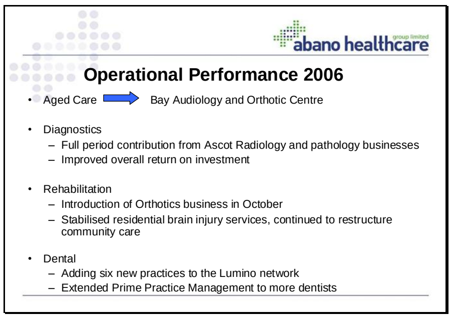
ABANO ANNUAL MEETING
27 OCTOBER 2006

MANAGING DIRECTOR'S ADDRESS



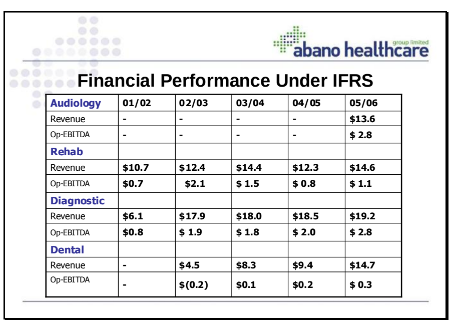
As Jim said, Abano has made excellent progress in the financial year under review, with a focused strategy and steady operational progress.

The operational hole created by the sale of our Aged Care Sector was filled with our investment in Bay Audiology and the Orthotic Centre both of which have both contributed strongly since their arrival in the second half of the last financial year.

Diagnostics, with full period contributions from Wellington and Nelson Pathology and from Ascot Radiology, performed very well in the period, improving the sector's overall return on investment in spite of DHB contracting challenges in our Pathology businesses.

Our Rehabilitation sector was expanded with the introduction of the Orthotics group of companies in October, and our brain injury residential services stabilised under their new contract and made good progress. We have, however, continued to restructure the out-patient community operations into the new financial year.

Finally, Dental accelerated its established growth strategy, adding six new branches through acquisition. Operations continued to consolidate and we made a decision to extend our Prime Practice Management training to more dentists. Prime is an important programme that enhances Dentist's clinical input with a resultant increase in the dentists income … benefiting both the company and the dentist through satisfied patients who now receive comprehensive dental care.



Financial Performance Under IFRS

Audiology	01/02	02/03	03/04	04/05	05/06
Revenue	-	-	-	-	$13.6
Op-EBITDA	-	-	-	-	$ 2.8
Rehab					
Revenue	$10.7	$12.4	$14.4	$12.3	$14.6
Op-EBITDA	$0.7	$2.1	$ 1.5	$ 0.8	$ 1.1
Diagnostic					
Revenue	$6.1	$17.9	$18.0	$18.5	$19.2
Op-EBITDA	$0.8	$ 1.9	$ 1.8	$ 2.0	$ 2.8
Dental					
Revenue	-	$4.5	$8.3	$9.4	$14.7
Op-EBITDA	-	$(0.2)	$0.1	$0.2	$ 0.3

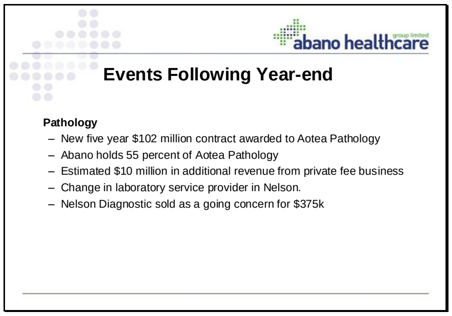
The financial performance of each sector in 2006, under IFRS is summarised as follows. These results have been reported in detail in the 2006 annual report and are after an allocation of corporate overhead.

Audiology had a pleasing start and the results reflect a seven month contribution to the group where it achieved a 21% EBITDA margin on plan.

Rehabilitation included a part period for the Orthotics business, and made a consolidated margin improvement to a very modest 8% of revenue – an improvement from the low of 6% from last year.

Diagnostics increased revenues by 4% and improved margin performances achieving a 15% EBITDA - up on the 11% achieved last year. This improved performance will continue for the first half of the current financial year but will decrease with the start of the new Aotea Pathology contract from November 2006 onwards following the initial one-off start up costs of the new merged laboratory.

Finally, Dental made good revenue progress up 56% on last year and it produced a modest margin of 2% at EBITDA.



