Notice of special meeting of shareholders

Notice is hereby given that a special meeting of shareholders of Abano Healthcare Group Limited will be held in the Pakuranga Hunt Room, Ellerslie Convention Centre, 8 – 100 Ascot Avenue, Ellerslie, Auckland, New Zealand on Wednesday 6 July 2005, commencing at 10am.

Contents

This booklet includes:

This booklet is accompanied by a Voting/Proxy form for the special meeting and an independent assessment of the potential divestiture of ElderCare New Zealand Limited, prepared by Northington Partners Limited.

abano healthcare group limited

15 June 2005

Dear shareholders

SALE OF ELDERCARE NEW ZEALAND LIMITED

The Board of Abano Healthcare Group Limited **(Abano)** recently announced it had signed an agreement with Macquarie Bank Limited **(Macquarie)** to sell ElderCare New Zealand Limited **(ElderCare)**, the entity which owns the Group's aged care assets and related businesses.

This is an exciting initiative for Abano, and one that offers significant financial and strategic benefits to shareholders and Abano.

The transaction is a major transaction for the purposes of section 129 of the Companies Act 1993 and Listing Rule 9.1.1, and as such, requires approval by 75 percent of shareholders entitled to vote, and voting, at a meeting of Abano shareholders.

A special meeting has been called and will be held at the Pakuranga Hunt Room, Ellerslie Convention Centre in Greenlane, Auckland on Wednesday 6 July 2005 at 10am.

The only business proposed to be considered at the special meeting will be the shareholders' resolution in respect of the sale of 100 percent of the shares of ElderCare, together with the inter-company loan from Abano to ElderCare, to Macquarie for total cash consideration of NZ$63.5 million (referred to in this letter as the **Sale**).

The Board believes that approval of the Sale will be of significant benefit to all shareholders and therefore recommends you vote in favour of the Sale at the special meeting.

As approval of the resolution requires 75 percent of votes cast at the meeting, we strongly recommend you or a nominated proxy attends the meeting and votes on the resolution. You may appoint the Chairman of the meeting as your proxy to vote on your behalf.

If the resolution is not passed, then Abano will remain the 100 percent owner of ElderCare New Zealand Limited, and the benefits of the Sale will not accrue to shareholders.

RATIONALE FOR THE TRANSACTION

Abano is a listed medical services and healthcare provider, with current businesses operating in four sectors – aged care, dental, diagnostics and rehabilitation.

Abano's policy is to retain, acquire and develop businesses that enhance shareholder wealth and add value in both the short and long term. All businesses within the Abano group are subject to investment analysis, in particular, the return we get on our invested capital (ROIC) with respect to how much that capital costs us – our weighted average cost of capital (WACC).

It has been clear from this analysis that the returns from our aged care business have been below our WACC, while the returns from our other healthcare and medical businesses have met, exceeded or are projected to exceed our WACC.

The Board has also undertaken a careful review of each sector's operating environment and developed a view on the likely return on capital each business will generate in the years ahead.

This ongoing review indicated that a number of options should be evaluated with respect to the future of the ElderCare business, to ensure optimal performance and value enhancing returns would be achieved for Abano's shareholders.

The Board determined there were three distinct options for ElderCare:

- Growth through acquisition and expansion with the objective of spreading administrative costs and increasing operating profits;
- Release of capital through sale of the land and building assets and their subsequent leaseback; or
- The sale of part or all of the aged care portfolio.

At this stage in its development, ElderCare is not large enough to achieve the benefits of scale necessary for a suitable return, and the Board is unable to justify the capital investment required to maintain or grow the business in this very capital intensive sector. Therefore, the Board dismissed the option of growth through acquisition and expansion.

Although sale and subsequent leaseback of the land and buildings would have released capital to invest in higher return opportunities, further analysis revealed that lease costs would have reduced operating margins to single digit levels, which in turn would not meet Abano's cost of capital. The Board also dismissed this option.

