

Notice of annual meeting of shareholders

Notice is hereby given that the annual meeting of shareholders of Abano Healthcare Group Limited ("Abano" or "the Company") will be held in the Pakuranga Hunt Room, Ellerslie Event Centre, 8-100 Ascot Avenue, Ellerslie, Auckland, New Zealand on Tuesday, 25 November 2008 commencing at 11am.

AGENDA

CHAIRMAN AND MANAGING DIRECTOR PRESENTATIONS

SHAREHOLDERS' DISCUSSION

RESOLUTIONS:

To consider and, if thought fit, pass the following ordinary resolutions:

RESOLUTION 1

To record the reappointment of PricewaterhouseCoopers as auditors of the Company and to authorise the directors to fix the auditors' remuneration.

RESOLUTION 2

That Mr Philip Newland, who retires by rotation and is eligible for re-election, be re-elected as a director of the Company.

RESOLUTION 3

That Mr Trevor Janes, who retires by rotation and is eligible for re-election, be re-elected as a director of the Company.

RESOLUTION 4

That Mr Peter Huston be elected as a director of the Company.

RESOLUTION 5

That the Board be authorised to implement a short term incentive scheme under which Mr Alan Clarke may be issued shares in lieu of the cash bonus payable pursuant to the terms of his employment contract on the terms set out more fully in the explanatory notes accompanying this resolution.

RESOLUTION 6

That the Board be authorised to implement an incentive share scheme ("Incentive Scheme") and an outperformance share scheme ("Outperformance Scheme") (together the "Schemes") for executives on the following terms:

The Company will provide financial assistance to Mr Alan Clarke, Managing Director and Mr Richard Keys, Chief Financial Officer, and in particular will:

- Provide Mr Clarke an interest free loan of \$450,000 for the purpose of enabling Mr Clarke to subscribe for shares under the Incentive Scheme;
- Provide Mr Clarke an interest free loan of \$225,000 for the purpose of enabling Mr Clarke to subscribe for shares under the Outperformance Scheme;
- Provide Mr Keys an interest free loan of \$162,000 for the purpose of enabling Mr Keys to subscribe for shares under the Incentive Scheme; and
- Provide Mr Keys an interest free loan of \$81,000 for the purpose of enabling Mr Keys to subscribe for shares under the Outperformance Scheme,

on the terms set out in the explanatory notes below.

The Company may buy back shares issued to Mr Clarke and Mr Keys under the Incentive Scheme and Outperformance Scheme:

- Following the end of the restricted period of those shares if required to do so in accordance with the put options granted to Mr Clarke and Mr Keys, under the Schemes;
- Following the end of the Company's 2011 financial year if the performance criteria for the relevant financial years, as set out in the Schemes, are not met; or
- Following a termination of Mr Clarke's or Mr Keys' employment by the Company during the restricted period of those shares,

on the terms set out in the explanatory notes below.

The Company issue shares to the following persons:

- Mr Clarke - \$450,000 in value of shares under the Incentive Scheme and \$225,000 in value of shares under the Outperformance Scheme; and
- Mr Keys - \$162,000 in value of shares under the Incentive Scheme and \$81,000 in value of shares under the Outperformance Scheme.

All shares to be issued under this resolution will be ordinary shares in the Company, and, subject to the terms of the Schemes, will rank equally with all existing shares on issue.

