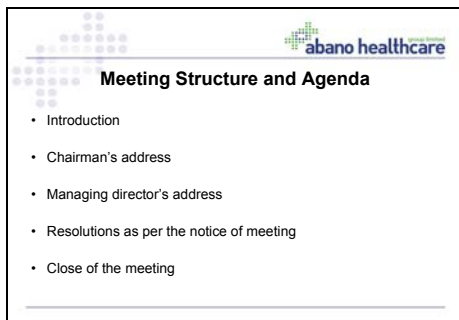




Welcome to the Abano Healthcare Group 2004 annual meeting. My name is Jim Syme and I am chairman of Abano Healthcare.

Along with my fellow directors and the management team here today, we are pleased to have this opportunity to speak with you.



Before we get underway, I'd like to run through the structure of today's meeting. We will begin by attending to some procedural matters, then move to the business of the meeting, including reviewing the past year's performance and the annual report, as well as talking to you about recent announcements and what the future holds for our company.

We will then have time to discuss any queries you may have in regards to the annual reports and accounts. After tabling the accounts, we will deal with the other resolutions set out in the agenda.

There will also be a time for questions from you, on any company matters you wish to raise.

At the close of the meeting, you are invited to join the directors and management for refreshments.

As a quorum is present, the meeting is duly constituted and I declare it open.

The Notice of Meeting has been circulated to all shareholders and I propose we take it as read. The minutes of the last AGM held on 27 November 2003 have been confirmed by the chairman of the meeting as a true and correct record and are available if required.



We have received apologies from Alison Paterson, Sandy Maier, Keith Sutton, Oliver Saint, and Dr David Milne. Are there any from the floor?



**Directors**

• Jim Syme	Independent chairman
• Alison Paterson	Independent director
• Phil Newland	Non-executive director
• Maurice Kidd	Non-executive director
• Dr Clint Teague	Executive medical director
• Alan Clarke	Group managing director

I would now like to introduce you to the Group's board of directors. Unfortunately, Alison Paterson is unable to be with us today, but in attendance we have Phil Newland and Maurice Kidd, who are non-executive directors, Dr Clint Teague our executive medical director and Alan Clarke, the Group's managing director.




**Senior Management**

• Richard Keys	Chief financial officer
• Stephen St Paul	Group financial controller
• Craig Percy	Abano Aged Care
• Frank Janssen	Abano Dental
• Dr's Andy Tie and Peter Bethwaite	Abano Diagnostics
• Karen Schneller	Abano Rehabilitation

Members of our senior management team who are here today include our corporate team: Richard Keys, the Group's chief financial officer and Stephen St Paul, Group financial controller.

The heads of each of our business sectors are also here: Craig Percy, general manager of Abano Aged Care Frank Janssen, general manager for Abano Dental Drs Peter Bethwaite and Andy Tie who are the joint managing partners for Pathology services within Abano Diagnostics and Karen Schneller, the general manager of Abano Rehabilitation.

Each of these managers heads up their individual sectors, and has overall responsibility for all of the businesses which operate within their respective sector.



**Recent Announcements**

- Planned acquisitions from February 2005
  - Ascot Radiology (Abano Diagnostics)
  - Auckland Dental Group (Abano Dental)
- Placement of shares with RECT Funds Management
- Advise that Cullen Investments would be reducing to 19.9% of the company and their subsequent confirmation

As you will be aware, the company in recent weeks has made several announcements on shareholding changes and acquisitions.

Those announcements included

Our planned investments in Ascot Radiology and the Auckland Dental Group

A placement to the RECT Funds Management

and the advice we received that Cullen Investments were reducing their holding from 56% to 19.9% of the company and their subsequent confirmation.



**Our new partners**


- Dr Allen Baker                      Auckland Dental Group
- Rex Verry                              Auckland Dental Group
- Mary Baker                            Auckland Dental Group
  
- Dr David Rogers                      Ascot Radiology
- Dr David Milne                        Ascot Radiology
  
- Stuart Burns                          RECT Funds Management
- Keith Sutton                          RECT Funds Management

In regards to our recent announcements on new acquisitions, I am pleased to extend a special welcome today, to several new members of the Abano Healthcare Group. Firstly, from the Auckland Dental Group, Dr Allen Baker, Mary Baker and Rex Verry; and secondly from Ascot Radiology, Drs David Milne and David Rogers.