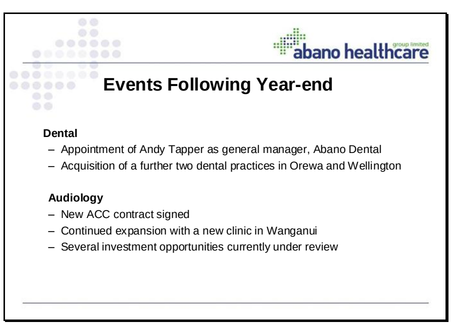
Since the end of the financial year in review, there have been several changes to some of the businesses within the Abano portfolio.

Firstly, pathology. Following the significant work started in the 2006 financial year, our Wellington DHB pathology contract negotiations went through a full spectrum of change, potentially losing and finally winning a five year, $102 million DHB contract for the provision of community pathology services in Wellington, Hutt Valley and the Kapiti Coast region. This new contract was awarded to Aotea Pathology, a new joint venture merged laboratory between Abano's Medical Laboratory Wellington and Sonic Healthcare's Valley Diagnostic Laboratory.

Abano will hold 55 percent of Aotea Pathology with merged operations at our Courtney Place laboratory facility in Wellington where we have expanded to an additional floor. In addition to this DHB contract, it is estimated that Aotea Pathology will also generate an additional $10 million in private fee business over the five year contract period from a growing volume of private testing.

The outcome is a credit to the enormous community and medical support we received from both the Wellington and Hutt Valley regions and our sincere thanks are extended to those communities. We also recognise the extensive work undertaken by our dedicated clinical partners in mobilising the support of their medical colleagues to ensure the continuation of this seventy five year old, world class service. Integration of the two laboratories is well under way and we have advised the market that the new venture will be profitable and that it will continue to provide an acceptable return on our capital invested but clearly at a lower level than in previous years.

In late September, Nelson Diagnostic Laboratory - a very small regional satellite of our Wellington lab - lost its contract with the Nelson Marlborough DHB. Following negotiations with Medlab South, the successful bidder, we were delighted to announce the sale of that laboratory as a going concern for $375k. The agreement means that the staff will now be part of Medlab South where they will have a greater opportunity to secure a position in the new regional laboratory. From Abano's view point, the sale is a clear separation and recovery and while this will result in a loss on sale of approximately $130,000, there will be no residual liability for closure, redundancy or other termination costs which were forecast to be over half a million dollars. While this is a sad end to this forty five year old service, it is pleasing that the laboratory and some of the staff will now continue on in a new form.



Soon after year end, the Dental Sector's General Manager resigned and an extensive search was undertaken to replace this important position. A decision was finally made to appoint Andy Tapper - Abano's Business Development General Manager - to the Dental role with a brief to continue the growth of that portfolio. Since year end, we have also been pleased to announce the acquisition of a further two dental practices, continuing our national roll out of the Lumino network.

Finally, Audiology … this business has been a delight to get to know and work with. Since year end we signed a new contract with ACC that is commercially sound. This followed a two year negotiation by the Audiology industry and Bay were happy with the eventual outcome. The business has continued to grow and explore investment opportunities. One of these was a significant opportunity that eventually did not complete and we wrote off $300k of the investigation costs in the financial period under review.

However, since year end, we are continuing to expand through the opening of new satellite clinics in several centres including Blenheim and Kapiti Coast as well as the acquisition of a permanent clinic in Wanganui, as announced a few weeks ago. There are now several new investment and growth opportunities under implementation or review and Peter Hutson, a founder of Bay and its executive chairman, is working closely with us to progress these during the current financial year.

Importantly, we continue to decrease the Group's reliance on Government contracts with over 42% of income now derived from private payment for healthcare services, 25% from ACC and under 33% from DHBs (derived primarily from the five year pathology contract awarded to Aotea Pathology).

The healthcare industry faces a number of challenges, and one of the most fundamental of these is workforce supply, particularly finding, attracting and retaining the rare and precious skills of qualified staff needed to discharge the vital services we provide.

In addition to a world shortage of skilled medical practitioners and clinicians, we are also battling, wage competition from DHBs and competing with international offers, and an increased demand for medical and healthcare services from an ageing population world wide.