After careful evaluation and following input from a number of independent, professional advisers with respect to all options considered, the Board has determined that the sale of the aged care business offers the greatest long term benefit to Abano's shareholders. These benefits are dependent on the Company investing the proceeds of the Sale into other businesses in the healthcare and medical services market, which are less capital intensive and offer greater returns that exceed Abano's cost of capital.

A number of potential acquisitions which fit our criteria have been identified and are under negotiation. Completion of these acquisitions is dependent on the availability of funds from the sale of the ElderCare business.

Further details of the review and Sale transaction are contained in the independent assessment prepared by Northington Partners Limited, which accompanies this booklet.

THE SALE

Macquarie has agreed to purchase 100 percent of the shares of ElderCare, together with the inter-company loan from Abano to ElderCare, for total cash consideration of NZ$63.5 million, to be paid on settlement.

The Sale is conditional upon approval of the transaction by way of a special resolution of shareholders of the Company, being 75 percent of shareholders entitled to vote, and voting, on the resolution. The other conditions to the agreement are described in the explanatory notes to the notice of special meeting.

IMPACT ON ABANO'S FUTURE PERFORMANCE

The Sale of ElderCare will have a positive impact on the Group's future performance and financial base, as follows:

- The annual impact and benefits of the Sale will first be seen in Abano's 2005/06 financial year, with settlement expected late July 2005;
- After costs associated with the Sale, the net proceeds are forecast to realise a capital gain over book value of approximately $10 million;
- This one-off profit will also be shown in the 2005/06 financial year;
- Immediately after settlement, the Group is forecast to have cash reserves of approximately $29 million and no debt;

- The Board has decided to return a portion of the proceeds of the Sale, being an amount up to the capital gain over book value, to shareholders. An appropriate mechanism for this return is currently being investigated to ensure proceeds are returned to shareholders in the most tax-effective method;
- This will still leave Abano with significant cash reserves and the capacity to pursue and complete several attractive investment opportunities which are currently in negotiation;
- Following the Sale and settlement of these identified acquisitions, the Board is confident of a return to sustainable bottom line profit and an improved return on capital at both EBITDA and NPAT, with operating profits exceeding our cost of capital and enhancing shareholder value;
- The financial base of the business will be strengthened, even after the proposed return of capital to shareholders . Significant balance sheet capacity will remain to secure future opportunities for cash consideration, as prudent debt levels are re-introduced;
- With this return to bottom line profitability, it is the Board's intention that an annual dividend will be paid from the end of the 2005/06 financial year.

INDICATIVE BEFORE AND AFTER IMPACT ON ABANO

At the request of NZX, to assist shareholders in assessing the effect of the Sale on Abano's historical performance, we have taken the last full financial year as reported to shareholders and removed ElderCare from the consolidated Abano result.

Our last reported financial year is now over 12 months old. The result to 31 May 2005 is not due to be reported until July 2005, after this notice of special meeting has been issued. To enable a comparison, the table below shows the impact of the Sale as if it had occurred on 1 June 2003 for $63.5 million in cash, based on the financial results to 31 May 2004. This does not include the impact of any acquisitions or the investment by RECT Funds Management post-May 2004.

The assumptions are:

1. Sale settled for NZ$63.5 million;
2. Contribution from ElderCare removed from the consolidated results;
3. All debt repaid from the Sale proceeds;
4. Interest income on surplus cash from the Sale proceeds at 6.5% p.a.;
5. No dividend paid;
6. One off capital gain from settlement of the Sale is not included in the Statement of Financial Performance as this is a one off gain, but is included in the Statement of Financial Position.

