approved by the Board, is to identify, define, measure and record interest rate and foreign exchange risks by the various categories and to manage each risk within the defined risk control parameters. Its objective is to minimise the impact of adverse market movements across the whole business, as part of the overall business strategy to de risk the business.

The Group uses derivative financial instruments to hedge certain risk exposures and seeks to apply hedge accounting to manage volatility in profit or loss in accordance with the Group's treasury policy.

The major areas of financial risks faced by the Group and the information on the management of the related exposures are detailed below:

MARKET RISK

(a) Foreign Exchange Risk

Policies	Foreign exchange risk is the risk that adverse movements in foreign exchange rates will negatively impact on the Group's profitability, Balance Sheet and cash flows. The Group has minimal exposure to foreign exchange transaction risk as the majority of receipts and payments for each company within the Group are made in the currency of the country that the companies operate in. However, when considered appropriate the Group may enter into approved foreign exchange instruments to hedge foreign exchange transaction risk arising from specific transactions. The Group is exposed to foreign exchange translation risk on the Income Statement and Balance Sheet of companies that are resident and operate in countries other than New Zealand. Where possible the Group takes advantage of the natural offset in these foreign exchange exposures and borrows in the same currencies in which the cash flows from operations are generated. The Group does not hedge its net exposure to translation gains or losses in respect of these non New Zealand dollar functional currency assets or liabilities.
Sensitivity	During the year, the Group was exposed to foreign exchange risk on related party borrowings to its jointly controlled entities with different functional currencies. Following agreement to sell the Company's 50% shareholding in Bay International (refer note 11), the net exposure on these loans at 31 May 2016 was nil (2015: NZ$2.6M).

NOTES TO THE FINANCIAL STATEMENTS

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest Rate Risk

Policies

Interest rate risk is the risk that the Group's funding costs will materially exceed annual budget and interest cost projections due to an adverse movement in interest rates or due to an unforeseen increase in borrowings.

The Group's appetite for exposure to interest rate risk is low so its desire is to manage and minimise the risk by actively managing its exposure to movements in interest rates. The Group also seeks to minimise the net funding costs within acceptable risk parameters.

The Group's policy to manage and minimise interest rate risk is to enter into floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Group's policy on interest rate risk management is to hedge using approved interest rate instruments within the following maturity bands:

Period	Minimum Cover	Maximum Cover
0 to 3 years	20%	80%
3 to 5 years	20%	80%
5 to 10 years	0%	50%

Contractual pricing

All of the Group's cash and bank borrowings are subject to cash flow interest rate risk as floating interest rates are reset as market rates change. The net exposure to interest rate variability and the contractual repricing dates for those interest rate changes are shown on the following table:

	NOTE	REPRICING LESS THAN 1 YEAR $000	REPRICING 1-5 YEARS $000	REPRICING OVER 5 YEARS $000	TOTAL $000
As at 31 May 2016					
Floating rate instruments					
Cash		4,250	-	-	4,250
Total bank borrowings		(117,805)	-	-	(117,805)
Total variable rate instruments		(113,555)	-	-	(113,555)
Effect of interest rate swaps					
Notional value of interest rate swaps used in cash flow hedges	17	15,049	33,049	-	48,098
Notional exposure to variable interest rates as at 31 May 2016					**(65,457)**
Notional value of forward start interest rate swaps used in cash flow hedges	17	-	12,899	36,124	49,023
As at 31 May 2015					
Floating rate instruments					
Cash		3,904	-	-	3,904
Total bank borrowings		(89,893)	-	-	(89,893)
Total variable rate instruments		(85,989)	-	-	(85,989)
Effect of interest rate swaps					
Notional value of interest rate swaps used in cash flow hedges	17	13,934	48,023	-	61,957
Notional exposure to variable interest rates as at 31 May 2015					**(24,032)**

Sensitivity

The tables below demonstrate the Group's sensitivity on its net unhedged exposure to interest rates from a 1% change in floating interest rates at balance date, with all other variables held constant, of the Group's profit before tax.

	2016				2015			
	INTEREST RATE RISK				INTEREST RATE RISK			
	1% PROFIT	1% EQUITY	(1%) PROFIT	(1%) EQUITY	1% PROFIT	1% EQUITY	(1%) PROFIT	(1%) EQUITY
Net unhedged cash exposure	655	655	(655)	(655)	(240)	(240)	240	240

Interest rate swaps

At 31 May 2016 the fixed rate swaps vary from 2.7% to 4.9% payable (2015: 4.1% to 4.9%) and the floating rates receivable are BKBM in NZD and BBSY in AUD.

NOTES TO THE FINANCIAL STATEMENTS

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK

Policies

Liquidity risk is the risk that the short term and/or long term cash requirements of the Group are unable to be met. Short term liquidity management requires that adequate funds are available to meet day-to-day cash requirements of the Group.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Contractual maturities

The following table details the remaining contractual maturities at balance date of the Group's financial liabilities and derivative financial instruments. These are calculated using contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	CARRYING VALUE $000	LESS THAN 1 YEAR $000	BETWEEN 1 & 5 YEARS $000	MORE THAN 5 YEARS $000	TOTAL $000
As at 31 May 2016					
Financial Liabilities					
Borrowings	117,784	4,805	127,513	-	132,318
Trade and other payables	17,996	16,474	1,783	-	18,257
Interest rate swap derivatives	3,498	1,055	2,417	530	4,002
Deferred acquisition consideration	8,340	1,477	6,716	920	9,113
Total	**147,618**	**23,811**	**138,429**	**1,450**	**163,690**
As at 31 May 2015					
Financial Liabilities					
Borrowings	89,891	3,928	96,877	-	100,805
Trade and other payables	16,875	14,319	3,058	-	17,377
Interest rate swap derivatives	2,672	1,068	1,599	-	2,667
Deferred acquisition consideration	10,018	2,998	6,946	962	10,906
Total	**119,456**	**22,313**	**108,480**	**962**	**131,755**

CREDIT RISK

Policies

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contracted obligations, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk is managed on a sector by sector basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to trade, government and public customers, including outstanding trade receivables and committed transactions. Only registered banks are accepted for bank deposits or derivative financial instruments.

Concentration

The concentration of credit risk in respect of trade receivables is limited due to the Group's large number of individual customers who are dispersed over a broad spectrum of society.

The $32M receivable for the sale of shares in Bay International Limited does not pose a credit risk as the title of the shares will not pass until funds are received.

CAPITAL MANAGEMENT RISK

Policies

The primary objective of the Group's capital management is to ensure the Group operates as a going concern, that it maintains a strong credit rating with its banks and appropriate capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

NOTES TO THE FINANCIAL STATEMENTS

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Ratios and covenants

The Group monitors capital using two gearing ratios, the first being net bank debt divided by total equity plus net bank debt and the second includes net bank debt plus deferred acquisition consideration. The Group includes within net bank debt, gross bank borrowings less cash and cash equivalents. The Group gearing ratios as at 31 May 2016 were 49.7% (2015: 48.8%) and 51.4% (2015: 51.5%) respectively.

There has been no change in Group policies or objectives in relation to capital risk management since the prior year.

The Group is subject to two financial banking covenants from its bankers being a debt coverage ratio and a cash coverage calculation. These are calculated and reported to the bank on a quarterly basis. There have been no breaches of these covenants or events of review for the current or prior period. The consequences of any breach would depend on the nature of the breach, and could range from an instigation of an event of review, to a demand for repayment.

In both covenants, the Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), a non-GAAP financial measure, used is annualised underlying EBITDA including all acquisitions as if they had been owned for the relevant full 12 month period, plus Bay International joint venture equity accounted result and excludes certain one off costs and IFRS adjustments or expenses including acquisition costs.