By order of the Board



Richard Keys
Authorised Officer
Abano Healthcare Group Limited

NOTES

1. Any shareholder who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote on their behalf. To be effective the proxy form must be received at Computershare Investor Services Ltd, Private Bag 92119, Auckland 1142 (or by fax on 09-4888787) at least 48 hours before the start of the meeting. A proxy does not have to be a shareholder in the Company. A shareholder may appoint the Chairman of the annual meeting, or another person, to act as a proxy.
2. Any corporation that is a shareholder may appoint a person as its representative to attend the meeting and vote on its behalf, in the same manner as it could appoint a proxy. A proxy granted by a corporation must be signed by a duly authorised officer or attorney, who must be acting with the corporation's express or implied authority.
3. When the Proxy Form and Voting Instructions/Ballot Paper is signed by an attorney, the Power of Attorney under which it is signed, if not previously produced to the Company, and a completed certificate of non-revocation of authority, must accompany the Proxy Form.
4. An ordinary resolution is a resolution passed by a simple majority of votes of shareholders holding shares which carry votes, entitled to vote and voting on the resolution.
5. Mr Alan Clarke and his respective associated persons may not vote on Resolution 5.
6. Mr Alan Clarke and Mr Richard Keys and their respective associated persons may not vote on Resolution 6.
7. While Mr Clarke, Mr Keys and their respective associated persons are disqualified from voting by the NZSX Listing Rules in respect of the resolutions described above, they are not prevented from acting as proxy on behalf of a person who is eligible to vote by virtue of NZSX Listing Rule 9.3.3. However, in accordance with the NZSX Listing Rules persons who are disqualified from voting on a resolution may not vote discretionary proxies and as such a positive direction in relation to the way the proxy is to be exercised in respect of these resolutions must be provided.
8. This notice of annual meeting has been approved by NZX Limited (NZX) in accordance with NZSX Listing Rule 6.1.1, and is accompanied by an appraisal report prepared by Simmons Corporate Finance in respect of Resolutions 5 and 6 ("Appraisal Report").

The NZSX Listing Rules can be viewed on NZX's website at www.nzx.com.

EXPLANATORY NOTES

DIRECTOR NOMINATIONS

RESOLUTION 2 – RE-ELECTION OF MR PHILIP NEWLAND

In accordance with clause 11.6 of the Company's Constitution and the NZSX Listing Rules, Mr Newland retires by rotation and, being eligible, has offered himself for re-election. The Board has determined that Mr Newland is an independent director.

Phil Newland is an experienced private investor and company director and has held board positions with a range of private and public companies both in New Zealand and Australia. He is an independent director of Abano Healthcare Group and has been a board member since 2001.

Phil is currently also a director of Tasman Farms Limited and The Van Diemen's Land Company. In his previous executive roles with Cullen Group and St Laurence Group, Phil held directorships including Pacific Retail Group, Gen-i, St Laurence Property & Finance and The National Property Trust.

A New Zealander by birth, Phil was previously a senior commercial solicitor with New Zealand firm Russell McVeagh and has also spent time based in New York where he worked for a development and investment company.

RESOLUTION 3 - RE-ELECTION OF MR TREVOR JANES

In accordance with clause 11.6 of the Company's Constitution and the NZSX Listing Rules, Mr Janes retires by rotation and, being eligible, has offered himself for re-election. The Board has determined that Mr Janes is an independent director.

Trevor Janes is a director of the Abano board and deputy chairman. He is an experienced director and holds a number of board positions including director of Salvus Strategic Investments Limited, Sapphire Currency Fund Limited and Procure Health Ltd. He is also a Member of the Investment Committee of the Board of Accident Compensation Corporation, chairs the Risk Assurance and Audit Committee of Mighty River Power and is chairman of Trinity Hill Limited.

Previously, Trevor has held directorships with Accident Compensation Corporation, Catalyst Injury Management Limited, Auckland District Health Board, Watercare Services Limited and Housing New Zealand.

Trevor's career has been in investment banking and financial analysis. He is a Fellow of the Institute of Financial Professionals New Zealand Inc, and previously, he was a Fellow and past chair of the New Zealand Society of Investment Analysts. He is also a Member of the Chartered Financial Analysts Institute (USA), an affiliate of the United Kingdom Society of Investment Professionals and a Fellow of the Institute of Directors.

RESOLUTION 4 – ELECTION OF MR PETER HUTSON

Peter Hutson is an experienced business executive and is the Executive Chairman of Bay Audiology. Peter is a director and an interested party of Healthcare Industry Limited, which has a 19.9 percent shareholding in Abano. In addition to this shareholding, Peter has interests in a 14% shareholding directly in Bay Audiology Limited and a direct 15% shareholding in all of Bay Audiology overseas subsidiaries. Accordingly he would not qualify as an independent director as that term is defined in the NZSX Listing Rules.

Peter is an experienced audiologist and one of the original clinical founders of Bay Audiology. During the time of Peter's leadership, Bay has grown to be the country's leading audiology provider with more than 110 clinics in New Zealand and Australia.

The Board endorses the election of Peter Hutson to the Board as an Executive Director and believes he is well qualified to make a strong contribution at Board level.

RESOLUTION 5 – APPROVAL OF SHORT TERM INCENTIVE SCHEME

By way of background, in 2005 the Company sought and received shareholder approval for a three-year scheme involving the issue of shares in lieu of cash bonuses to Mr Alan Clarke. That three year scheme has now expired.