In addition, we have Stuart Burns here from RECT Funds Management.

To all of you, welcome to the Group and thank you for being here today

There are a number of other staff here today, as well as auditors, legal advisors, analysts who follow Abano, and the media... welcome to you all.



**Proxies held by the chair and other directors**

I wish to report that I and other directors hold proxies in respect of eighty two million, one thousand, nine hundred and forty two shares, representing 33.8 percent of the total number of shares on issue.

That is the procedural matters of the meeting completed. I would now like to present to you an overview of the company.



**Changing the face of the healthcare and medical services market in New Zealand**



Abano Healthcare is the leader in a new way of doing business in the healthcare and medical services industry in New Zealand.

Our strategy is not to simply acquire and operate medical and healthcare businesses ourselves. Instead we provide an infrastructure of management processes, technology and back office synergies, that allows proven businesses with successful clinical management teams to fully maximise their effective use of time, expertise and profitability.

At a time when there is increasing pressure on health funding and a growing demand for quality services, Abano Healthcare is ideally placed to enable individual businesses to focus on providing expert quality care and clinical leadership, while we provide support and help to look after the management and administration side of the business.

When we first announced our new business model in 2000, we were one of the first in New Zealand to target the fragmented healthcare market with a group strategy. Now, more and more businesses are recognising the cost savings and benefits of working in clusters, and are banding together to create economies of scale in healthcare.

As we identify growth opportunities, we focus on the potential return on investment we would receive. This involves calculating the invested capital to enter a market or acquire a business, including the investment in infrastructure, such as land and buildings, technology upgrades and the management processes required to ensure that we have a sustainable business.

It is clear from such analysis that a combination of high capital investment and a reliance on government contracts, can place pressure on operating margins in the current political environment and affect our ability to generate sustainable and attractive returns for our shareholders. Therefore, we are now carefully reviewing all investments and examining ways to enhance their return from a Group perspective as well as growing our private fee revenue base.



**The year in review**

- A challenging year with decreased operating margins
- Focus on consolidating and strengthening infrastructure
- Expansion of Abano Rehabilitation
- Re-branding of the company as Abano Healthcare Group Ltd
- Richard Keys appointed as Chief Financial Officer


The financial year in review was a challenging one with Abano Aged Care experiencing decreased operating margins and changing referrals levels, and new contracts within Abano Rehabilitation, both of which in turn depressed our consolidated result from the record result achieved in the previous year.

Our focus, therefore, was on consolidating and strengthening the Group's infrastructure, which required a significant investment in management processes, technology and facilities across the Group. This investment will enable us to achieve future savings, through back office synergies and improved management of operations.

Abano Rehabilitation expanded in the period with the acquisition of Burtons Healthcare and Health Partners, as announced at last year's AGM. These two new businesses have contributed well, offsetting the decreased contracting fees we received in the core Ranworth in-patient business. While the sector's performance was below the record performance of the previous year, Abano Rehabilitation is well placed under its new management team to improve operating performance in all areas, diversify its revenue sources and to continue to earn returns above the business's Weighted Average Cost of Capital.

The Group was rebranded as Abano Healthcare Group in August last year and, as discussed at the November 2003 AGM, we believe that this new name has allowed us to identify and position our company as a multi-disciplined healthcare and medical services provider, rather than purely an aged care operator.

We also appointed a new chief financial officer, Richard Keys, replacing Brian Monk who retired last year.



**Key Consolidated Financial Performance**

- Consolidated revenues increased 11% to \$64.9 million.
- Core EBITDA at \$7.1 million down on last year's record result
- Net loss after tax of \$0.45 million
- Interest costs reduced from \$3.6 million to \$3.2 million

In the financial year ended 31 May 2004, the Group increased revenues to \$64.9 million, compared to \$58.3 million for the previous year.