EBITDA is Net Profit After Tax excluding GAAP compliant net finance expenses, gains/losses arising on sale of businesses, equity accounted investments (the Bay International joint venture), non-controlling interests, tax, depreciation and amortisation costs. Underlying EBITDA is EBITDA excluding transaction costs arising on the acquisition or divestment of businesses, IFRS adjustments and impairments, including their tax effect.

FINANCIAL INSTRUMENTS BY CATEGORY

Policies

Financial assets and financial liabilities held by the Group are classified into the following categories: derivatives used for hedging, financial assets at fair value through profit or loss, or loans and receivables. Classification depends on the purpose for which they were entered into.

Classification

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value plus transaction costs, and carried at amortised cost using the effective interest-rate method. They are included as current assets, except for maturities greater than 12 months after balance date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Balance Sheet.

	DERIVATIVES USED FOR HEDGING $000	LOANS AND RECEIVABLES $000	TOTAL $000
Assets per Balance Sheet			
As at 31 May 2016			
Cash and cash equivalents	-	4,250	4,250
Trade and other receivables excluding prepayments	-	38,798	38,798
	-	**43,048**	**43,048**
As at 31 May 2015			
Cash and cash equivalents	-	3,904	3,904
Trade and other receivables excluding prepayments	-	7,143	7,143
Investment in Joint Venture	-	12,044	12,044
	-	**23,091**	**23,091**

NOTES TO THE FINANCIAL STATEMENTS

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

	DERIVATIVES USED FOR HEDGING $000	LOANS AND RECEIVABLES $000	TOTAL $000
Liabilities per Balance Sheet			
As at 31 May 2016			
Borrowings	-	117,784	117,784
Finance leases	-	2,794	2,794
Trade and other payables	-	15,202	15,202
Deferred acquisition consideration	-	8,340	8,340
Derivative financial instruments	3,498	-	3,498
	3,498	**144,120**	**147,618**
As at 31 May 2015			
Borrowings	-	89,891	89,891
Finance leases	-	4,188	4,188
Trade and other payables	-	12,687	12,687
Deferred acquisition consideration	-	10,018	10,018
Derivative financial instruments	2,672	-	2,672
	2,672	**116,784**	**119,456**

FAIR VALUE ADJUSTMENTS

Policies

The following table sets out an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value 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).

Assumptions and judgements

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 for 2016 are same store sales growth rates of 1.2% to 3.0% (2015: 1.5% - 4.7%) and discount rates of 3.2% to 3.4% (2015: 3% - 4.5%). 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.

NOTES TO THE FINANCIAL STATEMENTS

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
As at 31 May 2016				
Financial liabilities				
Interest rate swaps - cash flow hedges	-	3,498	-	3,498
Measured at amortised cost				
Deferred acquisition consideration	-	-	8,340	8,340
As at 31 May 2015				
Financial liabilities				
Interest rate swaps - cash flow hedges	-	2,672	-	2,672
Measured at amortised cost				
Deferred acquisition consideration	-	-	10,018	10,018

There were no transfers between any levels and no change in valuation techniques during the years ended 31 May 2016 and 2015.

TAXATION

19. INCOME TAX EXPENSE

	NOTE	2016 $000	2015 $000
Current tax expense			
Current year		3,578	5,059
(Over)/under provision for prior years		(401)	(305)
		3,177	**4,754**
Deferred tax expense			
Movement in temporary differences		(234)	(489)
Under provision for prior years		403	303
	20	**169**	**(186)**
Total income tax expense in Income Statement		**3,346**	**4,568**

	2016 $000	2015 $000
Reconciliation of accounting profit and taxable income		
Profit before tax	31,821	4,664
Taxation at 28%	8,910	1,306
Impact of difference in Australian tax rate	146	149
Share of (profit)/loss of jointly controlled entity	(203)	15
Non-deductible costs/losses	473	3,401
Non-assessable items	(5,982)	(301)
Prior period adjustment	2	(2)
Total income tax expense in Income Statement	**3,346**	**4,568**

	2016 $000	2015 $000
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	597	1,761

NOTES TO THE FINANCIAL STATEMENTS

19. INCOME TAX EXPENSE (CONTINUED)

Policies	The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Consolidated tax group	From 1 June 2015 Abano formed a New Zealand tax consolidated group comprising of Abano Healthcare Group Limited, Abano Dental Limited and Lumino Dental Limited.
Imputation credits	Imputation credits available for subsequent reporting periods are shown in the table above. The amounts shown represent the balance of the imputation account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of the amount of the provision for income tax.

20. DEFERRED INCOME TAX

The net movement in deferred tax assets and liabilities during the year is as follows:

	NOTE	2016 $000	2015 $000
Balance at start of year		2,708	3,272
Acquisition of businesses		82	107
Divestment of subsidiaries		-	(783)
Charge to equity (cashflow hedges)		231	148
Foreign exchange movement		1	(24)
Recognition/(utilisation) of tax losses		43	(198)
Deferred tax expense	19	(169)	186
Balance at end of year		**2,896**	**2,708**

Deferred tax assets/(liabilities) are attributable to the following:

	2016 $000	2015 $000
Property, plant and equipment	(1,118)	(1,230)
Employee benefits	1,929	1,869
Trade and other receivables	204	192
Trade and other payables	773	1,043
Benefit of tax loss recognised	92	49
Derivative financial instruments	1,016	785
	2,896	**2,708**

Included in the Balance Sheet as:

	2016 $000	2015 $000
Deferred tax assets non-current	3,049	2,895
Deferred tax liabilities non-current	(153)	(187)
	2,896	**2,708**

NOTES TO THE FINANCIAL STATEMENTS

20. DEFERRED INCOME TAX (CONTINUED)

Charges to the Income Statement are attributable to the following:

	2016 $000	2015 $000
Movement in:		
Property, plant and equipment	111	390
Employee benefits	473	422
Trade and other receivables	14	(8)
Trade and other payables	(282)	(250)
Other items		
Foreign exchange movement	-	(65)
Acquired balances	(82)	-
Prior year under provision	(403)	(303)
	(169)	**186**

Policies

Deferred income tax is provided, using the liability method, on all temporary differences at the Balance Sheet date between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not recognised if it arises from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and the differences relating to investments in subsidiaries and associates to the extent that they will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured using tax rates enacted at Balance Sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

OTHER

21. PROPERTY, PLANT AND EQUIPMENT

	NOTE	LEASEHOLD IMPROVEMENTS $000	PLANT & EQUIPMENT $000	MOTOR VEHICLES $000	WORK IN PROGRESS $000	TOTAL $000
As at 1 June 2014						
Cost		21,106	71,437	1,795	90	94,428
Accumulated depreciation		(11,168)	(41,412)	(1,249)	-	(53,829)
Net book value		**9,938**	**30,025**	**546**	**90**	**40,599**
Year ended 31 May 2015						
Opening net book value		9,938	30,025	546	90	40,599
Acquired through acquisition of businesses	9	544	2,587	-	-	3,131
Additions		2,090	4,388	22	1,128	7,628
Transfers		1,546	(1,334)	-	(91)	121
Disposals		(322)	(784)	(161)	-	(1,267)
Foreign exchange movement		(50)	(164)	(1)	(51)	(266)
Depreciation		(1,867)	(7,440)	(80)	-	(9,387)
Closing net book value		**11,879**	**27,278**	**326**	**1,076**	**40,559**
As at 1 June 2015						
Cost		19,545	64,956	697	1,076	86,274
Accumulated depreciation		(7,666)	(37,678)	(371)	-	(45,715)
Net book value		**11,879**	**27,278**	**326**	**1,076**	**40,559**
Year ended 31 May 2016						
Opening net book value		11,879	27,278	326	1,076	40,559
Acquired through acquisition of businesses	9	695	2,403	-	-	3,098
Additions		1,273	3,030	37	7,780	12,120
Transfers		3,288	4,063	-	(7,351)	-
Disposals		(313)	(105)	-	-	(418)
Foreign exchange movement		(16)	(1)	-	(13)	(30)
Depreciation		(1,557)	(7,315)	(60)	-	(8,932)
Closing net book value		**15,249**	**29,353**	**303**	**1,492**	**46,397**
As at 31 May 2016						
Cost		24,206	73,528	733	1,492	99,959
Accumulated depreciation		(8,957)	(44,175)	(430)	-	(53,562)
Net book value		**15,249**	**29,353**	**303**	**1,492**	**46,397**

Plant and equipment includes the following amounts where the Group is a leasee under a finance lease. Remaining lease terms are between two and four years.

