

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 Convention Centre, 8-100 Ascot Avenue, Ellerslie, Auckland, New Zealand on Friday 9 November 2007 commencing at 10am.

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 Mrs Susan Paterson, who retires by rotation and is eligible for re-election, be elected as a director of the Company in accordance with the Company's Constitution and the NZX Listing Rules.

Resolution 3

That Mr Graeme Edmond, having been appointed since the last annual meeting and who therefore retires and is eligible for election, be elected as a director of the Company in accordance with the Company's Constitution and the NZX Listing Rules.

Resolution 4

To authorise, for the purpose of NZX Listing Rule 3.5.1 and by way of an ordinary resolution, an increase in the total amount of directors' remuneration payable per annum, for each financial year, from \$223,000 to \$307,500.

Resolution 5

The Company is authorised to amend the Company's executive share scheme dated 22 March 2006 by adding a new clause which will operate so that where an executive ceases to be employed by the Company by reason of redundancy or by reason of the Company terminating his employment for reasons other than gross misconduct or permanent incapacity:

- (a) the Board will not exercise the call option exercisable on termination of an executive's employment over:
 - (i) any of that executive's share scheme shares that are no longer subject to the call option exercisable if certain Abano Group return on investment targets are not met; and
 - (ii) a pro-rata proportion of the executive's remaining share scheme shares, such proportion being equal to the proportion of the 2008 financial year that has elapsed at the time the executive ceases to be employed provided that the pro-rata proportion will be zero where, after the Board has signed the 2008 audited financial statements of the Company, the Abano Group return on investment target for the 2008 financial year has not been met; and
- (b) the executive will be permitted to dispose of those share scheme shares, subject to repayment of the loan from the Company used to subscribe for those share scheme shares.

By order of the Board



Richard Keys
Authorised Officer
Abano Healthcare Group Limited

NOTES

1. The resolutions will be voted on by shareholders of the Company.
2. The only persons entitled to vote at the annual meeting are registered shareholders as at 5.00pm on Wednesday 7 November 2007 and only the shares registered in those shareholders' names may be voted at the annual meeting.
3. Any shareholder who is entitled to vote at the annual meeting may appoint a proxy to attend and vote on their behalf. A shareholder wishing to appoint a proxy should complete the enclosed Proxy Form and Voting Instructions/Ballot Paper and send it to Computershare Investor Services Ltd, Private Bag 92119, Auckland 1142, or by fax on 09-4888787 so as to ensure that it is received at least 48 hours before the time for holding the meeting. Joint holders must all sign the form. 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.
4. Any corporation that is a shareholder may appoint a person as its representative to attend the annual meeting and vote on its behalf, in the same manner as that in which 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.
5. 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.
6. This notice of annual meeting has been approved by the New Zealand Exchange Limited (NZX) in accordance with Listing Rule 6.1.1.

EXPLANATORY NOTES

DIRECTOR NOMINATIONS

Resolution 2 – Re-election of Mrs Susan Paterson BPharm MBA

In accordance with clause 11.6 of the Company's Constitution and the NZX Listing Rules, Mrs Susan Paterson retires by rotation and, being eligible, has offered herself for re-election.

Mrs Paterson is an independent director of Abano.

An MBA graduate from London Business School, she has experience as a general manager and with senior management in a number of companies in New Zealand, and during her decade in the USA and Europe where she was a strategy consultant with Boston-based Index Group.

Mrs Paterson has spent her life surrounded by family working in medical and health specialities and she has a good understanding of the health sector. She is a trained pharmacist and has previously owned her own pharmacy business.

Mrs Paterson has many years' Board experience and is currently on the Boards of Ports of Auckland, Transpower New Zealand Limited, America's Cup Village Limited, NZ Eco-Labeling Trust, Airways Corporation and St Cuthbert's College. She has also been a director of Tower Health and Life (1996- 2002), Auckland Regional Holdings and the Energy Efficiency and Conservation Authority (1996-2000).

Resolution 3 - Election of Mr Graeme Edmond BCA

In accordance with clause 11.5 of the Company's Constitution and the NZX Listing Rules, Mr Edmond retires having been appointed since the date of the last annual meeting and, being eligible, has offered himself for election.

Mr Edmond is a widely respected and experienced company director with vast experience in both the public and private healthcare and medical services markets in New Zealand and internationally.

He has held previous roles as CEO of Auckland District Health Board and Midland Regional Health Authority, and is currently Group Managing Director for Optical Holdings Limited, which has a number of subsidiary businesses in New Zealand and Australia, including the Visique optical retail network.

Resolution 4 – Increase in director fees

The Board is recommending to shareholders that total director fees are increased from \$223,000 to \$307,500 (ie an increase of \$84,500 in the total pool of fees available to be paid to directors).

This represents fee payments to directors based on their responsibilities, as set out below, and a further \$50,000 increase to provide flexibility for the remuneration of non-executive directors who assume additional responsibilities.

Group Chair \$79,500 (an increase of \$4,500)

Director \$39,500 (an increase of \$2,500)

Additional fee for audit and remuneration committee chairs \$5,000

Additional fee for Group Deputy Chair \$10,000.

Total director fees of \$223,000 were last approved by shareholders at the 2005 annual meeting with all non-executive directors currently receiving \$37,000 and the chairman receiving \$75,000. Executive directors do not receive directors' fees.

In line with international corporate governance guidelines, the Abano Board now consists of five independent directors and one executive director, the managing director.