Under the terms of Mr Clarke's employment contract with Abano, (the "Employment Contract"), Mr Clarke is entitled to receive an annual short term incentive bonus, which has historically been up to 25% of his salary. This percentage is reviewed from time to time following external expert advice.

The Company is proposing to give Mr Clarke the option of taking any net cash short term incentive bonus payable to him under the Employment Contract by way of the issue of shares on the following terms:

1. At the commencement of each financial year, the Board in consultation with Mr Clarke, will set the key performance indicators for Mr Clarke to achieve for that financial year.
2. The total short term incentive bonus entitlement will not exceed 25% of the salary of Mr Clarke in respect of that financial year.
3. Shortly after the Company's financial statements are completed at the end of each financial year, the Board will meet with Mr Clarke and using the key performance indicators determine the gross monetary bonus entitlement that Mr Clarke will be entitled to receive for that year (the "Entitlement").
4. The Board will deduct the relevant taxation payable from the Entitlement to determine the net bonus amount payable to Mr Clarke ("Net Bonus Amount").
5. Subject to the Board being satisfied with the matters set out in paragraph 10 below, as soon as practicable after the release of the Company's annual results to the market, the Board will give Mr Clarke the option to receive the Net Bonus Amount in cash or through the issue of shares.
6. Mr Clarke may choose to receive some or all of the Net Bonus Amount paid in cash or through the issue of shares.
7. The price for any shares issued to Mr Clarke under the scheme will be the weighted average market price for the Company's ordinary shares trading on the NZSX over the 5 trading days immediately following the announcement of the Company's annual result in the relevant year.
8. Under this scheme, the maximum number of shares that may be issued to Mr Clarke under this scheme over the three

years following shareholder approval shall be 120,000 shares, and the maximum number of shares that may be issued to Mr Clarke in respect of any financial year under this scheme is 40,000.

9. All shares issued to Mr Clarke under this scheme will rank equally in all respects with all other fully paid ordinary shares in the Company on issue at the time of issue of the shares.
10. The Board is only required to offer Mr Clarke the option to take shares in lieu of his Net Bonus Amount from time to time if the Board is satisfied that the consideration for, and the terms of, the issue of the shares, are fair and reasonable to the Company and to all existing shareholders, and that the issue will not give rise to any breach by the Company of any statutory or NZSX Listing Rules requirements.
11. Any shares issued to Mr Clarke under this scheme must be issued within two months of the Company's announcement of its annual results or otherwise the cash equivalent must be paid. In accordance with NZSX Listing Rule 7.3.2, shares may only be issued to Mr Clarke under this scheme during the 36 months following shareholder approval of the scheme.

Assuming the maximum number of shares is issued to Mr Clark under this scheme, and no further shares are issued, the total shareholding of existing shareholders (other than Mr Clarke) will be diluted by 0.52%.

Under the terms of NZSX Listing Rule 7.3.1, shares may only be issued to Mr Clarke under this scheme where the precise terms and conditions of the scheme have been approved by an ordinary resolution of shareholders.

The Appraisal Report, which accompanies this notice of meeting, is required for the purposes of Resolution 5 because it is intended that more than 50% of the shares to be issued pursuant to the short-term incentive scheme will be acquired by a director of Abano (Mr Clarke).

Since issue of the 2008 annual report to shareholders, it has come to the Company's attention that due to a printing error, the table noting Remuneration of directors which appeared on page 76 of the annual report did not include the remuneration of Mr Clarke for 2008, which was \$551,393.

RESOLUTION 6 – APPROVAL OF EXECUTIVE SHARE SCHEMES

Subject to shareholder approval, the Board has approved an incentive share scheme (the "Incentive Scheme") and an outperformance incentive share scheme ("Outperformance Scheme") (together the "Schemes") pursuant to which shares in the Company ("Shares") are to be offered to Mr Alan Clarke, Managing Director, and Mr Richard Keys, Chief Financial Officer (each, an "Executive").

The Schemes are intended to better align the Executives' and shareholders' interests in regards to improving the profitability of the Company, as well as assist with the retention of key executives. The Board believes the Scheme will strengthen the incentives of the Executives to ensure the Company performs to agreed standards, as the Executives will have the opportunity to share in any improvements in the Company's financial position. The Schemes also provide an incentive to the Executives to reach performance criteria set by the Board with potential bonuses.