	PLANT & EQUIPMENT 2016 $000	2015 $000
Cost - capitalised finance leases	12,883	12,883
Accumulated depreciation	(9,175)	(7,778)
Net book value	**3,708**	**5,105**

NOTES TO THE FINANCIAL STATEMENTS

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Policies

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost is the fair value of consideration given to acquire or construct the asset, plus other directly attributable costs which have been incurred in bringing the asset to the location and condition necessary for its intended use.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, only where it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs are recognised as repairs and maintenance in the Income Statement when incurred.

Property, plant and equipment and other intangible assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Previously recognised impairment losses on property, plant and equipment and other intangible assets may be reversed if there is a positive change in the estimates of the recoverable amount, but only to the extent of the prior cumulative impairment loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

Depreciation

Depreciation of property, plant and equipment (excluding land), is calculated on a straight line basis to allocate the cost of the assets over their expected useful lives. For major classes of property, plant and equipment, the expected useful lives are:

Leasehold improvements	5 - 20 years
Computer and office equipment	3 - 5 years
Motor vehicles	3 - 7 years
Plant and equipment	5 - 20 years

Judgements

Management must apply judgement when evaluating:

- the expected useful lives of property, plant and equipment;
- whether subsequent expenditure on the asset increases the future economic benefits to be obtained from that asset; and
- whether any indicators of impairment have occurred which might require impairment testing of the current carrying values.

Change in estimated useful lives

During the year ended 31 May 2016 the Group reviewed and changed its estimates for the expected useful lives of certain dental plant and equipment. The change in the estimate of expected useful lives has had the effect of decreasing depreciation expense by $0.3M in the year ended 31 May 2016.

NOTES TO THE FINANCIAL STATEMENTS

22. OTHER INTANGIBLE ASSETS

	NOTE	INTANGIBLES $000	WORK IN PROGRESS $000	TOTAL $000
As at 1 June 2014				
Cost		8,473	-	8,473
Accumulated amortisation		(6,122)	-	(6,122)
Net Book Value		**2,351**	**-**	**2,351**
Year ended 31 May 2015				
Opening net book value		2,351	-	2,351
Acquired through acquisition of businesses	9	19	-	19
Additions		487	683	1,170
Transfers		(180)	-	(180)
Disposals		(101)	-	(101)
Foreign exchange movement		(44)	-	(44)
Amortisation charge		(717)	-	(717)
Closing net book value		**1,815**	**683**	**2,498**
As at 1 June 2015				
Cost		5,629	683	6,312
Accumulated amortisation		(3,814)	-	(3,814)
Net book value		**1,815**	**683**	**2,498**
Year ended 31 May 2016				
Opening net book value		1,815	683	2,498
Acquired through acquisition of businesses	9	31	-	31
Additions		224	1,493	1,717
Transfers		1,404	(1,404)	-
Impairment		(79)	-	(79)
Foreign exchange movement		-	(13)	(13)
Amortisation charge		(803)	-	(803)
Closing net book value		**2,592**	**759**	**3,351**
As at 31 May 2016				
Cost		7,194	759	7,953
Accumulated amortisation		(4,602)	-	(4,602)
Net book value		**2,592**	**759**	**3,351**

Policies

Software assets, licences and costs of developing computer systems are recorded as intangible assets when it is probable that future economic benefits will accrue to the Group. Computer software costs recognised as intangible assets are amortised over their estimated useful lives (not exceeding five years). Costs associated with maintaining computer software are recognised as an expense as incurred.

Software acquired as an integral part of plant and equipment is included in property, plant and equipment, and amortised over the life of the underlying asset.

Other intangible assets include copyright and licence agreements which are amortised over their estimated useful lives (not exceeding five years).

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE AND OTHER RECEIVABLES

	2016 $000	2015 $000
Current		
Trade receivables	4,102	4,039
Prepayments	1,130	1,250
Other receivables[1]	32,202	797
	37,434	**6,086**
Non-current		
Owing from related parties	2,494	2,307
	2,494	**2,307**
Impairment of trade receivables		
Neither past due or impaired	4,001	3,169
Past due but not impaired	101	870
Impaired	715	663
Gross trade receivables	4,817	4,702
Provision for impairment	(715)	(663)
	4,102	**4,039**

1 Includes $32M receivable for sale of shares in Bay International Limited (refer note 11).

Movement on the provision for impairment of trade receivables are as follows:

	2016 $000	2015 $000
Opening balance	663	623
Provision of doubtful debts	96	102
Release of over accrued doubtful debt in prior year	(32)	-
Foreign exchange movement	1	(10)
Receivables written off during the year as uncollectable	(13)	(52)
Closing balance	**715**	**663**

Policies

Trade receivables are amounts outstanding from sales arising in the normal course of business, which normally have 30 to 90 day terms.

Trade receivables are initially recognised at fair value (generally their original invoice amount) and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest-rate. The amount of the provision is recognised in the Income Statement.

Concentration

There is no concentration of credit risk with respect to trade receivables.

24. INVENTORIES

	2016 $000	2015 $000
Raw materials and consumables	6,136	5,896
	6,136	**5,896**

Policies

Inventories are stated at the lower of cost and net realisable value.

- Cost is determined using the first-in, first-out (FIFO) method.
- Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

25. TRADE AND OTHER PAYABLES

	NOTE	2016 $000	2015 $000
Current			
Accounts payable		8,407	6,898
Sundry creditors and accurals		7,797	6,876
Employee benefits		7,790	7,363
Finance leases	16	1,110	1,392
		25,104	**22,529**
Non-current			
Finance leases	16	1,684	2,796
Employee benefits		990	955
		2,674	**3,751**

Policies

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate.

Short-term employee benefits

Employee entitlements to salaries, wages and annual leave, to be settled within 12 months of reporting date represent present obligations resulting from employees' services provided up to the reporting date and are calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

Long-term employee benefits

Long-term benefits for the Group include long service leave which vests to the employee after varying periods of service. The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. All actuarial gains and losses are recognised in the Income Statement.

Finance leases

Refer note 16 for finance lease accounting policies and finance lease commitments.

26. OPERATING LEASES

	2016 $000	2015 $000
OPERATING LEASES		
Non-cancellable operating lease obligations		
Not later than one year	10,634	9,423
Later than one year, not later than five	21,994	18,388
Later than five years	1,528	923
Total lease commitments	**34,156**	**28,734**

Policies

A lease is classified as an operating lease if it is not a finance lease. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

Lease of premises, motor vehicles and plant and equipment

The Group leases premises, motor vehicles and plant and equipment. Operating leases held over some of the properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of motor vehicles or plant and equipment held under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

27. PROVISIONS

	2016 $000	2015 $000
Opening balance at start of year	654	473
Foreign exchange movement	2	(5)
Provisions made during the year	46	174
Fair value movement	23	37
Provisions used during the year	(92)	(25)
Closing balance at end of year	**633**	**654**
Current	45	116
Non-current	588	538
	633	**654**

Policies	Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.
Make good	All current and prior year provisions are for make good. These reflect the contractual obligation included in some operating leases to reinstate rental premises to their original condition at the end of the lease term.