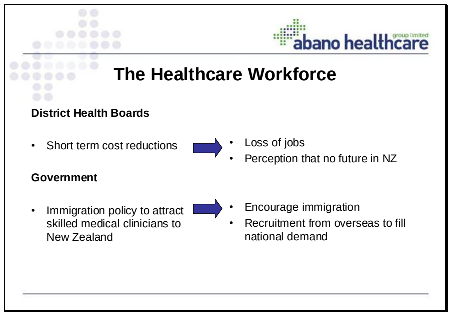
At Abano, retention is just as important as recruitment, and in all our businesses we spend significant time identifying skill shortages and implementing strategies to attract and retain key clinical staff.

Our aims are not only to attract qualified, New Zealand based staff into Abano businesses, but to upskill existing staff through training schemes and to convince internationally qualified people to consider coming to New Zealand. This is a daily management task in every Abano business as we look for Orthotists, Audiologists, Dentists, Radiologists, Psychologists, Occupational Therapists, Pathologists and their highly specialised and skilled technical and scientific support staff.

As a Group, we are actively involved with Universities establishing new training schemes for specialities in Orthotics and Audiology. Our Audiologists, Occupational Therapists, Radiologists and Pathologists hold many senior teaching positions in Hospitals and Universities and all are actively encouraged by Abano to promote their specialities and skills.

As an example, Scott Wright, one of our clinical partners and a director of Bay Audiology, has recently been appointed an Adjunct Assistant Professor of Vanderbilt University in the United States. His appointment provides a unique opportunity for New Zealand audiology to develop a closer relationship with one of the most advanced and innovative hearing and speech science research faculties in the world. It also provides access to a pool of internationally trained audiology graduates and possible recruitment opportunities.

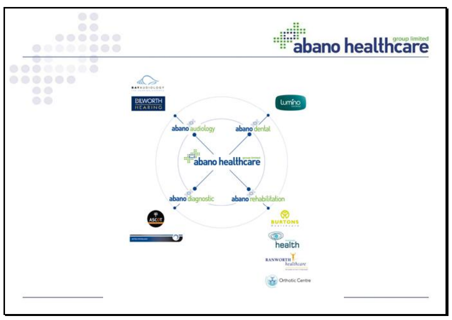
We also have retention policies in place which are considered leading edge in the healthcare market. At Abano Dental, we have implemented Prime Practice Management across the dental network. This is a specialist dental training scheme that enhances clinical practice and the dentists' earning capacity. Prime represents a significant HR investment for Abano, but has already proven its worth with an increase in the average income per clinical day for our dentists and a reduction in dentist turnover. In addition we now hold an annual scientific clinical meeting where we fly in world class speakers to address and work with our 58 Dentists at an exclusive Lumino three day CME conference.



Consolidation is currently being undertaken by DHBs in some healthcare sectors, in order to reduce costs. In the pathology sector, DHBs across New Zealand have been undertaking a tender process that has seen some long established, world class pathology businesses close their doors. This has resulted in the loss of jobs and the predicted exodus of many highly qualified people from New Zealand to countries that they feel would offer them greater job security and a stronger future.

Although we are aware of the gap between public funding and the demand for healthcare, we believe it is important to consider the short term benefits of this cost reduction process against any possible long term and detrimental impact on our national skill base and we would urge Government to look at alternative funding opportunities to meet the growing demand rather than constantly trying to reduce costs to meet Government spending.

The Government plays an important role in the healthcare workforce in New Zealand, and has recently announced the creation of a Workforce Taskforce to review recruitment, retention and demand for health professionals. We encourage this initiative as we believe it is a critical issue that must be viewed with importance in the top echelons of Government and the health industry.



Funding the demand continues to be the single biggest challenge to the healthcare industry, and the growth of alternative, private healthcare services is now firmly established.

There are a number of excellent and exciting growth initiatives ahead of us and our model of equity partnership with proven clinical entrepreneurs is set to continue. Companies such as Abano will play an increasingly important role in the delivery of health and medical services as the government continues to struggle with a demand and a cost that cannot be contained by constant reform, reorganisation and tender.

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

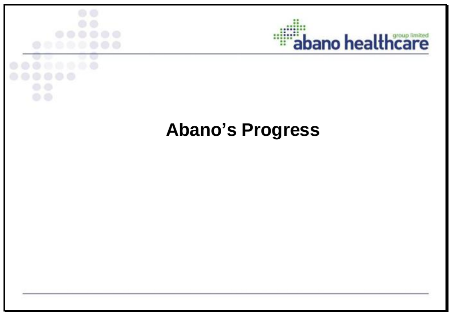
Now in its new form, Abano is in an exciting place and growth phase.

We are focused on creating a leading medical and healthcare group that provides excellent services which yield attractive investment returns for our shareholders.

