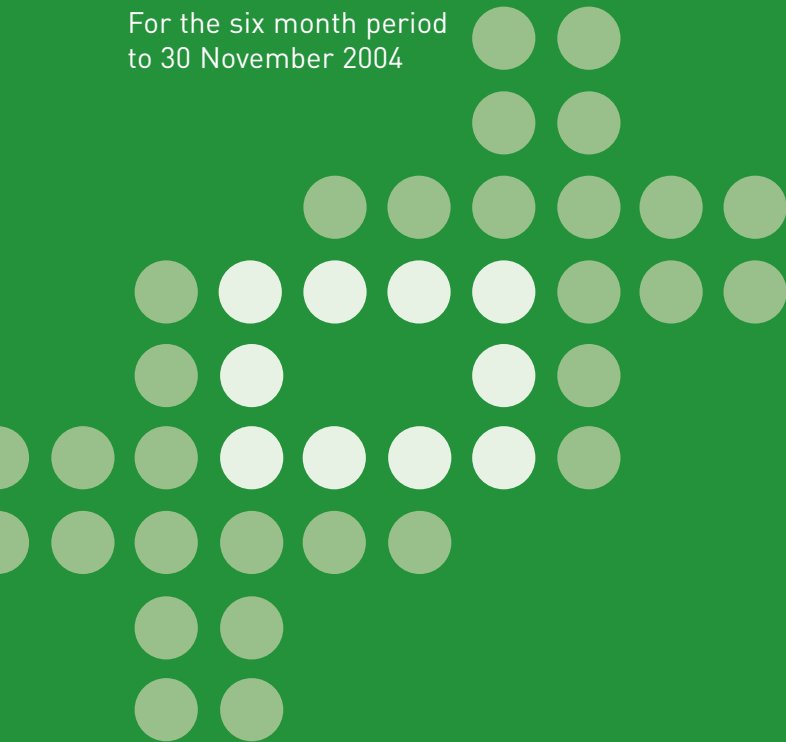


Abano Healthcare Six Month Report to Shareholders 2005

For the six month period
to 30 November 2004



DIRECTORY

DIRECTORS

James Michael Robert Syme

Chairman

Appointed 31 October 2001

Alan William Clarke

Appointed 31 October 2001

Maurice George Kidd

Appointed 15 March 2000

Philip Samuel Newland

Appointed 31 October 2001

Alison Mae Paterson

Appointed 16 October 2002

Clinton Adam Teague

Appointed 28 February 2002

AUDIT COMMITTEE

M.G. Kidd (Chairman)

A.M. Paterson

J.M.R. Syme

REMUNERATION COMMITTEE

A.M. Paterson (Chairman)

P.S. Newland

J.M.R. Syme

REGISTERED OFFICE AND ADDRESS FOR SERVICE

Ground floor
2 Hargreaves Street
College Hill
Auckland

AUDITORS

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Auckland

BANKERS

Westpac Banking Corporation
PricewaterhouseCoopers Tower
188 Quay Street
Auckland

SOLICITORS

Buddle Findlay
PricewaterhouseCoopers Tower
188 Quay Street
Auckland

SHARE REGISTRAR

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna
Auckland

ABANO HEALTHCARE GROUP LIMITED

P O Box 9507 Newmarket AUCKLAND

Telephone: +64 9 361-6820

Facsimile: +64 9 361-0358

E-mail: enquiries@abanohealthcare.co.nz

Internet: www.abanohealthcare.co.nz

CONTENTS

Summary of activity	2
---------------------	---

Chairman's report	3 - 5
-------------------	-------

INTERIM FINANCIAL STATEMENTS

Consolidated statement of financial performance	6
---	---

Consolidated statement of movements in equity and capital funds	7
---	---

Consolidated statement of financial position	8 - 9
--	-------

Consolidated statement of cash flows	10
--------------------------------------	----

Reconciliation of net surplus for the period with net cash flows from operating activities	11
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Notes to the interim financial statements	12 - 13
---	---------