28. RELATED PARTY INFORMATION

During the year, the Group had related party transactions with its subsidiaries (see note 10), jointly controlled entities (see note 11) and with its directors and executive officers.

Related party transactions

Mr P Hutson and Mrs A Hutson (the Hutson interests) were parties related to Abano by way of their 50% interest in the joint venture operations of Bay International Limited prior to the Company's sale of its 50% interest in Bay International Limited (refer note 11). The Hutson interests hold shares in the Company indirectly in their capacity as trustee of various trusts and through Healthcare Industry Limited (HIL). Mr P Hutson was also an executive director of the Company from November 2008 until September 2013.

Bay International Limited

The Hutson interests held a 50% shareholding in Bay International Limited with consequential shareholding and governance arrangements. The operations of Bay International Limited and its subsidiaries have been funded by the Group and the Hutson interests on a 50:50 basis.

The Group has provided funding to Bay International Limited, on a 50:50 basis with the Hutson interests, via a shareholder loan (refer note 11). During the year loan repayments of $1.3M were received by the Group from Bay International Limited (2015:$0.3M). The gross outstanding loan balance of $20.4M was disposed of as part of the sale of the Company's 50% shareholding in Bay International Limited on 27 May 2016.

At 31 May 2016 the Group had a $32M receivable for the sale of the Group's 50% share holding in Bay International Limited to its joint venture partner, being the Hutson interests. The sale of the Company's 50% shareholding in Bay International Limited was settled on 17 June 2016 and the Hutson interests are no longer a related party.

Dividend Reinvestment Plan (DRP)

Interests associated with the Hutson interests wholly own HIL which participated in the DRP during the year (refer note 13). On 1 June 2015, HIL held 2,950,010 shares (14.1%) in the Company. 55,050 shares were issued in respect of full participation in the DRP in August 2015, following which HIL held 3,005,060 shares (14.2%). 40,586 shares were issued in respect of full participation in the DRP in January 2016, following which HIL held 3,045,646 shares (14.3%).

Other related party transactions

The Group utilises the services of CME Radiology Services Limited for the provision of radiology services and management services. Dr D Rogers and Dr D Milne (minority shareholders in Ascot Radiology Limited) hold interests in CME Radiology Services Limited and are associated persons. During the year services to the value of $0.5M (2015: $0.6M) were provided by CME Radiology Services Limited. There was no balance owed by the Group at 31 May 2016 (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTY INFORMATION (CONTINUED)

Key Management Compensation

Key management compensation for the years ended 31 May 2015 and 2016 is set out below. Key management consists of the executive team of the Company and its subsidiaries.

	2016 $000	2015 $000
Short term benefits	2,553	3,929
Other long term benefits	148	284
Share based payments	117	-
	2,818	**4,213**

An interest free loan is provided to employees of the Company under the Executive Share Schemes (refer note 8). The balance of the loan at 31 May 2016 was $351,750 (2015: $455,613).

29. COMMITMENTS AND CONTINGENCIES

	2016 $000	2015 $000
Amount committed to capital expenditure	327	2,195

As at 31 May 2016 the Group has capital commitments in relation to the purchase of plant and equipment and software for the following subsidiaries:

	$000
Abano Healthcare Group Limited	28
Lumino Dental Limited	14
Ascot Radiology Limited	285
	327

CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 May 2016 (2015: nil).

30. SUBSEQUENT EVENTS

BUSINESS ACQUISITIONS

The Group has acquired four dental practices since balance date:

Toothworkx (Queensland)	30 June 2016
Murray Dental (Christchurch)	30 June 2016
Brendan O'Dea (Christchurch)	1 July 2016
Tranquil Dental (Queensland)	21 July 2016

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

DISPOSAL OF INVESTMENT IN BAY INTERNATIONAL LIMITED

The receivable of $32M from the sale of the Company's 50% shareholding in Bay International Limited was received on 17 June 2016. The funds received were applied to repay borrowings. Refer notes 11 and 14.

ADDITIONAL STATUTORY INFORMATION

INTERESTS REGISTER

As at 31 May 2016, the following directors had made general disclosures in the interests register of the company. Notices given or adjusted during the financial year ended 31 May 2016 are marked with an asterisk (*). Each such director will be regarded as interested in all transactions between the Company and its subsidiaries and the disclosed entity.

DIRECTOR	ENTITY	INTEREST
E K van Arkel	Auckland Regional Chamber of Commerce and Industry Limited	Director
	AWF Group Limited	Director
	Danske Mobler Limited	Director
	Health Benefits Limited* (ceased 30 June 2015)	Chair
	Lang Properties Limited	Director/Shareholder
	Philip Yates Securities Limited and subsidiaries	Director
	Restaurant Brands Limited and subsidiaries	Chairman
	The Warehouse Group Limited	Chairman
	Van Arkel & Co Limited	Director/Shareholder
M J Boyte	Ariadne Capital Pty Limited	Director
	Ariadne Marinas Oceania Pty Limited	Director
	Batemans Bay Marina Pty Limited* (ceased 24 March 2016)	Director
	Bay Audio Pty Limited* (appointed 1 February 2016)	Director
	Bay International Limited* (appointed 1 February 2016)	Director
	Eiderdown Co. Pty Limited	Director
	Freshxtend Technologies Corp (BC. Canada)	Director
	Gladstone Hotel Investments Pty Limited* (ceased on 9 July 2015)	Director
	Kings Parking Corporate Pty Limited* (ceased 31 March 2015)	Director
	Lake Gold Pty. Limited	Director
	Mackay Hotel Investments Pty Limited* (ceased on 9 July 2015)	Director
	Modular Hotels Pty Limited* (ceased on 9 July 2015)	Director
	S&K Car Park Management Limited (UK)	Director
	Secure Parking NZ Limited (NZ)	Director
	Traffic Monitoring Services Limited (NZ)	Director
	Traffic Monitoring Services Pty Limited	Director
	Unity Pacific Funds Management Limited	Director
	Unity Pacific Investment Management Limited	Director
	Unity Pacific Limited	Director
	Unity Pacific Property Services Pty Limited* (appointed 17 November 2015)	Director
	Waimoana Farm Limited	Director
D Chan	A1 Flower Wholesalers Limited	Director/Shareholder
	Academic Colleges Group Limited and subsidiaries* (ceased 29 April 2016)	Director/Shareholder
	Alpha Asset Management Limited	Director/Shareholder
	ARN Investments Limited	Director/Shareholder
	Asia Pacific Centre for Food Integrity Limited* (appointed January 2016)	Director/Shareholder
	Auckland Tourism, Events and Economic Development Limited (ATEED)	Director
	Badminton New Zealand* (appointed 12 September 2015)	Director
	B L Tech Limited* (May 2016)	Shareholder
	Cloud M Limited	Shareholder
	Club Q Condominiums Limited* (appointed 21 August 2015)	Director
	Confucius Institute Advisory Board* (appointed May 2016)	Member
	Cottage Design Limited* (appointed 21 August 2015)	Director
	Danting Investments Limited	Director/Shareholder
	Department of Prime Minister and Cabinet – China Project	Member

ADDITIONAL STATUTORY INFORMATION

INTERESTS REGISTER (CONTINUED)