NZ$ million	Summary of audited Abano Group Statement of Financial Performance as reported for year ended 31 May 2004	Summary of unaudited Abano Group Statement of Financial Performance adjusted for the sale of ElderCare for the year ended 31 May 2004
Revenue	**64.7**	**40.7**
Depreciation	(3.1)	(1.3)
Amortisation	(1.0)	(0.9)
Interest	(3.1)	1.3
NPBT	**(0.4)**	**1.4**
Tax	(0.1)	(0.3)
NPAT	**(0.5)**	**1.1**

NZ$ million	Summary of audited Abano Group Statement of Financial Position as reported for year ended 31 May 2004	Summary of unaudited Abano Group Statement of Financial Position adjusted for the sale of ElderCare for year ended 31 May 2004
Total Current Assets	10.6	39.5
Total Non Current Assets	74.0	21.1
Total Assets	**84.6**	**60.6**
Total Current Liabilities	7.2	4.7
Total Non current Liabilities	36.6	0.0
Total Liabilities	**43.8**	**4.7**
Total Equity and Capital Funds	**40.8**	**55.9**
Total Equity, Capital Funds and Liabilities	**84.6**	**60.6**

The 2005 financial year guidance already provided to the market indicates that Abano is tracking ahead of the reported 2004 results above. That is, revenues of $65.0 to $66.0 million, EBITDA of $7.2 to $7.5 million and a small loss at NPAT. The full impact of the acquisition of Ascot Radiology and the Auckland Dental Group in the second half of the 2005 financial year will be reflected in the financial performance for the year to 31 May 2006.

SALE PROCEEDS

The Board will apply the Sale proceeds in the following manner:

1) On settlement, by retiring all of Abano's bank debt;

2) Following the Sale, the provision of a capital return to shareholders of up to $10 million. This is currently being investigated to ensure proceeds are returned to shareholders in the most tax-effective method;

3) In coming months, by the acquisition of identified medical and healthcare businesses that are expected to meet and exceed Abano's WACC, providing an attractive and sustainable, diversified investment base for the Abano Group to build on in the years ahead.

IF SHAREHOLDERS DO NOT APPROVE THE SALE

If the Sale does not proceed, Abano will remain the 100 percent owner of ElderCare New Zealand Limited. In addition, there will be several detrimental consequences:

- Abano will be required to pay a break-fee of NZ$1 million to Macquarie, which will be written off in the current financial year;
- Abano will be required to write off legal and advisory costs of several hundred thousand dollars associated with advice and assistance provided to Abano with respect to this transaction, in the current financial year;
- Due to the Company's cost of capital, Abano will be unable to justify further development or growth of the ElderCare business to ensure it continues as New Zealand's leading aged care provider;

- There will be no distribution of capital to shareholders;
- Abano will have limited funds to invest in new businesses in other healthcare and medical service sectors, which offer returns exceeding Abano's cost of capital and provide a more diversified base for the Group.

BOARD'S RECOMMENDATION

The Board believes that approval of the Sale will benefit all shareholders and therefore recommend you vote, or your proxy votes, in favour of the Sale at the special meeting on Wednesday 6 July 2005.

If you are unable to attend the meeting, you may appoint the Chairman as your proxy, to vote on your behalf. As approval of the transaction requires 75 percent of votes cast at the meeting, we would encourage you to vote or appoint a proxy to vote at this meeting.

Jim Syme
Chairman
Abano Healthcare Group Limited

Notice of special meeting of shareholders

Notice is hereby given that a special meeting (**Special Meeting**) of the shareholders of Abano Healthcare Group Limited (**Company** or **Abano**) will be held at the Pakuranga Hunt Room, Ellerslie Convention Centre, 8 – 100 Ascot Avenue, Greenlane, Auckland on Wednesday 6 July 2005 at 10am.

BUSINESS

The business of the Special Meeting is to consider, and if thought fit, to pass the following special resolution:

That for the purposes of section 129 of the Companies Act 1993 and Rule 9.1.1 of the Listing Rules of New Zealand Exchange Limited, the sale by the Company of all of the shares of ElderCare New Zealand Limited and the inter-company loan from the Company to ElderCare New Zealand Limited, to Macquarie Bank Limited for total consideration of NZ$63,500,000, on the terms and conditions set out in the agreement for sale and purchase dated 23 May 2005 between Macquarie Bank Limited and the Company, be approved.