The core EBITDA decreased to \$7.1 million over the previous year's result of \$8.5 million, following the decreased performance in two sectors as discussed.

Interest costs decreased following the conversion of convertible notes to the Medlab Wellington vendors and the balance of the Cullen Investments convertible note.

Debt was marginally up at \$36.4 million, being 43% of total assets versus \$32.4 million and 40% for the previous year.

The result was a disappointing Net Loss After Tax of \$0.45 million, which included a \$0.33 million write down following the closure of the Australian dental operation.

The year ended with the identified need that the company needed additional capital to complete our investment plans and with a resolve to address operating margins and concentrate future investments into areas where we believe we will gain the greatest return on our capital.



**Looking Ahead**

- Capital placement
- Announced acquisitions and developments

Therefore, following an extensive analysis of capital investment alternatives, the board made a number of important announcements in recent weeks. All of these initiatives have been designed to improve the Group's financial base and the company's consolidated performance for our shareholders.

These announcements included:  
 A capital placement to RECT Funds Management;  
 The signing of conditional agreements to purchase Auckland Dental Group and Ascot Radiology, and a substantial agreement to acquire a second radiology practice;  
 And a decision to invest in the development of two of our aged care facilities. Firstly at Graceland's, where we will increase existing scale by utilising unused licences, and secondly by adding value to the Whitianga facility through a 21 apartment development.



It was clear that the company needed an injection of capital to move ahead. After careful consideration of a number of options, including a pro-rata rights issue, we received notice of interest from RECT Funds Management to take an investment in the company.

RECT Funds Management are a well known strategic institutional investor and they have watched and followed our progress over several years.

They have now made a commitment for a minimum investment of \$5.2 million, through an initial placement of 10 percent of the company's capital at a price of 13 cents per share, which has been completed, and a proposed second placement of a further 7.5 percent placement, at the higher of 13 cents per share or the weighted average of Abano's market share price from the 29 October 2004 until yesterday.

This will result in them holding 15 percent of the total issued capital of the company on a fully diluted basis. This second placement is conditional upon two approvals being obtained from this meeting.

Firstly, shareholders will be asked to ratify the first placement, and secondly, to agree to adoption of a new constitution, which will also allow the board to make a placement of up to 15 percent of the company's capital, as permitted under the new New Zealand Exchange listing rules.

The board is aware that the placement, in comparison to a rights issue, will dilute existing share holdings, however, after careful consideration, we believe that the introduction of this long term, high quality, cornerstone shareholder is of significant benefit to the Group, and will be of long term value to all shareholders.

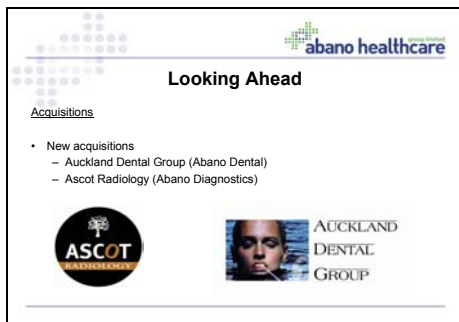
Cullen Investments separately announced they had sold down their holding in Abano Healthcare from 56 percent to 19.9 percent of the issued capital. This has resulted in a number of changes to the registry, and introduced a wider and more diverse range of shareholders....and we extend our welcome to them.



The capital injection from RECT Funds Management will allow Abano Healthcare to complete the announced acquisitions and Aged Care developments and we do not foresee a need to raise additional capital in the immediate future.

As a final move in this capital restructuring we are also announcing today, a one for ten share consolidation which will come into effect on the 14 December 2004. The consolidation will have no effect on the economic value of individual share holdings, however, the number of shares on issue will be reduced to 26 million from 260 million, following the second placement of shares to RECT Funds Management.

Again, this initiative has been taken after listening carefully to analyst and commentators' advice and it will allow a more meaningful analysis of the company to take place, particularly our financial performance on a per share basis.