DIRECTOR	ENTITY	INTEREST
D Chan (Continued)	Diabetic Food Limited* (appointed 28 August 2015)	Director/Shareholder
	Education Investment Limited	Director/Shareholder
	Evergrow Properties Limited* (appointed 21 August 2015)	Director
	Farmers Mutual Group (FMG) and subsidiary	Director
	Flowerzone International Limited and subsidiaries	Director/Shareholder
	Green Cut Limited	Director/Shareholder
	Griff Trading Limited	Director/Shareholder
	Lady White Snake Film Limited	Director/Shareholder
	Microgem International Plc* (May 2016)	Shareholder
	New Education Investment Limited (previously known as Orient Group Limited)* and subsidiaries (29 March 2016)	Director/Shareholder
	NZ China Executive Council	Member
	NZ Markets Disciplinary Tribunal	Member
	NZ Yacon Limited	Director/Shareholder
	Organic Initiative Limited* (April 2016)	Shareholder
	Orient Pacific Corporation Limited* (appointed 3 April 1992)	Director/Shareholder
	Orient Pacific Investments Limited* (appointed 25 October 2001	Director/Shareholder
	Orient Pacific Management Limited* (appointed 25 October 2001)	Director/Shareholder
	Orpac International Limited	Director/Shareholder
	Pisces Trustees Company	Trustee
	Planit Products NZ Limited	Director/Shareholder
	Rhino Security Limited (previously known as Sharp Multi-Media Production Limited)* (29 June 2015)	Director/Shareholder
	Sharp Multi-Media Limited	Director/Shareholder
	Sharp Multi-Media Production Limited (previously known as Rhino Security Limited)* (29 June 2015)	Director/Shareholder
	SIMTICS Limited	Director/Shareholder
	SimTutor Limited	Director/Shareholder
	Superthriller Jet Sprint Limited* (January 2016)	Shareholder
	Tahere Callas Limited and subsidiary	Director/Shareholder
	Talaford Investments Limited and subsidiary	Director/Shareholder
	The Academic Coaching School Limited	Director/Shareholder
	Turners Flower Exports N.Z. Limited	Director/Shareholder
P J Dunphy	Academic Colleges Group Limited* (ceased 29 April 2016)	Director
	ACE Insurance Limited* (appointed 26 April 2016)	Director
	Advisory Board of Penny* (appointed 1 October 2015)	Chair
	First Gas Holdings Limited* (appointed 21 April 2016)	Chairman
	First Gas Limited* (appointed 21 April 2016)	Chairman
	First Gas Mid Co Limited* (appointed 21 April 2016)	Chairman
	First Gas Top Co Limited* (appointed 21 April 2016)	Chairman
	FSF Management Company Limited	Independent Director
	Gas Services NZ Limited* (appointed 21 April 2016)	Chairman
	Next Foundation	Advisor
	NZ Super Fund	Director
	Tamaki Research Limited* (appointed 19 May 2016)	Director
	Transpower	Director

ADDITIONAL STATUTORY INFORMATION

INTERESTS REGISTER (CONTINUED)

DIRECTOR	ENTITY	INTEREST
T D Janes	Accident Compensation Corporation (ACC)	Deputy Chair & Investment Committee Chair
	Certus Solutions Limited	Chairman
	International Development Advisory and Selection Panel	Member
	NZ Markets Disciplinary Tribunal	Member
	NZ Post Network Access Committee	Member
	ProCare Charitable Foundation	Director
	ProCare Health Limited	Director
	Pulse Energy* (appointed 12 June 2015 and ceased 13 January 2016)	Deputy Chairman
	Rovert Investments Limited	Director/Shareholder
	Selenium Corporation Limited	Director/Shareholder

ADDITIONAL STATUTORY INFORMATION

DIRECTORS' SHARE DEALINGS

During the year the directors named below disclosed the following acquisition of relevant interests in ordinary shares of the Company.

DIRECTOR	DATE OF TRANSACTION	CONSIDERATION PER SECURITY	NUMBER OF SECURITIES ACQUIRED/ (SOLD)	NATURE OF RELEVANT INTEREST
E K van Arkel	21 Aug 15	$7.48	162	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2015 final dividend.
	26 Aug 15	$7.72	1,294	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
	22 Jan 16	$6.89	137	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2016 interim dividend.
	3 Feb 16	$7.00	1,711	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
M R Boyte	26 Aug 15	$7.72	1,292	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
	22 Jan 16	$6.89	19	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2016 interim dividend.
	3 Feb 16	$7.00	1,426	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
D Chan	21 Aug 15	$7.48	180	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2015 final dividend.
	2 Nov 15	$8.25	1,211	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
	22 Jan 16	$6.89	149	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2016 interim dividend.
	6 May 16	$7.80	1,279	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
A W Clarke[1]	28 Aug 15	$7.65	(150,000)	On market sale of shares.
P J Dunphy	21 Aug 15	$7.48	185	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2015 final dividend.
	2 Nov 15	$8.25	1,453	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
	22 Jan 16	$6.89	156	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2016 interim dividend.
	6 May 16	$7.80	2,174	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
T D Janes	21 Aug 15	$7.48	392	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2015 final dividend.
	26 Aug 15	$7.72	2,588	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
	22 Jan 16	$6.89	324	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2016 interim dividend.
	3 Feb 16	$7.00	2,853	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
S M Paterson[2]	21 Aug 15	$7.48	305	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2015 final dividend.
	2 Nov 15	$8.25	2,055	Purchase of ordinary shares through the market pursuant to the Directors Share Plan.
	22 Jan 16	$6.89	253	Participation in the Dividend Reinvestment Plan (DRP) in respect of the 2016 interim dividend.

1 Resigned on 2 November 2015.

2 Resigned on 30 November 2015. Susan Paterson's shareholdings are held indirectly in her capacity as a trustee of the S M Taylor Family Trust.

ADDITIONAL STATUTORY INFORMATION

DIRECTORS' SHAREHOLDINGS

As at 31 May 2016

	BENEFICIAL INTEREST 2016	2015
E K van Arkel	11,987	8,683
M R Boyte	2,737	-
D Chan	12,476	9,657
P J Dunphy	13,875	9,907
T D Janes	27,184	21,027

REMUNERATION OF DIRECTORS

Remuneration and other benefits.	2016 $	2015 $
E K van Arkel	66,000	57,500
M J Boyte[1]	60,000	15,000
D Chan	60,000	57,500
A W Clarke[2]	259,899	923,004
P J Dunphy	87,000	69,000
T D Janes	120,000	115,000
S M Paterson[3]	51,000	97,750

1 Appointed on 26 February 2015.

2 Resigned on 2 November 2015.

3 Resigned on 30 November 2015.

SUBSIDIARY COMPANY DIRECTORS

The following persons held the office of director in subsidiary companies during the year. Employee directors of subsidiary companies appointed by the Group do not receive directors' fees or other benefits in their capacity as a director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bands for remuneration disclosed under Remuneration of Employees.