By order of the Board

Stephen St Paul
Company Secretary
15 June 2005

Notes

1. The special resolution will be voted on by shareholders of the Company.
2. The only persons entitled to vote at the Special Meeting are registered shareholders as at 5.00pm on Monday, 4 July 2005 and only the shares registered in those shareholders' names may be voted at the Special Meeting.
3. Any shareholder who is entitled to vote at the Special Meeting may appoint a proxy to attend and vote on their behalf. A shareholder wishing to appoint a proxy should complete the enclosed Voting/Proxy form and send it to Computershare Investor Services Ltd, Private Bag 92119, Auckland, 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. A proxy does not have to be a shareholder in the Company. A shareholder may appoint the Chairman of the Special 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 Special Meeting and vote on its behalf, in the same manner as that in which it could appoint a proxy.
5. This Notice of Special Meeting has been approved by the New Zealand Exchange Limited (NZX) in accordance with NZSX Listing Rule 6.1.1.
6. The resolution requires shareholders' approval by way of special resolution, namely 75 percent or more votes validly cast at the Special Meeting.
7. If the special resolution set out in this Notice of Special Meeting is passed and any shareholder has cast all of the votes attached to the shares registered in that shareholder's name, and having the same beneficial owner, against the resolution, then that shareholder is entitled to require the Company to purchase those shares in accordance with section 111 of the Companies Act 1993.

Explanatory notes

THE PROPOSED SALE

The Board has recommended to shareholders the sale of 100 percent of the shares of ElderCare New Zealand Limited and the related inter-company loan from Abano to ElderCare, to Macquarie.

Completion of the Sale is conditional on the approval by shareholders by way of special resolution, and other conditions including approval of the transaction pursuant to the Overseas Investment Regulations 1995 (refer to the section entitled "Terms of the Agreement for Sale and Purchase").

If shareholders do not pass the resolution, the Sale will not proceed and Abano will continue as the owner of ElderCare. As detailed in the Chairman's letter, there are a number of other consequences that must be taken into consideration if the Sale does not proceed. These include:

- Abano will be required to pay a break-fee of NZ$1 million to Macquarie, which will be written off in the current financial year;
- Abano will be required to write off legal and advisory costs of several hundred thousand dollars associated with advice and assistance provided to Abano with respect to this transaction, in the current financial year;
- Due to the Company's cost of capital, Abano will be unable to justify further development or growth of the ElderCare business to ensure it continues as New Zealand's leading aged care provider;
- There will be no return of capital to shareholders;
- Abano will have limited funds to invest in new businesses in other healthcare and medical services sectors, which offer returns exceeding Abano's cost of capital and provide a more diversified base for the Group.

Background to the Sale process and the Board's recommendation is outlined below:

MARKET ENVIRONMENT

Demand for quality aged care solutions continues to grow due to an ageing population – 80+ year olds are expected to double in number in the next five years – and the upcoming changes to the Government's asset testing legislation, which will significantly lower barriers to entry.

The aged care market is fragmented and consists of over 650 small private operators of one or two homes and ten larger businesses, which own networks of nursing homes and retirement facilities, the latter representing about ten percent of the market.

Resident dependency is increasing and the length of stay is shortening due to the Government's Health of Older People and Positive Ageing Strategies, which focus on community support options. Funding levels, the requirement to have economies of scale and a shortage of trained staff to meet the needs of more dependent residents are the key issues facing the industry at the present time.

The aged care sector has been significantly under-funded for many years, with the result that many organisations have been unable to absorb the impact of increased compliance costs, the provision of better quality care, higher wage costs, and the ongoing need to invest in their facilities.

The progressive removal of asset testing means that the Government will effectively fund 95 percent of all future residents. This will lower the barriers to entry, improving access for the 40 percent of clients who are currently private fee payers. Fee increases will be regulated by regional DHBs rather than a central body and while access will be enhanced, we believe future residents will arrive frailer and older than ever before.