COMPANY STRUCTURE



SUMMARY OF ACTIVITY

- Results for the period were in line with the guidance provided by the company on 28 October 2004, which indicated revenues in the range of \$32.5 million to \$33.5 million, earnings before interest, tax, depreciation and amortisation (EBITDA) of \$3.7 million to \$4.3 million and a net profit after tax (NPAT) of around break even.
- Revenues for the six months to 30 November 2004 were \$33.1 million, slightly down on the \$33.7 million for the previous corresponding half year.
- An EBITDA of \$4.0 million was achieved, compared with \$4.5 million for the same period last year.
- After a non-cash tax expense of \$0.39 million, a consolidated NPAT of \$0.045 million was achieved, down from \$0.31 million for the previous corresponding half year.
- RECT Funds Management invested \$5.23 million for 15.5 percent of the issued capital of the company.
- Cullen Investments and parties associated with Eric Watson sold down their holding in the company to 18.5 percent of issued capital from a total of 55.09 percent.
- The company announced three acquisitions: 100 percent of Victoria Ave Dental Centre which settled on 1 December 2004; and 40 percent of Ascot Radiology (with an option to purchase a further 40 percent) and 100 percent of Auckland Dental Group with settlement on 2 February 2005.
- Frank Janssen was appointed as general manager for Abano Dental in September 2004.

Significant events since period-end:

- The one for 10 consolidation of all ordinary shares on issue, as announced at the AGM, took place on 14th December 2004.
- Conversion, on 2 February 2005, of the third and final series of Medlab convertible notes, issued as part consideration for the purchase of the Group's existing diagnostics business.
- Announcement of a strategic review of the Group's aged care business.

CHAIRMAN'S REPORT

The six-month period to 30 November 2004 was a challenging but progressive one for the Group, with a number of strategic initiatives put in place to improve and advance performance over the long term.

These initiatives included the signing of agreements to purchase three new businesses, all of which have subsequently settled, with discussions progressing on the acquisition of a fourth; and investment in two of the Group's key aged care facilities.

Additional events of significance included the sell down by Cullen Investments and parties associated with Eric Watson to 18.5 percent of Abano's issued capital; and an investment by RECT Funds Management for 15.5 percent of the company's issued share capital.

In addition, a one for 10 consolidation of all ordinary shares on issue was carried out following the end of the period.

FINANCIAL PERFORMANCE

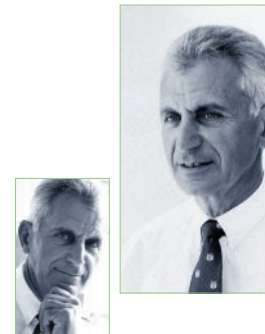
Results for the period were in line with the guidance provided by the company on 28 October 2004, which indicated revenues in the range of \$32.5 million to \$33.5 million, an EBITDA of \$3.7 million to \$4.3 million and a NPAT around break even.

Overall, revenues at \$33.1 million were up on the last six-month period (\$31.1 million), but stable compared to the previous corresponding half year (\$33.7 million).

Revenues reflected an improved performance from Abano Aged Care, and steady returns from the three remaining sectors – Abano Diagnostics, Abano Dental and Abano Rehabilitation.

EBITDA of \$4.0 million was achieved for the six-month period to 30 November 2004, with an overall NPAT of \$0.05 million. This compares to an EBITDA of \$4.5 million and NPAT of \$0.31 million for the previous corresponding half year period.

Following the investment of \$5.23 million by RECT Funds Management for 15.5 percent of the issued capital of the company, bank debt was reduced to \$30.2 million, compared to \$35.4 million as at 30 November 2003 and \$36.4 million as at 31 May 2004.



CHAIRMAN'S REPORT CONT

INVESTMENTS AND ACQUISITIONS

Since the period end, the Group has finalised and settled on three of its announced acquisitions – the 100 percent acquisitions of Auckland Dental Group and Victoria Ave Dental Centre, and a 40 percent investment in Ascot Radiology (with an option to acquire a further 40 percent). Positive discussions are continuing on the acquisition of a second radiology practice, with contracts expected to be completed in coming weeks.

During the period, the Group also announced a decision to invest in the development of two of its aged care facilities – increasing the number of beds at Gracelands to take advantage of existing licenses, and adding value to the Whitianga facility through a 21-apartment beachfront development.

SHAREHOLDER BASE AND CAPITAL STRUCTURE

A number of changes to the shareholder base and the capital structure of the Group, have taken place during the half-year.