COMPANY	DIRECTORS						
Abano Dental Limited	A W Clarke[1]	R G Keys	A R Tapper	R J Walsh[2]			
Abano Radiology Limited	A W Clarke[1]	R G Keys	A R Tapper	R J Walsh[2]			
Ascot Radiology Limited	A W Clarke[1]	R G Keys	R N Davis	D G Milne	D R Rogers	R J Walsh[2]	P A Weeks
Lumino Dental Limited	A W Clarke[1]	R G Keys	V L Andrews	A Shepperson	A R Tapper	R J Walsh[2]	
Maven Dental Group Pty Limited[3]	A W Clarke[1]	R G Keys	A W Bubear[4]	M D Lean	A R Tapper	R J Walsh[2]	

1 Resigned on 2 November 2015.

2 Appointed on 3 November 2015.

3 Dental Partners Pty Limited changed its name to Maven Dental Group Pty Limited on 2 October 2015.

4 Resigned on 4 March 2016.

ADDITIONAL STATUTORY INFORMATION

REMUNERATION OF EMPLOYEES

The number of employees (excluding directors) within the Group who received remuneration and benefits above $100,000 are indicated in the following table:

	GROUP 2016	GROUP 2015
$100,001 - $110,000	19	18
$110,001 - $120,000	11	11
$120,001 - $130,000	11	9
$130,001 - $140,000	8	11
$140,001 - $150,000	7	7
$150,001 - $160,000	3	5
$160,001 - $170,000	4	6
$170,001 - $180,000	2	3
$180,001 - $190,000	1	-
$190,001 - $200,000	1	-
$200,001 - $210,000	1	3
$210,001 - $220,000	2	-
$220,001 - $230,000	1	3
$230,001 - $240,000	2	2
$240,001 - $250,000	-	2
$250,001 - $260,000	1	-
$300,001 - $310,000	1	2
$310,001 - $320,000	2	2
$320,001 - $330,000	1	2
$330,001 - $340,000	-	2
$340,001 - $350,000	1	-
$610,001 - $620,000	1	-
$620,001 - $630,000	-	1
$640,001 - $650,000	-	1
$660,001 - $670,000	1	-
$700,001 - $710,000	-	1

SPREAD OF SECURITY HOLDERS

As at 13 July 2016

SIZE OF SHAREHOLDING	NUMBER OF HOLDERS	TOTAL SHARES HELD	% OF SHARES
1 - 4,999	1,814	2,523,663	11.86%
5,000 - 9,999	196	1,353,117	6.36%
10,000 - 49,999	127	2,110,274	9.92%
50,000 - 99,999	13	935,398	4.40%
100,000 - 499,999	13	2,681,192	12.60%
500,000 - 999,999	3	2,438,106	11.47%
1,000,000 or more	5	9,229,234	43.39%
	2,171	**21,270,984**	**100%**

ADDITIONAL STATUTORY INFORMATION

SHAREHOLDER INFORMATION

Twenty largest security holders as at 13 July 2016

	ORDINARY SHARES	% HOLDING
Healthcare Industry Limited	3,045,646	14.32%
TEA Custodians Limited Client Property Trust Account	2,309,188	10.86%
Forsyth Barr Custodians Limited	1,803,800	8.48%
National Nominees New Zealand Limited	1,052,697	4.95%
Steamboat Investments Limited	1,017,903	4.79%
Accident Compensation Corporation	893,223	4.20%
Custodial Services Limited	804,894	3.78%
Superlife Trustee Nominees Limited	739,989	3.48%
Sok Eng Boey, Yeow Ann Chiam, Kay Hong Chiam and Shen Mei Chiam	360,864	1.70%
Custodial Services Limited	341,251	1.60%
Custodial Services Limited	243,641	1.15%
Grant Michael Novak, Jacqueline Francesca Vervoort and NKS Trustees Limited	235,000	1.10%
Alan William Clarke	232,413	1.09%
Custodial Services Limited	225,826	1.06%
Custodial Services Limited	188,108	0.88%
Lloyd James Christie	171,446	0.81%
Richard Keys, Kathryn Keys and Ronald Bruell	166,908	0.78%
Jarden Custodians Limited	150,000	0.71%
Clinton Adam Teague	144,553	0.68%
JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct - NZCSD	143,012	0.67%
	14,270,362	67.09%

SUBSTANTIAL PRODUCT HOLDERS

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. As at 31 May 2016, details of the Substantial Product Holders in the Company and their relevant interests in the Company's ordinary shares are shown in the table below. The total number of listed voting securities (ordinary shares) of the Company as at 31 May 2016 was 21,270,984.

	DATE OF NOTICE	NUMBER OF SHARES
Healthcare Industry Limited	23 May 16	4,063,549
Peter Lionel Hutson, Lewis Thomas Grant and Anya Lee Hutson as trustees of the Anya Hutson Trust	23 May 16	4,063,549
Peter Lionel Hutson, Lewis Thomas Grant and Anya Lee Hutson as trustees of the Praxis Trust	23 May 16	4,063,549
Peter Lionel Hutson, Lewis Thomas Grant and Anya Lee Hutson as trustees of the SF No. 2 Trust	25 May 16	4,063,549
Steamboat Capital Limited	23 May 16	4,063,549
James Livingstone Reeves	23 May 16	4,063,549
Field Nominees Limited on behalf of the Reeves Border Trust	23 May 16	4,063,549
James Livingstone Reeves, Nicola Jane Reeves and Gary Chapman Trustees Limited as trustees of the Ballroom Trust	23 May 16	4,063,549
Fisher Funds Management Limited	24 Aug 15	2,070,978

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 million (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".

CORPORATE GOVERNANCE

At Abano, we are committed to conducting business the right way, ethically and in line with legal and regulatory obligations. The Abano Board of Directors is responsible for ensuring the highest levels of corporate governance within the organisation by adopting appropriate governance processes to manage risks, provide transparency and protect the interests of shareholders and stakeholders.

The Board considers that Abano's governance practices for the year ended 31 May 2016 comply with the principles set out in the NZX Corporate Governance Best Practice Code, and in the "Corporate Governance in New Zealand Principles and Guidelines" issued by the Financial Markets Authority in December 2014.

The Company continues to monitor developments in best practice governance and the majority of Abano's Board policies and charters have been reviewed and updated in line with the FMA principles in the last year. The full content of Abano's corporate governance policies and charters can be found in the governance section on the Abano website.

ETHICAL STANDARDS

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

The Board and management of Abano are committed to ensuring best practice in corporate governance is adhered to, and that the highest ethical standards are maintained by Directors, staff and suppliers in all activities conducted by the Group or in the interests of the Group.

The Board has adopted a company policy on Ethical Conduct which sets the ethical standards expected of directors, staff and anyone acting on behalf of Abano Healthcare Group and its subsidiaries and provides a practical set of guiding principles. The Board believes that all Directors conformed to the Ethical Conduct Policy during the 2016 financial year.

A separate Whistle Blowing Policy provides an avenue for employees to gain direct access to the Chief Executive Officer (CEO) and/or Chairman of the Risk Assurance and Audit Committee if they believe there are issues that need to be raised.

BOARD COMPOSITION AND PERFORMANCE

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The Abano Board is committed to acting in the best interests of the Company and for the benefit of all shareholders.

The Board Charter sets out the structure of the Board and the procedures for the nomination, resignation and removal of Directors. The Board Policy Manual acts as a reference for Directors in regards to Board procedures, policies and matters of governance. It outlines the responsibilities and roles of the Chairman and Directors and identifies procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each Director is fully empowered to perform his or her duties as a Director of the Company and to fully participate in meetings of the Board. The Company has adopted a Delegated Authorities Policy which sets out all formal delegations to the management.

The number of elected Directors and the procedure for their retirement and re-election at Annual Meetings of shareholders is set out in the Constitution of the Company.

The Board is responsible for reviewing the current and future skill sets, capability and diversity needs of Abano and identifying and recommending candidates for Board selection. The Board takes into consideration tenure, capability and skill sets when reviewing Board composition and new appointments. While the nomination process is the responsibility of the whole Board, the Governance and Remuneration Committee is responsible for identifying and recommending candidates, taking into account such factors as it deems appropriate, including tenure, capability, skill sets, experience, qualifications, judgement and the ability to work with other Directors.

The Board may at any time appoint additional Directors. However, such a Director may hold office only until the next Annual Meeting of the Company (but will be eligible for election at that meeting). Directors may also be nominated by shareholders under Listing Rule 3.3.2.

The Abano Board currently consists of five Independent Directors.

Abano's Directors offer a wide range of complementary skills, experience and expertise in areas including the operation and management of large complex organisations, retail, capital markets, healthcare businesses, governance, business strategy, finance and Australian and Asian markets.