We were pleased to be able to announce a number of new acquisitions and developments by the Group. We have signed conditional agreements to acquire 100 percent of Auckland Dental Group, which will operate as a separate brand in the Abano Dental sector. The Auckland Dental Group will join Abano Healthcare on the 1st February 2005 and will form the foundation of our second national brand offering, complimenting Geddes Dental Group which is established with 11 branches and 3 mobile units across Auckland.

We have also announced the acquisition of 40 percent of Ascot Radiology from the 1st February 2005, with an option to acquire a further 40 percent interest in June 2007. Dr David Rogers is here with us today, and again we would like to extend them a special welcome.

The investment in Ascot Radiology and in a second radiology practice provides a new service to compliment our Pathology investments within Abano Diagnostics, introducing a second diagnostics stream that is predominantly private fee and insurance payment, along with strong growth opportunities, both organically and by acquisition.

We are very confident that these new investments continue our focus of adding medical and healthcare business that will enhance earnings per share, continue to expand our private fee revenue and build the critical size of the Group.



## Looking Ahead

**Developments**

- Aged Care developments
  - Whitianga apartments
  - Gracelands new bed expansion



Finally, the board has approved an investment for the development and extension of two of the Group's existing aged care facilities.

Firstly, Abano Aged Care will shortly commence the development of 21 serviced apartments as an extension to the premium waterfront Whitianga Continuing Care facility, expanding the services offered in this beachside community and providing attractive integrated independent living accommodation for older people. The planned development will cost \$5.5 million and will be sold under a Licence to Occupy (LTO). Projections indicate the investment will return in excess of 25 percent on the funds employed with very strong local demand. An architect's model is at the rear of the room and available for your inspection.

Secondly, we will expand the bed capacity at the Gracelands Retirement Village and Nursing Home in Hastings, by 14 new beds, utilising the 14 existing spare licences we hold. The development will be in conjunction with a significant upgrade of the existing facility, with projected returns in excess of 12 percent.



Once these acquisitions, including the second radiology practice, are finalised, Abano Healthcare Group will consist of ten separate medical and healthcare businesses, operating and sharing resources within our four key healthcare and medical services sectors.



## Our People

- Board and Company recognition of our team of over 1,200 dedicated healthcare and medical professionals
- Our sincere thanks for your commitment and dedication and passion

Thank You

Finally our people ... You are not only the face of our company, you are our most important asset. Amongst our team of over 1,200 staff, are many passionate and dedicated individuals whose clinical expertise, professionalism and committed care for their patients and their enthusiasm for their work are at the core of our business.

On behalf of all shareholders, I would like to acknowledge and thank all who are a part of the Abano Healthcare team, for your professionalism and dedication over the past year.

Thank you most sincerely.



We now have an improved financial flexibility to develop and grow the Group, allowing the benefits of economies of scale to come into play.

Demand for quality healthcare and medical services will continue to grow into the foreseeable future, and Abano Healthcare is well situated to take advantage of this growing demand. We will continue to work closely with funding bodies to ensure our businesses provide the services and standards of care that are in demand, and will also look to optimise our offer to the private sector, identifying and creating products and services in response to consumer demand.

The cost and demand for healthcare and medical services continues to grow faster than our economy. We firmly believe the role of the private sector in the provision of healthcare and medical services is a vital and necessary part of this important national sector. Our job is to ensure we have the best and most efficient businesses which deliver the highest quality of medical and health care services in our chosen fields. The board's task is to then make certain we are investing in business areas that provide long term attractive returns for our shareholders and I, along with my fellow directors and the management team, will be working to ensure we maximise every opportunity we have to build on and improve our established base.

Importantly, we are conscious of the fact that the company has not produced a positive bottom line for three years and we are aware that many shareholders have stayed with the company over that time. Our fundamental purpose and focus is to increase the company'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. All acquisitions made have proven to be or will be very successful and we are confident that we will achieve our objective to generate solid and sustainable bottom line profits and improving returns for you, our shareholders, in the years ahead.

Our market guidance for the half year remains the same as previously announced:

Revenues \$32.5 to \$33.5 million

EBITDA \$3.7 to \$4.3 million and

A NPAT result that is around break even.

Guidance for the full year will be provided in the new year, once we have finalised the planned acquisitions and reviewed the operating environment.