The operation of the Incentive Scheme will be largely consistent with the operation of the Company's existing executive share scheme which was approved by shareholders in 2005.

Set out below is an outline of how the Schemes will operate. This is a summary only. A copy of the full terms of each Scheme are available by requesting a copy from the Company by:

Letter: PO Box 106 514, Auckland 1143
Telephone: (64-9) 3001410
Email: enquiries@abanohealthcare.co.nz

Incentive Scheme

When an offer to acquire shares in the Company ("Shares") is accepted by an Executive under the Incentive Scheme:

1. The Company will advance to each Executive an amount of money equal to the subscription price of those Shares under the Scheme ("Loan") which will be applied by the Executive in acquisition of the Shares.
2. The subscription price will be the then market price of the Shares calculated with reference to the volume weighted average market price of Shares on the NZSX over the twenty trading days prior to the issue of the Shares (which is intended to be the date that shareholder approval is received for the Schemes) ("Original Purchase Price").
3. Each Executive will subscribe for, and the Company will issue, the Shares.
4. Each Executive will agree to beneficially own the Shares for a period (called the "Restricted Period") from the date of issue until the date that the Company is no longer entitled to deliver a notice of exercise of Call Option in respect of the Shares issued (see paragraph 7 below). In addition, the terms of the Loan and FIN block directions executed by the Executive, will restrict the disposal of the newly issued Shares by each Executive during the Restricted Period, with the Executive being required to repay the Loan in full if that Executive ceases to be the beneficial owner of any of the Shares.
5. Each Executive will grant a call option ("Call Option") in respect of the Shares to the Company. The Call Option may only be exercised if:

- a) The performance hurdles for the relevant year (see paragraph 15) are not met; or
 - b) The Executive ceases to be employed by the Company.
6. The Company may deliver a notice of intention to exercise the Call Option ("Notice of Intention") in respect of one third of the Shares during each of the periods of 60 days following the end of the Company's 2009, 2010 and 2011 financial years if the performance criteria are not met for the relevant financial year. The Company's financial year ends on 31 May. The board of the Company ("Board") has the discretion to extend the period during which it may deliver a Notice of Intention beyond the 60 day period following the end of a particular financial year provided that the last date on which it may deliver a Notice of Intention is before 30 November 2011.
 7. The Call Option may be exercised over those Shares in respect of which a Notice of Intention has been delivered. Provided that the Company has delivered a Notice of Intention, the Company may exercise the Call Option with respect to the relevant Shares within two business days of the earlier of:
 - (a) The date that the Board delivers the Notice of Intention relating to the 2011 financial year; and
 - (b) The last date on which the Board is able to deliver a Notice of Intention.
 8. The Company will grant a put option ("Put Option") in respect of the Shares to the relevant Executive, which is exercisable by the Executive at the end of the Restricted Period.
 9. Subject to the exercise of the Board discretion in paragraph 6, the Restricted Period will end on 31 July 2011, which, assuming an issue date in November 2008, will be a period of 2 years and 9 months.
 10. If either of the Call or Put Options is exercised, the Company will buy back the Shares at the Original Purchase Price.
 11. If either of the Call or Put Options is exercised, the Executive will be obliged to apply the proceeds of the Share buy back (referred to in paragraph 10 above) to repay the Loans.
 12. If the Call Option is not exercised by the Company with respect to all of an Executive's Shares issued under the Incentive Scheme ("Incentive Scheme Shares"), the Executive will receive a cash bonus ("Bonus"). The amount of the Bonus will be equal to the Original Purchase Price of the Executive's Incentive Scheme Shares over which the Company has not exercised the Call Option. Accordingly, if the Company has exercised the Call Option over all of the Executive's Incentive Scheme Shares, no Bonus will be payable. The cash amount of the Bonus actually received by the Executive will be net of any applicable taxes.
 13. The Loans will be provided on an interest free basis on the following terms:
 - (a) The Company's enforcement rights under the Loans shall be limited to its enforcement rights under a share mortgage over the relevant Shares ("Share Mortgage") (except in circumstances where an Executive is in breach of his obligations under the relevant Loan);
 - (b) Any proceeds received by the Company as a result of enforcing its rights under the Share Mortgage shall be applied by the Company against any outstanding amounts due under the Loans; and
 - (c) Once the Company has enforced the Share Mortgage and applied the proceeds to the repayment of the Loans, any amounts outstanding under the Loans will be extinguished and the Company shall have no further rights of recourse under the Loans.
 14. Any dividends paid by the Company in relation to an Executive's Shares will accrue to the benefit of that Executive during the Restricted Period but will only be paid out by the Company to that Executive at the end of the Restricted Period. If the Company exercises its Call Option in relation to any of an Executive's Shares, that Executive shall not be entitled to receive the accrued dividend on those Shares at the end of the Restricted Period; and
 15. The performance hurdle for the Incentive Scheme is based on the Company achieving compound annual growth in earnings per share of 15%.