The Group's majority shareholder, Cullen Investments and parties associated with Eric Watson, previously with a combined holding of 55.09 percent, advised of a sell-down in their shareholding in November 2004; their current shareholding is 18.5 percent, with the result that the Group now has a wider and more varied shareholder base.

At the same time, RECT Funds Management invested \$5.23 million for 15.5 percent of the issued capital of the company, to become an important cornerstone shareholder.

At the company's AGM held in late November, the company announced a one for 10 share consolidation of all ordinary shares on issue. This consolidation took place on 14 December 2004 and reduced the number of shares on issue from 260 million to 26 million. The consolidation was implemented to allow for more meaningful analysis of Group's share price performance.

MANAGEMENT APPOINTMENTS

In September 2004, Frank Janssen was appointed as general manager for Abano Dental. With a background in general management, Frank's role sees him taking responsibility for the strategy and growth of Abano Dental, as the sector looks to maximise return on last year's investment into new dental software and customer management systems; and to grow both organically and through acquisition.

THE OUTLOOK

Abano Healthcare is continuing to evolve into New Zealand's leading listed medical and healthcare company. The cost and demand for healthcare and medical services continues to grow faster than our

economy and we firmly believe the role of the private sector in this area is vital and necessary to this important national sector.

As well as our recent dental and radiology acquisitions, we are continuing to review a number of other potential businesses, which will provide long term attractive returns for our shareholders.

Additionally, we have appointed Clavell Capital to advise on the strategic opportunities available for the Aged Care sector, including expansion and acquisition, release of the capital in the land and building assets, or sale of part or all of the aged care portfolio.

Our fundamental purpose and focus is to increase the Group's earnings per share, with a return to full bottom line profitability and an improving return on investment as we move ahead.

We now have a solid base and infrastructure in place, and the board and management are confident that we will achieve our objectives to generate solid and sustainable bottom line profits and improving returns for our shareholders, in the years ahead.

On behalf of the board of directors, I would like to thank all our staff for their continued commitment, professionalism and dedicated care for the more than 5,000 New Zealanders that we care for every day of the year. I would also like to thank our shareholders for their ongoing support of Abano Healthcare and our business strategy.

Guidance for the full financial year to 31 May 2005 will be provided once we have settled the planned acquisitions and reviewed the operating environment.



Jim Syme
CHAIRMAN

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 30 November 2004

ABANO HEALTHCARE GROUP LIMITED & SUBSIDIARIES	UNAUDITED 6 MONTHS ENDED 30-NOV-04 \$000	UNAUDITED 6 MONTHS ENDED 30-NOV-03 \$000	AUDITED 12 MONTHS ENDED 31-MAY-04 \$000
Revenue	33,075	33,736	64,856
Operating surplus/(deficit) before income tax	434	710	(427)
Income tax expense	(389)	(405)	(25)
Operating surplus/(deficit) after income tax	45	305	(452)
Minority interest in surplus of subsidiary	-	6	-
Net surplus/(deficit) attributable to shareholders of the company	45	311	(452)

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY AND CAPITAL FUNDS

For the six months ended 30 November 2004

ABANO HEALTHCARE GROUP LIMITED & SUBSIDIARIES	UNAUDITED 6 MONTHS ENDED 30-NOV-04 \$000	UNAUDITED 6 MONTHS ENDED 30-NOV-03 \$000	AUDITED 12 MONTHS ENDED 31-MAY-04 \$000
Equity and capital funds at beginning of period	40,849	41,983	41,983
Net surplus/(deficit) for the period	45	311	(452)
Minority interests in current period retained earnings	-	(6)	-
Foreign currency translation reserve	-	(3)	(3)
Total recognised revenues and expenses	45	302	(455)
OTHER MOVEMENTS			
Ordinary shares issued during the period	5,069	3,566	4,858
Optional convertible notes	154	(3,167)	(4,302)
Minority interest transferred during the period	-	-	16
Dividends attributable to minority interests during the period	-	(1,252)	-
Dividends paid to minority interest during the period	-	-	(839)
Acquisition of minority interest	-	-	(412)
Equity and capital funds at end of period	46,117	41,432	40,849

