

**MANAGING DIRECTOR'S ADDRESS
ANNUAL MEETING
23 SEPTEMBER 2005**



Operational Performance 2005

Operationally, the company made good progress in the financial year under review;

The Aged Care Sector improved occupancy and held costs improving its operating performance, which assisted greatly in its successful sale to the Macquarie Group.

Diagnostics, with twelve months from Pathology and a four month contribution from Ascot Radiology, performed well improving the sectors overall return on investment. DHB contract negotiations in Pathology have resulted in a potential merger of Medlab Wellington with Sonic Healthcare's Valley Diagnostics, and more information on this will come available in coming months.

Rehabilitation continued to readjust operations to meet ACC's new contract requirements and it went through additional restructuring of both management and clinical teams which has improved the operational base.

Finally, Dental consolidated operations absorbed new branches and launched a new brand, Lumino. They also secured national exclusive rights to the Fly Buys programme, along with new acquisitions and this has resulted in a steady improvement in operational performance, which has continued into the new financial year.

Progress following year-end

Following the Aged care sale and our announced investments in Orthotics and Audiology, Abano will have a strong portfolio of businesses that delivers balanced revenue streams, generating an improving return on investment that will be above our weighted average cost of capital and provide a consolidated and sustainable bottom line profitability.

Importantly, we are decreasing our reliance on government contracts with over 40% of income now derived from private payment for healthcare services, with 30% from ACC and under 30% now derived from DHB contracts.

All our businesses are all led by experienced clinical entrepreneurs or healthcare management executives and all have the potential to grow and expand.

We continually review the healthcare and medical services market, to identify businesses in new and existing sectors to add to our portfolio. To assist us with this growth strategy we have recently appointed an experienced management executive, Andy Tapper, as General Manager Business Development. Andy has a legal background with an economics and accounting qualification and several years experience in mergers and acquisitions roles in New Zealand and overseas.

Today, I would like to talk to you about our recent acquisitions and growth initiatives ... firstly, the acquisition of Bay Audiology and Orthotic Centre, and secondly, the national rollout of our dental brand, Lumino.

Bay Audiology

Firstly Bay Audiology ... we have been very pleased to recently announce our intention to acquire 70 percent of Bay Audiology, subject to your approval at today's meeting.

Bay is New Zealand's largest and only national service provider of a range of specialist audiology services. The Bay network currently includes 12 full time clinics and 17 satellite clinics and the clinician founders, Peter Hutson, Anya Andrews and Scott Wright will stay on as partners with us to continue to expand and grow the current network of clinics.

The demand for audiology services has been growing strongly. Hearing problems affect approximately, 400,000 or 1 out of 9 of New Zealanders and although hearing loss is more common amongst those aged over sixty... who now comprise around one third of our population ... hearing problems can and does affect all ages and demand is growing for new and improved hearing services and technologies to address this deficiency.

Bay Audiology offers a wide range of audiology services including:

- Hearing aid consultation and diagnostic evaluations for both adults and children
- Tests of central auditory function
- Audiometric assessment for civil aviation, diving and pre employment medicals
- Customised tailored fitting of the most appropriate and latest digital high tech hearing aids where required
- Hearing aid servicing and testing for existing and new clients

These services are communicated and promoted to new consumers through specialist and GP referrals, including current client recommendations and supplemented through a high profile national marketing campaign, fronted by Maggie Barry, who many of you will recognise.

Bays audiology services are funded primarily through private payment for services and devices. In addition, there is also funding via ACC for clients who have suffered an injury, and very small contributions from DHB's and war pension funds.

Return on Bay investment

Bay Audiology started in 1993 and has grown to the point that it has projected revenues exceeding \$21 million with a greater than 10% per year average growth rate, and an EBITDA contribution of greater than 26% of revenue.

This business is an attractive and sizable national business opportunity with demonstrable and sustained profitable growth. We are planning to continue this growth through both acquisition and the organic expansion of practices and clinics.

All branches and clinics are leased and Bay places great emphasis on the attraction and retention of specialist Audiologist's who have joined the practice from the UK, Australia, Canada and the USA. In fact, two of the principals, Peter Hutson and Anya Andrews have sent their apologies today, as they are interviewing a group of audiologists in Australia, at a meeting that was established many weeks ago.

This focus on clinical expertise and excellence, combined with a low capital intensive base and leading edge technologies ... that are made available by the world's best manufactures of hearing devices ... makes Bay Audiology a truly successful business. Bay is a non-aligned practice, in that it supplies a wide range of devices from a number of manufacturers to ensure there is a wide range of technologies to offer clients.