They provide value by making quality contributions to corporate governance matters, conceptual thinking and strategic planning, policies and providing guidance to enable management to increase profitable growth in the years ahead. Together, they reflect diversity, balance, cohesion and match the demands facing the Group.

The Board is satisfied that each Director has the necessary time available to devote to the position, broadens the Board's expertise, has a personality that is compatible with the other Directors and has strong market perception.

As at 31 May 2016, the Board consisted of:

- Trevor Janes, Independent Chairman
- Pip Dunphy, Independent Deputy Chairman
- Ted van Arkel, Independent Director
- Murray Boyte, Independent Director
- Danny Chan, Independent Director

In order for a Director to be independent, the Board has determined that he or she must not be an executive of Abano Healthcare Group Limited and must have no disqualifying relationships. The Board follows the guidelines of the NZX Listing Rules.

Profiles of each Director are set out on the Abano website.

The Board Policy Manual sets out procedures to be followed where Directors have an interest in a transaction or proposed transaction or are faced with a conflict of interest. Director's interests are disclosed on pages 42 to 44of the Financial Statements.

The Board Policy Manual and the Company Share Trading Policy set out the procedures to be followed by Directors when trading in shares in the Company. Details of Directors' share dealings are outlined on page 45 of the Financial Statements.

The Board supports the separation of the roles of Chairman and CEO and the appointment of an Independent Chairman.

All Independent Directors are also members of the Institute of Directors. Directors are committed to carrying out their roles and responsibilities in line with the Four Pillars of Best Governance Practice presented by the Institute of Directors in July 2012.

The Company encourages all Directors to undertake appropriate training and education so that they may best perform their duties. In addition, all Directors are regularly updated on relevant industry and Company issues, including briefings from key executives and ongoing presentations to the Board by all business units.

All Directors have access to executives to discuss issues or obtain information on specific areas in relation to matters to be discussed at Board meetings, or other areas as they consider appropriate.

The Board Committees and Directors, subject to the approval of the Chairman, have the right to seek independent professional advice at the Company's expense, to enable them to carry out their responsibilities.

The Company has arranged a policy of Directors' and Officers' liability insurance which is underwritten by QBE Insurance (International) Limited. This ensures that any monetary loss suffered by Directors and Officers, as a result of actions undertaken by them as Directors or Officers, is capped to specified limits (subject to legal requirements or restrictions).

The Board has a policy of regular evaluation of individual and collective performance, together with a regular review of the skill sets and succession planning required to govern the business. A formal external review was conducted in FY16 with positive feedback. It is also the practice of the Company that the Chairman and Deputy Chairman retire and offer themselves for re election (should they so desire) by the Board after each Annual Meeting. Trevor Janes was reappointed Chair and Pip Dunphy was elected Deputy Chair.

Directors' Meetings

The table below sets out Director attendance at Board and Committee meetings during FY16. In total, there were 15 Board meetings, four Risk Assurance and Audit Committee meetings and one Governance and Remuneration Committee meeting. Board meetings are usually held monthly, with other meetings to deal with certain matters arising from time to time being held when necessary.

	Board	Risk Assurance and Audit Committee	Remuneration Committee
Total number of meetings held	**15**	**4**	**1**
Ted van Arkel	14	1	1
Murray Boyte	15	2	1
Danny Chan	15	3	1
Alan Clarke[1]	4	2	1
Pip Dunphy	15	4	1
Trevor Janes	15	4	1
Susan Paterson[2]	4	-	1

1 Alan Clarke resigned on 2 November 2015

2 Susan Paterson resigned on 30 November 2015

Diversity

Abano supports diversity on both the Board and within its businesses, and recognises the value in diversity of thinking and skills which can arise through a number of different characteristics including but not limited to the following; gender, ethnic background, religion, marital status, culture, disability, economic background, education, language, physical appearance and sexual orientation. Different backgrounds, communication styles, life skills and interpersonal skills are also considered of value in building diverse teams.

Abano has adopted a Diversity policy which outlines Abano's commitment to providing an inclusive and diverse environment throughout the company. The Board believes that Company performance met the objectives of the Diversity Policy in FY16.

As at 31 May 2016, females represent 22% (2015: 18%) of Directors and Officers of the Company (an Officer is a person who is within two tiers of reporting to the Board).

In addition, females represent 30% (2015: 25%) of the Company's business management teams, holding the positions of General Manager, Financial Controller and Operations Managers.

	FY16		FY15	
	Male	**Female**	**Male**	**Female**
Directors	4	1	5	2
Officers	3	1	4	-
Total	**7**	**2**	**9**	**2**

BOARD COMMITTEES

The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

The Board has delegated a number of its responsibilities to Committees to assist in the execution of the Board's responsibilities. The current Committees of the Board are:

- Risk Assurance and Audit Committee
- Governance and Remuneration Committee

From time to time, special purpose Committees have been formed to review and monitor specific projects with senior management.

The use of Committees allows issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board. However the Board retains ultimate responsibility for the functions of its Committees and determines their responsibilities.

The Committees meet as required and have terms of reference, which are approved and reviewed by the Board. Minutes of each Committee meeting are forwarded to all members of the Board, who are all entitled to attend any Committee meeting. Each Committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

The membership and performance of each Committee is reviewed at the annual Board strategy planning meeting.

Risk Assurance and Audit Committee (RAAC)

The role and responsibilities of the RAAC are detailed in the Risk Assurance and Audit Committee Charter.

The primary function of the RAAC is to assist the Board in fulfilling its risk assurance and audit responsibilities in relation to the Company and each of its subsidiaries, enhances the credibility and reliability of Group financial information and is an integral component of good risk management practice.

The RAAC provides additional oversight and advice to the Board, as to the following:

- Accounting practices, including compliance with relevant standards and financial information reporting processes of the Group and thereby the quality and reliability of the financial information used by the Board, and of the financial information issued publicly by the Company;
- Internal control mechanisms;
- Risk management policies, processes and framework;
- Internal and external audit functions; and
- Policies and processes adopted to ensure compliance with legislation, regulations and codes of practice.

Although the Board as a whole is responsible for the accuracy and relevance of the Group's financial statements, the RAAC provides an additional and more specialised oversight of the financial reporting process. The RAAC is also charged with the responsibility of monitoring the performance of the Company's external auditor.

The existence and operation of the RAAC does not relieve any Director from having the appropriate knowledge and understanding of the Company's business, value drivers and risks, or from reading, carefully considering and raising any questions relating to the Company's accounts and financial statements, including forecasts, dividends and dividend policy.

The RAAC must be comprised of at least three non-executive Directors, of whom at least two must be independent and at least one must have financial expertise (that is, be a qualified accountant or other financial professional with financial and accounting experience). The Chairman of the RAAC must not be the Chairman of the Company. A quorum for a meeting is two members of the Committee. In addition, the CEO, the Chief Financial Officer and the external auditor are invited to attend all meetings of the Committee.

The current members of the RAAC are Pip Dunphy (Chairman), Danny Chan and Trevor Janes. All members are Independent Directors. The RAAC met four times during FY16.

Governance and Remuneration Committee

The role and responsibilities of the Governance and Remuneration Committee (GRC) are detailed in the Committee Charter.

The primary role of the GRC is assist the Board with the establishment of remuneration policies and practices for the Company including setting and review of the remuneration of the Abano CEO and oversight of the remuneration of the direct reports of the Abano CEO.

In addition, the GRC is responsible for identifying and recommending candidates for Board membership, taking into account such factors as it deems appropriate, including diversity and tenure, capability, skill sets, experience, qualifications, judgement and the ability to work with other Directors. Matters involving Director nominations and appointments are discussed and agreed as part of the Board meetings.

In FY16, the Board undertook a process to identify an appropriate candidate to replace retiring Managing Director, Alan Clarke. This resulted in the appointment of Richard Keys, Abano's Chief Financial and Operations Officer, as CEO to replace Alan Clarke from 2 November 2015.