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2004

ABANO HEALTHCARE GROUP LIMITED & SUBSIDIARIES	UNAUDITED 6 MONTHS ENDED 30-NOV-04 \$000	UNAUDITED 6 MONTHS ENDED 30-NOV-03 \$000	AUDITED 12 MONTHS ENDED 31-MAY-04 \$000
SHAREHOLDERS' EQUITY			
Share capital	62,375	56,013	57,305
Accumulated losses	(19,657)	(18,933)	(19,701)
Foreign currency translation reserve	-	(6)	-
Shareholders' equity	42,718	37,074	37,604
Minority interest	-	(23)	-
Total equity	42,718	37,051	37,604
CAPITAL FUNDS			
Optional convertible notes	3,399	4,381	3,245
Total capital funds	3,399	4,381	3,245
Total equity and capital funds	46,117	41,432	40,849
NON-CURRENT LIABILITIES			
Borrowings	30,169	35,383	36,400
Deferred income	159	263	158
Deferred tax liability	-	17	-
Total non-current liabilities	30,328	35,663	36,558
CURRENT LIABILITIES			
Bank overdraft	834	1,083	581
Payables and accruals	6,910	6,925	6,658
Borrowings	-	43	-
Total current liabilities	7,744	8,051	7,239
Total liabilities	38,072	43,714	43,797
TOTAL EQUITY, CAPITAL FUNDS AND LIABILITIES	84,189	85,146	84,646

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2004

ABANO HEALTHCARE GROUP LIMITED & SUBSIDIARIES	UNAUDITED 6 MONTHS ENDED 30-NOV-04 \$000	UNAUDITED 6 MONTHS ENDED 30-NOV-03 \$000	AUDITED 12 MONTHS ENDED 31-MAY-04 \$000
CURRENT ASSETS			
Cash and bank balances	701	392	490
Receivables and prepayments	8,242	8,911	8,797
Inventories	956	952	965
Investments in listed securities	4	4	3
Deferred tax asset	389	-	364
Total current assets	10,292	10,259	10,619
NON-CURRENT ASSETS			
Receivables and prepayments	-	366	60
Other investments	-	5	-
Property, plant and equipment	56,055	55,469	55,810
Intangible assets	17,842	19,047	18,157
Total non-current assets	73,897	74,887	74,027
TOTAL ASSETS	84,189	85,146	84,646

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2004

ABANO HEALTHCARE GROUP LIMITED & SUBSIDIARIES	UNAUDITED 6 MONTHS ENDED 30-NOV-04 \$000	UNAUDITED 6 MONTHS ENDED 30-NOV-03 \$000	AUDITED 12 MONTHS ENDED 31-MAY-04 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows from operating activities	33,168	34,911	66,141
Cash outflows from operating activities	(30,217)	(31,094)	(60,500)
Net cash inflow from operating activities	2,951	3,817	5,641
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows from investing activities	-	611	1,089
Cash outflows from investing activities	(1,811)	(7,714)	(9,989)
Net cash outflow from investing activities	(1,811)	(7,103)	(8,900)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflow from financing activities	6,052	5,190	7,390
Cash outflow from financing activities	(7,234)	(2,474)	(4,101)
Net cash (outflow)/inflow from financing activities	(1,182)	2,716	3,289
Net (decrease)/increase in cash held	(42)	(570)	30
Add opening cash brought forward	(91)	(121)	(121)
Cash at end of period	(133)	(691)	(91)
Cash comprises:			
Cash at bank	701	392	490
Bank overdrafts	(834)	(1,083)	(581)
	(133)	(691)	(91)

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

For the six months ended 30 November 2004

ABANO HEALTHCARE GROUP LIMITED & SUBSIDIARIES	UNAUDITED 6 MONTHS ENDED 30-NOV-04 \$000	UNAUDITED 6 MONTHS ENDED 30-NOV-03 \$000	AUDITED 12 MONTHS ENDED 31-MAY-04 \$000
Net surplus/(deficit) for the period	45	311	(452)
Transfer of minority interest	-	(6)	-
	45	305	(452)
Adjusted for non-cash items:			
Depreciation	1,618	1,670	3,078
Amortisation of intangible assets	528	511	1,022
Utilisation of deferred tax asset	389	405	25
Interest expense on convertible notes	134	265	474
Interest income on advances made to executives	(64)	(80)	(136)
Executive compensation expense	14	15	30
Other non-cash	-	-	16
	2,619	2,786	4,509
Movements in working capital:			
Decrease in receivables and prepayments	233	900	1,300
Increase/(decrease) in accounts payable and accruals	78	(223)	250
(Decrease)/increase in deferred income	(24)	53	(105)
	287	730	1,445
Items classified as investing activities:			
Add back cost of sales - investing activity	-	(4)	-
Realised gain on sale of properties	-	-	3
Investment income	-	-	136
	-	(4)	139
Net cash flows from operating activities	2,951	3,817	5,641

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 November 2004

1. Statement of accounting policies

The accounting policies applied in preparation of the interim financial statements are consistent with those adopted in the previous annual report and the previous interim financial statements.