Outperformance Scheme

16. Subject to the statements in paragraph 17 below, the operation of the Outperformance Scheme is identical to that of the Incentive Scheme (as described above).
17. The Outperformance Scheme varies from the Incentive Scheme in the following manner:
 - (a) A separate Loan will be provided for the acquisition of Shares under the Outperformance Scheme.
 - (b) No Bonus will be payable to an Executive under the Outperformance Scheme.
 - (c) The performance hurdle for the Outperformance Scheme is based on the Company achieving compound annual growth in earnings per share of 22.5%.

Financial Assistance

The Loans detailed in paragraphs 1 and 17(a) above amount to financial assistance being provided by the Company to the Executives for the purpose of acquiring the Shares.

Such financial assistance is required to be approved by shareholders of the Company under NZSX Listing Rule 7.6.6.

The financial assistance will be given in accordance with section 80 of the Companies Act 1993. Accordingly, a notice will be sent to each shareholder of the Company confirming that financial assistance has been given and the details of that assistance within 10 working days of the assistance being provided.

Future Share buy back

The exercise of the Call and Put Options discussed in paragraphs 5 to 10 above amounts to a share buy back by the Company.

Such a share buy back is required to be approved by shareholders of the Company under NZSX Listing Rules 7.6.1(d) and 7.6.6.

Any share buy back will be undertaken in accordance with sections 60(1)(b)(ii) and 61 of the Companies Act 1993. A disclosure document will be sent to each shareholder of the Company before such a buy back is undertaken.

The Company has been granted a waiver by NZX Limited so that a buy back conducted by the Company in accordance with the Schemes will not breach NZSX Listing Rule 7.6.6A even if that buy back occurs more than 36 months after the passing of the shareholders' resolution authorising such buy back. The waiver is subject to certain conditions including that the latest date that Abano may deliver a Notice of Intention is 30 November 2011.

Issue of new Shares

The Schemes provide that, on the same day and immediately following the giving of the financial assistance described above, the Executives will subscribe and pay for, and the Company will issue, ordinary shares at the Original Purchase Price.

The market value of shares issued to the Executives will equal the amount of the Loans made to each of them respectively. For example:

- \$675,000 in value of Shares, at a current market price of \$4.50, equates to approximately 150,000 Shares; and
- \$243,000 in value of Shares, at a current market price of \$4.50, equates to approximately 54,000 Shares.

Although the Shares are issued for cash, because the subscription price is provided by way of the Loans, no actual cash is received by the Company on subscription. In some circumstances, the Company will not receive an amount of cash equal to the full value of a Loan when it is repaid, for example, when a Bonus is used to partially set off a Loan (Incentive Scheme Only) or when the Call Option exercise price is set off against a Loan.

The Board determined the level of participation in the Schemes for each of Mr Clarke and Mr Keys after considering advice from management consulting firm Hay Group Limited on the Executive's remuneration packages. The Appraisal Report discusses how the participation levels were set in more detail at section 2.5.

Following the issue of shares to Mr Clark and Mr Keys under this scheme, assuming that no further shares are issued, the total shareholding of existing shareholders (other than Mr Clarke and Mr Keys) will be diluted by 0.88%.

Mr Clarke currently holds 203,138 shares in Abano. Mr Keys currently holds 129,590 shares in Abano. If both Resolutions 5 and 6 are passed by shareholders and assuming Mr Clarke takes up the option under the short term incentive scheme and Mr Clarke's and Mr Keys' participation levels in the Schemes are as set out above:

- Mr Clarke will own 2.03% of the shares in Abano; and
- Mr Keys will own 0.79% of the shares in Abano.