In carrying out its role, the GRC acts independently of senior management of the Company and obtains independent external advice on the appropriateness of remuneration packages and benchmarking to support remuneration recommendations.

The GRC is also responsible for recommending remuneration packages for Directors to the shareholders.

The current members of the GRC are Ted van Arkel (Chairman), Murray Boyte and Trevor Janes, all of whom are Independent Directors. The GRC met once during FY16.

REPORTING AND DISCLOSURE

The Board should demand integrity in financial reporting and in the timeliness and balance of corporate disclosures.

Abano's Directors are committed to keeping investors and the market informed of all material information about the Company and its performance. In addition to all information required by law, Abano also seeks to provide sufficient meaningful information to ensure stakeholders and investors are well informed.

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group and 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.

For the financial year ended 31 May 2016, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

Abano has a Continuous Disclosure Policy which governs the release to the market of all material information that may affect the value of the Company. The Board requires that senior management, particularly the CEO and Chief Financial Officer, consider carefully whether information is material and arrange for its release to the market if it is. The continuous disclosure officer is the Chief Financial Officer.

REMUNERATION

The remuneration of Directors and executives should be transparent, fair and reasonable.

Remuneration of Directors and senior executives is the key responsibility of the Governance and Remuneration Committee. The framework for the determination and payment of Directors' and senior executives' remuneration is set out in the Directors and Senior Executives Remuneration Policy. External advice is sought to ensure remuneration is benchmarked to the market for all senior management positions, Directors and Board positions.

Executive remuneration comprises a fixed base salary, a variable short term bonus payable annually with some long term bonuses. Bonuses are paid against targets agreed with executives at the commencement of the period, and are based on profitability, growth and personal objectives.

In addition, in the 2016 financial year, a long term performance based share scheme was implemented for the CEO, on materially similar terms to the original 2008 scheme approved by shareholders and renewed in 2011. The scheme further aligns management's interests with those of shareholders, and encourages management to ensure the Company performs well, through long term growth and increasing shareholder value. The Board believes it is important to motivate and retain key executives, and provide performance incentives which allow executives to share the rewards of the success of the Company. Details are provided on pages 16 and 17 of the 2016 Financial Statements.

Details of executives' remuneration and entitlements are detailed under Key Management Compensation on page 41 and Remuneration of Employees information on page 47 of the 2016 Financial Statements.

An increase in the total amount of remuneration payable per annum to non-executive Directors from $529,500 to $564,000 was last approved at the 2014 Annual Meeting.

All non-executive Directors receive $60,000 per annum, the Deputy Chairman receives $90,000 per annum, the Chairman receives $120,000 per annum, and each Committee Chairman receives a further $12,000 per annum.

In addition, there is a special annual pool of $150,000, which has not been used since 2010, reserved for flexibility to provide additional remuneration for non-executive Directors, who assume additional responsibilities and take on an increased workload throughout the year.

Details of Directors' remuneration are detailed on page 46 of the 2016 Financial Statements.

The Board has approved a Directors' Share Plan, whereby 50% of the annual after tax fees for non-executive Directors are paid in shares, which are acquired on the market on a quarterly basis. This Plan is in line with NZX Corporate Governance Best Practice Code 2.7 whereby Directors are encouraged to invest a portion of their cash remuneration in the Company's shares. The framework for the Share Plan is outlined in the Directors' Share Plan and Policy.

Any proposed increases in non-executive Director fees and remuneration are put to shareholders for approval. Independent advice is also sought by the Board and disclosed to shareholders as part of the approval process.

RISK MANAGEMENT

Directors should have a sound understanding of the key risks faced by the business, and should regularly verify there are appropriate processes to identify and manage these.

The Board has overall responsibility for the Company's system of risk management and internal control and has procedures in place to provide effective control within the management and reporting structure. In addition, the Risk Assurance and Audit Committee provides an additional and more specialised oversight of Company risks.

Financial statements are prepared monthly and are reviewed by the Board progressively throughout the year to monitor management's performance against budget goals and objectives, and the Board requires managers to identify and respond to risk exposures. In addition, a quarterly formal risk assessment review is presented to the Board by the CEO, which identifies areas of exposure and strategies to mitigate these.

A structured framework is in place for capital expenditure, including appropriate authorisation and approval levels which place a high emphasis on the commercial logic for the investment. The Board has set limits to management's ability to incur expenditure, enter contracts and acquire or dispose of assets.

Risk profiles which identify, assess, monitor and report the Company's key business risks are formally reviewed by the Board quarterly. These risk profiles also identify the key risk mitigation strategies which are in place.

Crisis plans have been developed and are in place along with agreed protocols on actions to be taken and external and internal communication protocols.

Occupational Health and Safety statistics and reported data from each business are reviewed at each Board meeting. This includes serious and minor incidents along with near misses and corrective actions and internal training schemes.

The Board is responsible for monitoring corporate risk assessment processes and this is not delegated to a subcommittee.

AUDITOR

The Board should ensure the quality and independence of the external audit process.

Abano's External Auditor Policy outlines the Company's commitment to ensuring audit independence, both in fact and appearance, so that Abano's external financial reporting is viewed as being highly objective and without bias.

The Risk Assurance and Audit Committee (RAAC) reviews the quality and cost of the audit undertaken by the Company's external auditors and provides a formal channel of communication between the Board, senior management and external auditors.

The RAAC also assesses the auditor's independence on an annual basis.

All audit work at Abano is fully separated from non-audit services, to ensure that appropriate independence is maintained.

For the financial year ended 31 May 2016, PricewaterhouseCoopers (PwC) was the external auditor for Abano Healthcare Group Limited. PwC was re-appointed under the Companies Act 1993 at the 2015 Annual Meeting. The last audit partner rotation was in FY15.

The amount of fees paid to PwC for audit and non-audit work are identified on page 15 of the 2016 Financial Statements.

Other services provided by PwC in FY16 were non-audit related and involved the provision of advice rather than recommendations. These were deemed to have no effect on the independence or objectivity of the auditor in relation to audit work.

SHAREHOLDER RELATIONS

The Board should foster constructive relationships with shareholders that encourage them to engage with the entity.

The Board is committed to open and regular dialogue and engagement with shareholders. In each year, the Company provides shareholders with an annual and interim report, as well as a bi-annual newsletter, and keeps shareholders updated on material events through disclosure to the stock exchange.

Management encourages phone calls and communications from interested parties. In addition, regular newsletters are produced and distributed by individual businesses within the Group and provide updates of business activities and events.

The Company maintains a comprehensive website which provides access to copies of all major announcements, reports and presentations. Governance policies are currently being updated and will be disclosed on the website as they become available.

Shareholders are actively encouraged to attend the Annual Meeting and may raise matters for discussion at this event. Shareholders have the ultimate control in corporate governance by voting Directors on or off the Board.

STAKEHOLDER INTERESTS

The Board should respect the interests of stakeholders, taking into account the entity's ownership type and its fundamental purpose.

The Company has a wide range of stakeholders and maintains open channels of communication for all audiences, including shareholders, brokers, the investing community and the New Zealand Shareholders' Association, as well as our staff, suppliers and customers.

The Company has a number of policies which uphold stakeholder interests including but not limited to a Health and Safety Policy and Ethical Conduct Policy.

DIRECTORS

Eduard (Ted) Koert 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 David Janes
Chairman
Appointed 23 September 2005

AUDIT AND RISK ASSURANCE COMMITTEE

Chairman: Pip Dunphy
Danny Chan
Trevor Janes

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 Limited
Vero Centre
48 Shortland Street, Auckland

SHARE REGISTRAR

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna, Auckland

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