

**CHAIRMAN'S ADDRESS
ANNUAL MEETING
23 SEPTEMBER 2005**

Introduction

The 2004/2005 financial year was a year of significant change and growth for the company.

Our focus was on three core business activities:

- Creating the right portfolio of businesses and partnership models to maximise our return on investment to shareholders;
- Putting in place an appropriate financial and capital structure; and
- Ensuring we have the most professional and experienced management team to lead the Group forward.

Financial Performance 2005

Financial performance for the 2004/2005 financial year has been discussed in our circulated annual report. In summary it showed:

- A year on year 3% increase in consolidated revenues from \$64.9 million to \$66.7 million; and
- A 12% improvement in EBITDA from \$6.8 million to \$7.6 million.
- The end result was a net loss after tax of \$38,000, an improvement on the \$452,000 loss reported in the previous financial year

Highlights 2005

Highlights for the year included:

- The announcement of the sale of our capital intensive aged care business, ElderCare, to The Macquarie Group for \$63.5 million, which settled in July 2005;
- Re-branding of our dental network, now called Lumino Care Dental, and the acquisition of several new dental practices, including The Auckland Dental Group, Victoria Ave Dental and Dargaville Dental; and
- Expansion of our Diagnostic Sector into the Radiology market with an acquisition of 40 percent of Ascot Radiology, and an option to take a further 40 percent by May 2007.

Growth and Acquisition

We also progressed a number of discussions which have led to successful acquisition agreements since year end, including:

- The continuing national rollout of our dental network, Lumino, with the acquisition of two dental practices in the Waikato - one in Hamilton and one in Te Awamutu - and Karen Harris Dental in Wellington;
- The acquisition of 70 percent of Orthotic Centre NZ Limited, with an option to acquire the remaining 30 percent in July 2008; and
- The acquisition, subject to shareholder approval at this meeting, of 70 percent of Bay Audiology, New Zealand's only national audiology service provider, with an option to acquire the remaining 30 percent in 2010.
- We also announced preliminary discussions between Abano Diagnostics and Sonic Healthcare to merge Wellington Laboratory's community practice with Sonic's Hutt Valley based community practice.

Our Portfolio

Following the approval at this meeting of our investment in Bay Audiology, we will have a solid portfolio of businesses which:

- Provide or are projected to provide, returns on invested capital that exceed Abano's cost of capital;
- Generate balanced revenue streams; and
- Offer significant potential for future growth.

Following my presentation, Alan Clarke will discuss in more detail, our acquisition strategy and the opportunities our new businesses offer to the Group.

Returning benefit to shareholders

Following on from the successful aged care sale, we recently carried out a one for six share buyback to distribute the capital gain element to our shareholders. At the time, we also offered to buyback any unmarketable parcels of shares, that is parcels of 200 shares or less, at the same price per share.

The share buyback was limited to \$10 million, the amount directors believed could be returned to shareholders without affecting the Group's sustainable cashflows or capacity to cover our committed acquisitions.

There was a very positive response and the \$10 million was returned to shareholders under the one for six share buyback.

Our policy for the past five years has been to re-invest all capital and returns into the growth of the Group. Following the sale of ElderCare, and the projected increase in cash flows and generation of sustainable net profits after tax from our strengthened business portfolio, we plan to introduce an annual dividend programme from the end of the current financial year. This is a significant step for the company, and we look forward to returning value to you, our shareholders.

Our People

The board takes an active interest in all areas of the business, with presentations from senior management reviewing actual results against planned objectives and budgets for each of our business sectors, at our board meetings. This provides your directors with the opportunity to understand talk and listen directly to each sector's senior management team to ensure we are fully informed on all sector business activities.

We would like to take this opportunity to thank all our people for another year of quality service for the thousands of New Zealanders we treat, diagnose and care for every day, and their continued commitment to the Abano Group. The team has been ably led throughout the year by Alan Clarke, and his team. I would like to make special thanks Richard Keys, chief financial officer, for his hard work during the successful divestment of ElderCare and his involvement in our ongoing acquisition programme, and to Alan Clarke for his ongoing leadership at Abano.

Outlook

Demand for healthcare and medical services is continuing to grow as our population ages. Pressure on Government health funding is increasing and consumers are facing long waiting lists, a shortage of medical professionals and diminishing options for publicly funded care.

More consumers are choosing to pay for their healthcare themselves, either directly or through private healthcare insurance.

Our strategy is to invest in those businesses for which there is a sustained and growing demand, and which offer returns on investment which are greater than our weighted average cost of capital. We also seek to ensure there is a balance between the continuation of the very important Government and ACC contracts we hold, and the growth of private revenue streams, across the Group.

Abano Healthcare Group continues to grow with:

- A balanced portfolio of businesses to meet demand and generate attractive and sustainable investment returns;
- Significant potential for future development; and
- An experienced and professional healthcare and management teams.

Performance 2006

With respect to our current trading, Abano has started the new financial year well. The Diagnostics sector, which includes Pathology and Radiology, is trading on budget, with Pathology in line with last year's results, and Radiology strongly up on the previous year.

The Dental sector is also well up on last year's performance and coming into line with budget.

Rehabilitation is down on budget and last year, but showing an improving performance and we are forecasting a recovery into the second half.

We remain confident that these three sectors will meet their plan over the course of the full year.

The core financial performance for the six months ending on the 30th November 2005 will be well down on last year, as it will exclude returns from the Aged Care business which was sold on the 13th of July, with only one full month's contribution in the new financial year.

However, following the upcoming acquisition of the Orthotic Centre and the planned acquisition of Bay Audiology in October, and the forecast improving performance of our existing businesses, the board remains confident that Abano will achieve a core consolidated, full year, pre-tax profit result, to 31st May 2006, which will exceed last year's performance and which will allow us to introduce an annual dividend payment for shareholders.

Further market guidance will be provided following the settlement and integration of the Orthotic Centre and Bay Audiology acquisitions.

The board remains committed to Abano's strategy and vision, and we believe there is a long and positive future for the Group ahead.

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