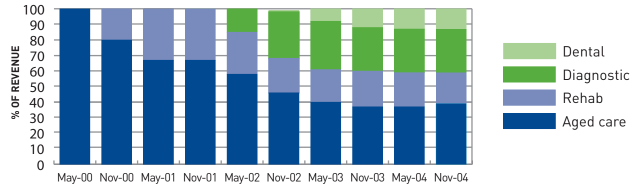
The future of the aged care industry in New Zealand lies with organisations that have a long term view, a low cost of capital, and large numbers of purpose-built and efficient facilities, and are able to achieve strong economies of scale.

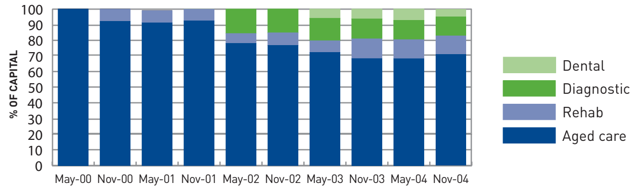
BUSINESS PERFORMANCE

ElderCare is Abano's operating business in the aged care sector.

Although ElderCare has achieved a revenue growth of four percent per year for the past four years, net returns have remained flat due to increasing costs and occupancy challenges as older people postpone moving to an aged care facility until the asset testing legislation is removed in July 2005.

As Abano has diversified into other healthcare and medical service sectors in the past five years, aged care operations have reduced from 100 percent of the Abano Group's business in 2000 to less than 35 percent today. However, over 68 percent of the Group's capital is still employed in this sector.





At present, this sector is not achieving an appropriate ROIC, or adding shareholder value and the Board recommends an orderly exit from the sector is in the best interests of all shareholders.

In March 2004, Abano presented an investment analysis to share analysts that showed the following:

- Abano's cost of capital for the aged care sector is between 9.5 and 10.5 percent;
- The average return for the sector at NPAT but before interest, between 2000 and 2005, is below five percent, indicating that the sector has not met or exceeded Abano's WACC.

(A full copy of this presentation is available at http://www.abano.co.nz/pdf/Investor_Presentation_March_2004.pdf)

STRATEGIC REVIEW

Over the past 30 months, the Board has carefully considered the economic operating environment of the aged care sector, and followed changes in Government policy.

The Board determined that there were three distinct options for ElderCare. These were growth through expansion and acquisition, sale and subsequent leaseback of the land and building assets, or sale of part or all of the aged care portfolio.

Further details of each of the options evaluated are detailed below:

Expansion and Acquisition

A primary requirement for successful and profitable operation in the aged care sector is the necessity to have a large operating base to generate economies of scale for operations. A wider operational base is required to spread the administrative overhead, gain advantages through buying power, training and management systems and increase the consolidated returns to shareholders.

During the past 30 months, the Company has explored a number of opportunities to increase the size of the operational base through the acquisition of individual homes and larger rest home groups.

The Company has recently participated in the bidding process for a number of large rest home groups that have been for sale, including the Haven Care Group, which was sold to Guardian Healthcare at a price that the Board deemed would not provide Abano shareholders with a satisfactory return.

Following careful consideration of the level of capital investment required to grow in this sector, the low potential return and the strong bidding on quality properties from interested parties, the Board has determined that expansion and acquisition in this market would not be economically viable or of value to Abano's shareholders.

Release of capital in land and building assets and leaseback

This option involved the Company selling the land and building assets and then leasing them back, thereby releasing capital to be invested in higher return businesses and improving the ROIC for the Group.

Advice on this option was provided by potentially interested institutional investor parties, bankers, legal, tax and accounting advisors. Potential investors indicated that their leaseback terms required an 11 to 13 percent yield on the capital value of the land and buildings.