These interim financial statements are prepared in accordance with FRS-24: Interim Financial Statements and should be read in conjunction with the previous annual report for the year ended 31 May 2004.

2. Financial Performance

ABANO HEALTHCARE GROUP LIMITED & SUBSIDIARIES	UNAUDITED 6 MONTHS ENDED 30-NOV-04 \$000	UNAUDITED 6 MONTHS ENDED 30-NOV-03 \$000	AUDITED 12 MONTHS ENDED 31-MAY-04 \$000
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Net profit for the period included the following:

Interest income	71	91	157
Interest expense	1,515	1,615	3,249

There have been no material provisions or write-downs made in the current period (31 May 2004: \$0.3 million; 30 November 2003: nil).

3. Commitments

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

ABANO HEALTHCARE GROUP LIMITED & SUBSIDIARIES	UNAUDITED 6 MONTHS ENDED 30-NOV-04 \$000	UNAUDITED 6 MONTHS ENDED 30-NOV-03 \$000	AUDITED 12 MONTHS ENDED 31-MAY-04 \$000
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Operating leases

Non-cancellable lease commitments			
Repayable within one year	1,972	1,581	1,851
Repayable in one to two years	1,248	1,353	1,519
Repayable in two to five years	1,203	752	1,477
Repayable later than five years	167	580	141
	4,590	4,266	4,988

Capital expenditure

Amounts committed to capital expenditure	223	1,966	719
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 November 2004

4. Contingent liabilities

The Group has no contingent liabilities as at 30 November 2004 (31 May 2004: nil; 30 November 2003: nil).

5. Earnings per share

ABANO HEALTHCARE GROUP LIMITED & SUBSIDIARIES	UNAUDITED 6 MONTHS ENDED 30-NOV-04 \$000	UNAUDITED 6 MONTHS ENDED 30-NOV-03 \$000	AUDITED 12 MONTHS ENDED 31-MAY-04 \$000
Basic earnings per share, in cents	0.02 cents	0.16 cents	(0.22) cents
Diluted earnings per share, in cents	0.02 cents	0.13 cents	(0.19) cents

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

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

6. Acquisitions

During the period the group acquired one dental practice for a total cost of \$263,000; this purchase was unconditional as at 30 November 2004 and was settled in cash on 1 December 2004. The acquisition gave rise to goodwill of \$209,000.

During the prior period the group made three significant acquisitions. With effect from 1 June 2003, the remaining one-third shareholding in Ranworth Healthcare Limited was purchased for total cash consideration of \$3.4 million. On 31 July 2003 the businesses of Burtons Healthcare and Health Partners were purchased for total cash consideration of \$1.54 million. These acquisitions gave rise to a total of \$3.9 million goodwill on consolidation.

7. Subsequent events

On 14th December 2004 the Company undertook a one for 10 consolidation of all its ordinary shares on issue. Post consolidation the shares on issue were 26,038,036.

The Company announced its intention to invest in two new businesses: a 40% stake in Ascot Radiology, with an option to acquire a further 40%, and a 100% stake in Auckland Dental Group, both of which settled on 2 February 2005.

On 2 February 2005, the company announced it had repaid convertible notes with a balance of \$1,066,330 by converting the note into 1,067,396 shares. The convertible notes were the final of three equal series of convertible notes issued on 31 January 2002 as part consideration for the purchase of the Group's diagnostic laboratories.

There have been no events subsequent to period-end which might materially affect the Group's financial performance or financial position.

ABANO HEALTHCARE GROUP LIMITED

P O Box 9507

Newmarket

AUCKLAND

Telephone: +64 9 361-6820

Facsimile: +64 9 361-0358

E-mail: enquiries@abanohealthcare.co.nz

Internet: www.abanohealthcare.co.nz