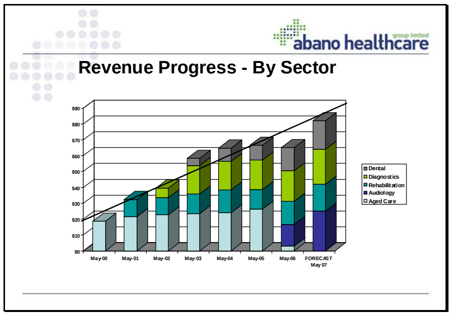
We aim to continue increasing our portfolio in this market, while ensuring strong management support and clinical professionalism.

We have around 800 support, medical professionals and management staff caring, treating and diagnosing over 4500 patients a day, across 84 facilities nationwide.

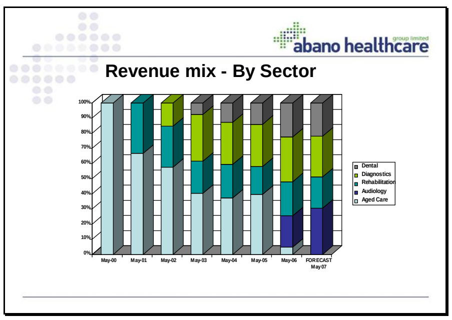
Our vision remains the same … to create a better standard of care for New Zealanders by bringing together core businesses within the fragmented healthcare and medical market …. and we believe we are now achieving our vision.



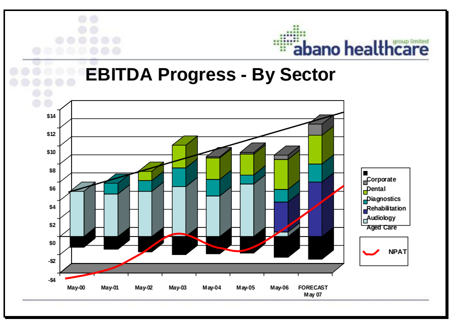
As announced in our annual report, Jim Syme, will be standing down as chairman and a director, following this meeting. I would like to express my sincere thanks to Jim for his steadfast leadership, mentoring and guidance over the last five years.



He leaves us today with annual revenues of over $79 million, demonstrating our long history of growth. The transition between the May 04 05 and 06 years reflects the change in business direction through the sale of ElderCare and the acquisitions in Audiology and Orthotics and the forecast for May 07 reflects the annualised effect of those changes.

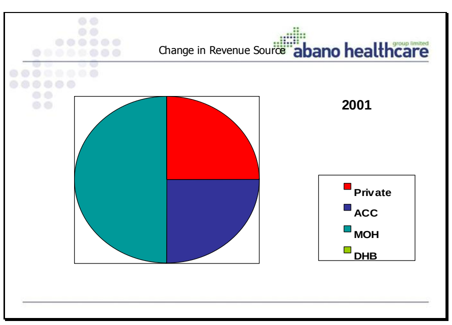


When Jim arrived, Abano (then ElderCare) had two businesses - one in aged care and one in rehabilitation - Our business portfolio has changed dramatically and it now has balanced income stream from all four sectors of activity … three of which did not exist five years ago.



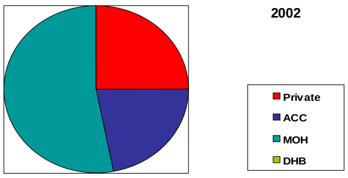
Five years ago we had an annual operating EBITDA of under $4.5 million generating an operational net after tax loss of over $4 million with over $40 million in bank debt. He leaves us today with a forecast EBITDA of over $9.0 million, a forecast NPAT of over $2.6 million, under $13 million in bank debt, an announced dividend policy and a great business footprint from which to work forward from.

The results have been achieved by a dedicated and supportive board of directors and Jim, the company is in a far better place than when you arrived … and I thank you for that legacy … you will be sorely missed and I wish you and Jenny every happiness in your retirement.



Importantly, that legacy includes a steady diversification of income streams from 2001 onwards … with the blue MOH changing to the Green DHB funding in 2003 and importantly a steady move towards the private payment for services …. and so we are expecting that bright red slice of the pie, representing privately generated revenue, will continue to grow as our businesses evolve.