The current owners have committed to the practice for five more years and there is a put and call option for the remaining 30% in 2010, based on a floor price and earn out calculated on profitability. Our investment of \$21million for 70% of the business will provide Abano shareholders with strong cash flows and a return on our invested capital at the operational NPAT of Bay that is projected to exceed our weighted average cost of capital within the next two years.

This is an enormously exciting investment opportunity for Abano. It is one that offers sustained and excellent returns for shareholder ... with Bay becoming an important cornerstone business for our future ... and I strongly recommend it to you today.

Orthotic Centre (NZ) Limited

I am also delighted to profile another business investment that we announced three weeks ago. That is our 70% acquisition of the Orthotic Centre (NZ) Limited, which will operate in our rehabilitation sector alongside our other rehabilitation businesses.

The Orthotic Centre is New Zealand's foremost supplier of orthotic services and specialist products. It has revenues of over \$5 million per year and it will contribute an EBITDA of over \$1.2 million. The business provides specialist clinical consultation and orthotic products, such as restorative orthotic supports and custom made footwear, with approximately 30,000 client services each year, including over 1,000 new clients each month.

Our investment follows a decision by the founder of the Orthotic Centre, Mr John Clark, to sell his interests over time as part of his retirement from the business. John will remain on the board, and be involved in the business for the foreseeable future, along with two current advisory independent directors, Ross Nicholson Denis Currie and Vaughn Sampson. Vaughn is John's long time partner and a minority shareholder and he is with us today, as John sends his apologies and can't be with us today.

The Orthotic Centre was established in 1991 by John Clark, and has a staff of 40, including seven orthotists based in Auckland, and another five in Hamilton and Wellington. Staff in Auckland includes a team of 10 highly skilled manufacturing technicians. The company derives its income primarily from private sales, then ACC and DHB contracts, with referrals from medical specialists, general practitioners and other health professionals.

The settlement of the first transaction for 70 percent of the business will settle on Monday 3rd October 2005, for an investment cost of \$4.5 million, with the remaining 30 percent to be acquired through a second transaction by July 2008, on an earn out and floor price basis.

The business will provide a return on invested capital at the Operational NPAT that exceeds Abano's weighted average cost of capital, thereby adding shareholder value.

Lumino Care Dental

Lumino Care Dental is our new dental brand which we launched in May this year. All of our existing Geddes dental practices have now been rebranded as Lumino, and all have a new look and incorporate leading edge business practices using targeted client marketing. Lumino is also the only dental brand in New Zealand to reward its patients for their custom, by offering New Zealand's most widely recognised and sophisticated loyalty programme – FlyBuys.

Our aim is to make the Lumino brand a household name across the country and our acquisition strategy is to identify and acquire dental practices with three or more chairs and to extend our network to all major centers.

After initially concentrating on strengthening the base network we started our expansion strategy in December 2004 with the acquisition of the Victoria Avenue Dental Surgery, followed soon after by The Auckland Dental Group in February 2005. We then expanded outside of Auckland with the acquisition of a dental practice in Dargaville and added a further two practices – one in Hamilton and one in Te Awamutu in July. Two weeks ago, we announced the acquisition of Karen Harris Dental in Wellington.

Word-of-mouth on our recent acquisition successes, name change and marketing strategies are all working in our favor and we have a number of targeted practices now under investigation and discussion.

We are head and shoulders the largest dental network in New Zealand, and we intend to continue rolling out the Lumino brand nationally over the next two years. Abano Dental is becoming an increasingly important part of the Abano Group's portfolio as more practices are bought into the network and returns improve. Already, the introduction of new management practices and improved clinical services have seen an increase in some dentist clinical day billings of 25 percent in the last year alone. This translates into an improvement from an average of \$1,300 per dentist per clinical day to over \$1,800 per dentist per clinical day currently.

The Auckland Dental Group remains a separate brand opportunity for Abano Dental, targeting the upper end of the market. Some of you may have seen the practice's principal, Allen Baker, on the current New Zealand extreme make over show – Ten Years Younger in Ten Days, currently screening on TV2.

Conclusion

As I said at our recent SGM ... Abano is in an exciting growth phase. We are focused on creating a leading medical and healthcare group that provides excellent services which yield attractive investment returns for our shareholders.

We aim to continue increasing our portfolio in this market, while ensuring strong management support and clinical professionalism. Following the sale of the Aged Care Sector and our settlement of the Bay Audiology and Orthotic Centre acquisitions we will have around 570 support, medical professionals and management staff caring, treating and diagnosing nearly 3000 patients a day, across 84 facilities nationwide.

Our vision is to create a better standard of care for New Zealanders by bringing together core businesses within the fragmented healthcare and medical market, and we believe we are now achieving our vision.

On behalf of your management team, I would like to thank you for coming to the annual meeting today.

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