This would have resulted in significant erosion of the operating margin to single digits, and Abano modelling has indicated that the business would not be able to meet the new WACC hurdle of 12 to 13 percent. Therefore, the Board has determined that a sale and leaseback option is not viable.

Sale of all or part of the business and related assets

Under a divestment strategy, the Board determined that a sale of all the Company's aged care facilities was desirable and modelling indicated that the Group would show an improved financial performance.

Without the negative impact of the aged care sector business on our WACC, Abano would achieve an improved EVA performance, greater ROIC with respect to Abano's WACC and a positive ongoing EPS impact.

The capital proceeds from the Sale will be utilised to reduce debt, return a portion of the capital gain to shareholders and enable the Company to re-invest the proceeds in existing high return businesses and in new acquisitions. These will provide a higher ROIC and greater potential for expansion and growth with sustainable bottom line profitability and an enhanced ROIC against WACC for Abano shareholders.

SALE PROCESS

A formal strategic review of the sale option was undertaken in early 2005, after Clavell Capital were appointed in December 2004 to provide experienced and independent assistance. As a part of this review, a number of interested parties were invited to undertake due diligence on ElderCare in April 2005.

Following the due diligence process, interested parties submitted offers for ElderCare. These offers were evaluated and reviewed by both the Board and Clavell Capital.

On 23 May 2005, the Company announced that an offer by Macquarie for total consideration of NZ$63,500,000 in cash had been accepted by the Board, subject to certain conditions described below.

Macquarie is an established global investor in infrastructure and essential community services, and ElderCare is being purchased as a cornerstone investment vehicle for Macquarie's entry into the New Zealand aged care market. The Board understands that Macquarie's intentions are to retain the business as a long-term investment opportunity and no changes to operations, staffing or management are expected.

Macquarie recently acquired Canada's largest aged care provider, Leisureworld, and through its investment in Retirement Care Australia, a portfolio of Australian aged care facilities from the Salvation Army.

TERMS OF THE AGREEMENT FOR SALE AND PURCHASE

The agreement for sale and purchase between Abano and Macquarie dated 23 May 2005 provides for the sale and purchase of all of the shares in ElderCare and the inter-company loan owing by ElderCare to Abano (**Agreement**).

Consideration

The consideration payable by Macquarie is NZ$63,500,000.

The purchase price is payable in cleared funds, in full, on settlement, subject to limited deferred payments in respect of any contracts which may be novated to ElderCare after settlement.

The Agreement requires completion accounts to be prepared in respect of ElderCare and its subsidiaries following settlement. The purchase price may be adjusted (either up or down) in the event the amount of the net assets and the inter-company loan (as disclosed in the completion accounts) is greater than or less than the amount projected by Abano as at settlement date.

Settlement

The Sale will settle once all of the conditions described below are satisfied, which is expected to be in late July 2005.

Conditions

The Agreement is conditional upon approval of the transaction by shareholders of Abano, in accordance with section 129 of the Companies Act 1993 and Listing Rule 9.1.1. This condition must be satisfied by no later than 25 July 2005. On the basis that there will not be enough time to call a further meeting of shareholders, approval must be obtained at the 6 July special meeting, if this condition is to be satisfied.

In the event that Abano shareholders do not approve the Sale, a break fee of NZ$1 million is payable to Macquarie.

The Agreement is also conditional upon:

- Consent being given by 25 July 2005 under the Overseas Investment Regulations 1995 to the transfer of the shares in ElderCare to Macquarie. Macquarie submitted its application to the Overseas Investment Commission on 23 May 2005.
- Each contract between Abano and a District Health Board relating to the provision of aged residential care being novated to ElderCare or one of its subsidiaries prior to 30 September 2005; and
- No material adverse change occurring in relation to the ElderCare group prior to settlement.

Settlement is also subject to neither party exercising their right to cancel the Agreement for default, and the right of Macquarie to terminate in the event it becomes apparent that any of the warranties given by Abano are untrue, inaccurate or misleading which would have at least a 10 percent negative impact on the value of ElderCare.