Change in Revenue Source



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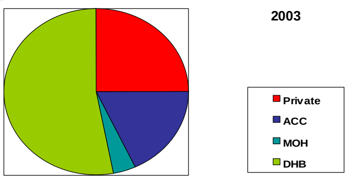

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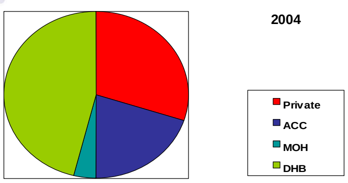

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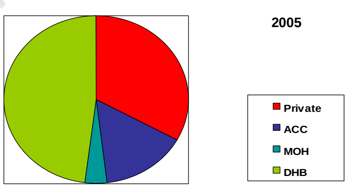

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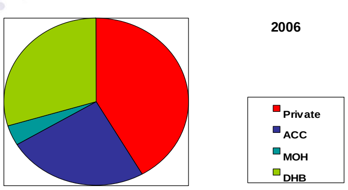
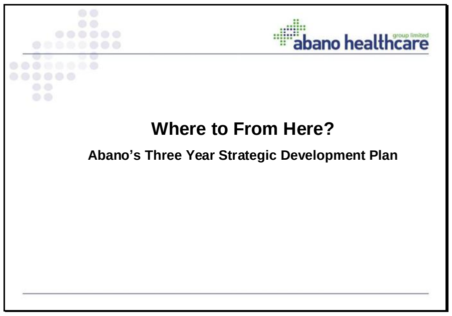
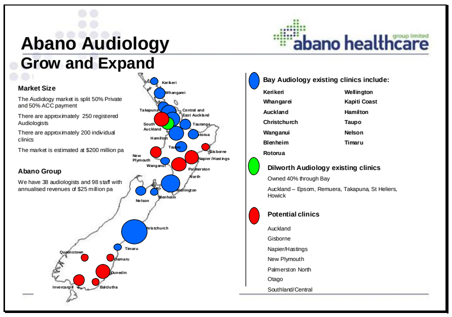


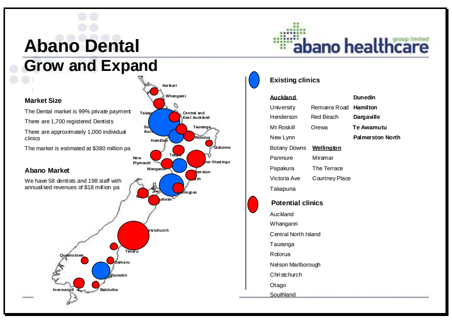


So … where to from here? We have talked about the annualised effect of a full twelve months of the two new businesses - Audiology and Orthotics - but where is the profit and growth coming from?

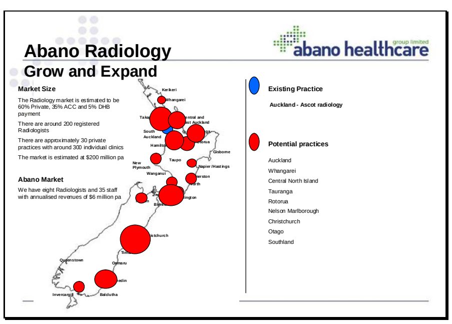
It is coming through our unique model of investment through partnerships with proven and successful clinical entrepreneurs; who we then back and support. We provide a mandate to enable them to continue leading their businesses and to develop opportunities that they may not have been able to develop on their own.



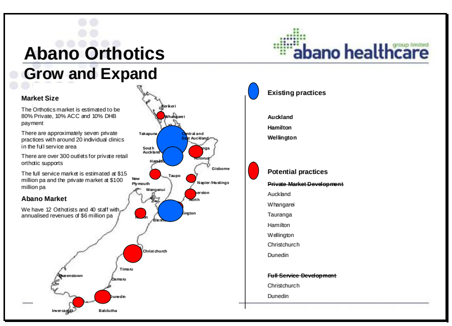
Firstly, Audiology. Bay Audiology is New Zealand's only national audiology chain with over half its income generated from private fee payment. It is a profitable and growing company with strong margins and an identified strategic plan and direction. Since our involvement twelve months ago, the business has opened five new clinics and made one acquisition. We believe that over the next three years the business will double in size with a number of exciting initiatives identified and currently under development.