Advice has been sought from Hay Group Limited, independent remuneration consultant specialists, who have confirmed that the proposed increase in the director fees, as applicable to the group chair and non-executive directors, is not inappropriate:

"We understand that the board is recommending to shareholders that the Group Chair's fees be increased from \$75,000 to \$79,000 and Non – Executive Directors' fees be lifted to \$39,500 from \$37,000. The Directors' fees were last adjusted in 2005 and the increases proposed at 5.3% for the Chair and 6.7% for Directors, are both below the average rate of increase in Directors' fees reported over the past two years. We do not consider either the absolute level of fees payable or the percentage increases recommended to be inappropriate for the size, nature and performance of the Group." Peter Cornish, Director – Executive Reward, Hay Group Limited.

The additional \$50,000 referred to above is to provide flexibility to remunerate non-executive directors who assume additional responsibilities, including for example, in connection with the takeover offer received from Masthead Portfolios Limited (or other potential significant transactions) and other duties not normally expected from non-executive directors in the ordinary course of the Company's business. Additional remuneration will be paid where the circumstances justify it.

Therefore, the Board is recommending that the total amount of annual director fees is increased from \$223,000 to \$307,500 in line with fee increases in the marketplace. As an executive director, the managing director does not receive director fees.

Resolution 5 - Amendment to Executive Share Scheme

1. Mr Clarke, Managing Director, Mr Keys, Chief Financial Officer, and Mr Tapper, Business Development Manager, are participants in the Company's executive share scheme dated 22 March 2006 ("**Share Scheme**").
2. Under the terms of the Share Scheme:
 - (a) Mr Clarke was issued 153,846 shares;
 - (b) Mr Keys was issued 77,564 shares; and
 - (c) Mr Tapper was issued with 77,564 shares,(the "**Share Scheme Shares**"), on 23 March 2006. The restricted period for all Share Scheme Shares began on 23 March 2006 and will end on 23 March 2009.
3. In addition to a call option which can be exercised if certain Abano Group return on investment targets are not met ("**ROI Target Call Option**"), under the Share Scheme the Company is also granted a call option exercisable over all of an executive's Share Scheme Shares if that executive ceases to be employed by the Company during the restricted period ("**Termination Call Option**").
4. It is proposed that, subject to shareholder approval, the Share Scheme be amended so that the Board is unable to exercise the Termination Call Option in certain circumstances. The amendment proposed by Resolution 5 will operate so that where an executive ceases to be employed by the Company by reason of redundancy or by reason of the Company terminating the executive's employment other than for gross misconduct (under the executive's employment agreement) or the executive becoming incapable of performing his duties by reason of physical or mental illness or incapacity:
 - (a) the Board will not be permitted to exercise the Termination Call Option in respect of:
 - (i) any of that executive's Share Scheme Shares which are no longer subject to the ROI Target Call Option (either because the relevant Abano Group return on investment target was met or because the Board did not exercise the ROI Target Call Option) ("**Qualified Shares**"); and
 - (ii) a pro-rata proportion of the executive's remaining Share Scheme Shares, such proportion being equal to the proportion of the 2008 financial year that has elapsed on the date on which the executive ceases to be employed by the Company ("**Pro-rata Shares**") provided that the pro-rata proportion will be zero where, after the Board has signed the 2008 audited financial statements of the Company, the Abano Group return on investment target for the 2008 financial year has not been met; and
 - (b) the restricted period for that executive's Qualified Shares and Pro-rata Shares will end on the date the executive ceases to be employed by the Company.
5. The ROI Target Call Option was not exercised by the Board in 2007 and will not become exercisable in 2008 because the Abano Group return on investment target for the 2007 financial year has been met. Therefore, two thirds of each executive's Share Scheme Shares are now Qualified Shares. For example, where an executive's employment is terminated for the reasons outlined in Note 4 above three quarters (75%) of the way through the 2008 financial year, the Board will not be able to exercise the Termination Call Option in relation to:
 - (a) two thirds of the Share Scheme Shares initially issued to that executive (being Qualified Shares); and
 - (b) three quarters (75%) of the remaining one third of the Share Scheme Shares initially issued to that executive (being Pro-rata Shares).
6. The wording of the proposed amendments to the Share Scheme is available on the Company's website at www.abano.co.nz/sharescheme.
7. Because shareholders gave their approval to the Share Scheme, any amendment of the Share Scheme requires shareholder approval.

8. The agreement of each of Mr Clarke, Mr Keys and Mr Tapper is required before the proposed amendments take effect.
9. On 13 September 2007, Masthead Portfolios Limited ("**Masthead**") gave notice of its intention to make a partial takeover offer for 38.85% of the ordinary shares in the Company. Subsequently, on 10 October 2007, Masthead despatched its partial takeover offer to all shareholders.
10. The takeover offer contains the following conditions:
 - (a) That, except as fairly disclosed in writing by the Company to Masthead prior to 1 October 2007, neither the Company nor any of its subsidiaries change or agree to change the remuneration or any other material terms of employment of any employee at a rate of remuneration in excess of \$150,000 per annum, otherwise than in the ordinary course of business; and
 - (b) that no Board resolution or shareholders' resolution of the Company or any of its subsidiaries is passed to do, or to authorise the doing of, the act or matter referred to above.
11. The Company disclosed, in writing, a proposal to amend the Share Scheme (with shareholder approval) to Masthead prior to 1 October 2007. Masthead has confirmed to the Board in writing that the proposed amendments to the Share Scheme, as disclosed to Masthead, have been "fairly disclosed" for the purposes of the first condition noted above. Accordingly, the Board considers that, if Resolution 5 is passed by shareholders, neither of the conditions set out in Note 10 will be breached.