Pre-completion obligations

Abano has obligations under the Agreement to conduct the ElderCare business in substantially the same manner as that in which it was conducted on the date of execution of the Agreement. As is customary, until settlement, Abano must ensure that ElderCare adheres to certain restrictions on its business operations, which can only be circumvented with the consent of Macquarie.

Employees

As Macquarie is acquiring the shares of ElderCare, employees of ElderCare and its subsidiaries will not be affected by the Sale, and they will continue to be employed by ElderCare, or the relevant ElderCare subsidiary, on their existing terms.

Vendor warranties

Macquarie conducted a detailed due diligence review of the business of ElderCare prior to signing the Agreement. Having regard to that due diligence review, Abano has provided Macquarie with appropriate representations and warranties (and a supporting indemnity) in relation to the business, its assets and liabilities. These warranties (with some exceptions) are subject to an 18 month time limit for any claim, and to limitations as to quantum.

In order to provide Macquarie with comfort that it will have recourse to an entity of sufficient worth during the warranty period, Abano has agreed that for a period of 18 months after settlement its net assets will not be less than $35 million. Abano will be required to provide credit support for its warranties if, within 18 months after settlement:

- The value of the net assets of the Company drops below $35 million (which would occur, for example, if the Company distributed a significant portion of the sale proceeds to shareholders);or
- The Company's debt to equity ratio exceeds 45:55.

Similarly, Abano will provide credit support for its warranties if, during the 18 month period:

- The Company is the subject of a full takeover offer, and the offeror receives acceptances in respect of 80 percent or more of the shares in the Company; or
- The Company proposes to sell substantially all its assets; or
- The Company is the subject of an amalgamation or corporate reorganisation proposal which would be likely to result in the Company ceasing to be listed on the NZSX Market.

Restraint of trade

As is common in the event of a sale of a major part of a company's business, Abano has covenanted in favour of Macquarie that neither it nor any of its subsidiaries will directly or indirectly be engaged in a business that is the same as, or substantially the same as, the business of ElderCare in New Zealand or Australia, for a period of ten years from settlement.

Abano has also covenanted that it will not solicit or entice any employee away from ElderCare or its subsidiaries (other than through normal recruitment procedures which are not targeted at any particular employee) for a period of three years from settlement.

SALE PRICE REPRESENTS FAIR VALUE

To assist the Board in considering the Macquarie offer, the Board engaged Clavell Capital to provide it with financial advice. Subsequently, the Board also engaged Northington Partners Limited to produce an Independent Assessment of the proposed Sale. Northington Partner Limited's assessment supported the Board's view that the offer from Macquarie was fair. A copy of the Northington Partners Limited's assessment accompanies this notice of special meeting.

RECOMMENDATION

Following careful review and consideration of all strategic options, the Board is recommending to shareholders the Sale of ElderCare, to Macquarie, as having the greatest benefit to the financial performance and operation of the Company.

The Board encourages shareholders to attend and vote on this resolution or to appoint a proxy to vote at the special meeting. Shareholders can appoint the Chairman of the meeting as their proxy to vote on their behalf. To appoint a proxy, simply complete and sign the enclosed Proxy form and return it to the share registrar. It is the intention of the Chairman to vote any proxies given to him without direction in favour of the resolution.

Glossary of terms used

Abano or Company	Abano Healthcare Group Limited
Agreement	Agreement for sale and purchase of all of the shares in ElderCare and the inter-company loan owing by ElderCare to Abano
Board	The Board of Abano Healthcare Group Limited
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ElderCare	ElderCare New Zealand Limited
EVA	Economic Value Added
EPS	Earnings Per Share
Macquarie	Macquarie Bank Limited
NPAT	Net Profit After Tax
ROIC	Return on Invested Capital
Sale	The sale of 100 percent of the shares in ElderCare and the inter-company loan from Abano to ElderCare, the subject of the Agreement
WACC	Weighted Average Cost of Capital