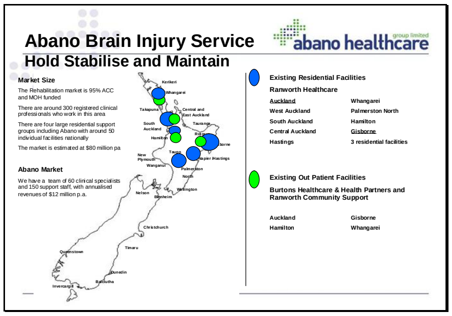
Dental is another business with a national footprint that derives almost 100% of its income from the private payment of fees. The business model recognizes that individual clinics generate EBITDA margins of between 20% and 25%. We are expecting the sector margin to improve over the next three years towards this as the group grows. Currently the network is expanding at a rate of six acquisitions a year. There is an identified direction and a developed strategic plan. With new management in place and the support of a clinical board made up from our clinical partner dentists, the business continues to grow and improve returns. Again, this business has the potential to double in the next three years.



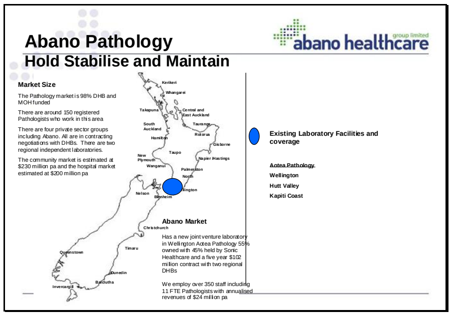
Radiology is a sector in which we have been involved in for eighteen months. The model and business is working well and in May 2007 we move from our current 40% holding to a 75% shareholding when we will introduce five new Radiologists to our existing equity partnership with the two practice founders. Radiology derives over half its income from the private payment of fees and there are several large national groups forming. This is yet another business in the Abano portfolio that could double in size over the next three years.



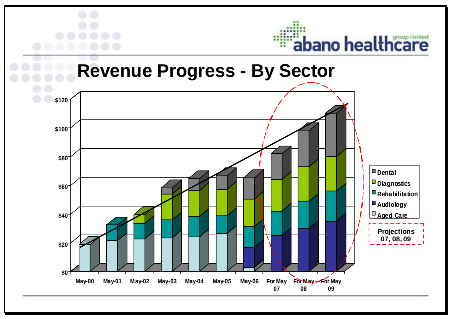
The Orthotic business is a clinical specialty that tends to operate under the radar, and serves the needs of hospitals, ACC and a growing private market. Over 30% of income is derived from the private payment of fees and we see this area as a very attractive place to expand our services. Following discussion with the business founder, John Clark, we have agreed to acquire 100% of the equity in the next few days. John will remain an active director and consultant to the Orthotics board as we move to widen our private sector involvement. Again, this is a business we believe can easily double in size over three years.



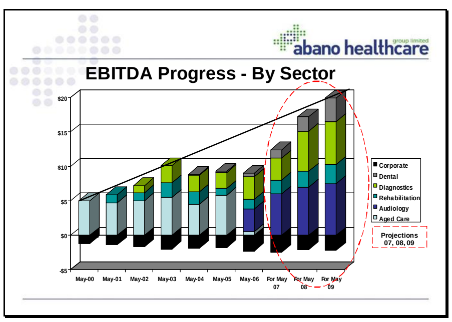
Our three brain injury businesses are in a hold and maintain phase. They have suffered margin erosion through contract changes three years ago. The base residential business is now producing an acceptable return, however, our out patient services are still under structural change. Pleasing progress is being made and these businesses will continue concentrating on margin improvement rather than growth over the next twelve months.



As we have discussed, our Pathology involvement is now based solely on a 55% holding in Aotea Pathology and its regional contract in the Wellington, Hutt Valley and Kapiti Coast region. This sector is also under a hold and maintain strategy. The five year contract will start on 1st November 2006. The laboratory is the second largest single site laboratory in New Zealand, processing over 8,500 tests per day for the 2,500 patients we jointly see. The lab employs 350 staff and 11 Pathologists. The revenues from the contact will be $102 million and with the growing private work we are expecting annual revenues of $24 million pa.



These individual sector strategies then translate to a projection of over $79 million for the current financial year, over $90 million by 2008 and over $100 million by 2009. As can be seen the growth established from 2000 onwards will continue with an average increase of over 20% over that time.



Our EBITDA income also grows to over $9.0 in the current year, over $12 million by 2008 and over $15 million by 2009. Our NPAT grows correspondingly and with an established annual dividend programme and a focused and motivated team, your company is well placed for the future.

To shareholders and visitors here today, on behalf of your management team, thank you for attending today. I look forward to talking to you following the meeting.