



Making Contact.

ElderCare Shareholder Newsletter

ISSUE ONE. | DECEMBER 2002

ELDERCARE NEW ZEALAND LIMITED

P.O. Box 9507 Newmarket AUCKLAND

Telephone: +64 +9 360-5461

Facsimile: +64 +9 360-5462

e-mail: enquiries@eldercarenz.co.nz

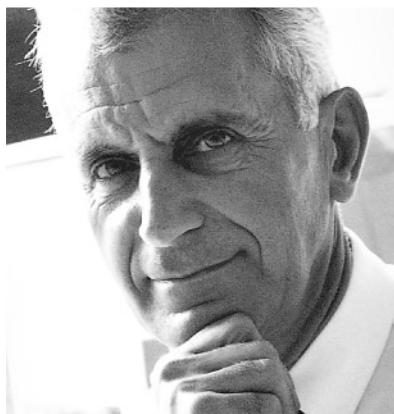
Internet: www.eldercarenz.co.nz

ELDERCARE NEW ZEALAND LIMITED



MAKING CONTACT

Welcome to the first issue of the ElderCare newsletter, Making Contact



Jim Syme

Chairman of ElderCare New Zealand Limited.

At ElderCare, we believe that keeping our shareholders, staff and the industry informed about our company's activities and progress is an important part of living up to our values of honesty, openness and full disclosure. Therefore, we have decided to produce a regular newsletter to help keep you better informed.

This newsletter will be produced twice a year and will be issued quarterly, between the half-year and annual reports. We will be giving you updates on recent company news, information on the healthcare and medical services industry, as well as a closer look at our businesses and the sectors in which they operate.

This first newsletter follows on from the ElderCare annual meeting, which was held on 16 October 2002. I was delighted to meet many of our shareholders as well as a number of analysts and brokers from the investment market who attended.

At the meeting, all existing directors were re-elected to the board and a resolution was passed to approve a three-year share scheme for our CEO, Alan Clarke. In addition, PricewaterhouseCoopers was re-elected as external auditors to the company.

New independent director appointed

We also announced the appointment of a new independent director, Alison Paterson. Alison has a strong background in corporate governance in both the service and healthcare industry sectors, including previous appointments as the Chairman of the Waitemata District Health Board and the District Health Boards New Zealand Inc. She has also served as a Deputy Chairman for Health Waikato and as a Director of Health Benefits Ltd.



Alison Paterson

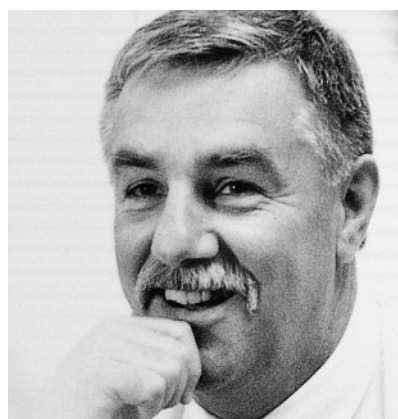
Independent Director

She now holds directorships on the Reserve Bank of New Zealand Ltd and Metro Water Ltd and is the current Chairman of Landcorp Farming Ltd and the Electricity Complaints Commission. I am delighted to have someone of Alison's calibre and experience join us on the board. Her depth of experience in the governance of a number of public and private companies, and her understanding of the healthcare market will add considerable value to the implementation of our strategy.

As recently announced, ElderCare has acquired the Geddes Dental Group and settlement took place on 31 October 2002. We are very excited about our entry into the dental care sector – our fourth healthcare sector – and we are looking forward to building on the successful growth strategy already in place.

I hope you find this newsletter of interest and welcome your feedback and comments.

SERVING THE HEALTHCARE NEEDS OF NEW ZEALANDERS



Alan Clarke

CEO of ElderCare New Zealand Limited.

We now have revenues of over \$60 million per annum and employ more than 1,300 healthcare and medical professionals in over 36 sites in communities from Invercargill to Northland.

On an average day in New Zealand, more than 3,000 people are diagnosed, cared for or treated by an ElderCare business.

We analyse 1,600 of New Zealand's 40,000 daily laboratory tests through Medlab Wellington and Nelson Diagnostic Laboratories and care for more than 800 older people in our ElderCare rest home facilities. At Ranworth Healthcare, we provide support and rehabilitative care to over 250 people each day - a small fraction of the 13,000 New Zealanders who receive a brain injury every year - and we provide dental care to more than 500 Kiwis every day through the Geddes Dental Group network.

Improved forecast for the full year to 31 May 2003

Following improved trading from our existing business sectors – Rehabilitation, Aged Care and Diagnostics – and after including the settlement of the Geddes Dental Group, we have revised upwards our forecasts for the 2002/03 financial year.

Our revised forecasts show revenues are now projected to exceed \$56.0 million up from \$51.0 million; EBITDA will improve to \$8.8 million up from \$7.9 million and NPAT will improve to \$1.4 million, up from \$1.0 million.

Settlement of New North Road and reduction in interest costs

As expected, the New North Road development land settled for \$2.6 million in November and the proceeds were applied to a reduction in the Cullen convertible note, reducing the interest cost from 11.75% per annum to 7.5% per annum and cutting interest costs by \$110,000 per year.

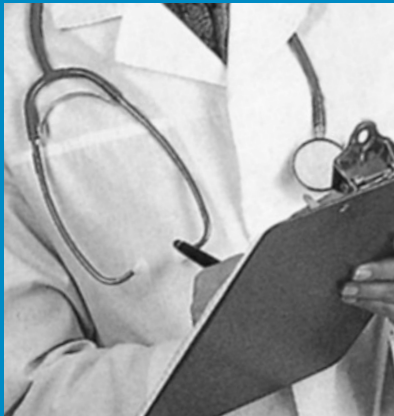
ElderCare is now firmly established as New Zealand's leading listed medical and healthcare services provider and we are delighted with the progress in our business strategy. New Zealand spends in excess of \$9 billion annually on health and disability support services and ElderCare is well positioned to take advantage of the opportunities presented in this growth industry.

NEW FORECAST FIGURES

NZ\$ MILLION	2000	2001	2002	FORECAST 2003
Revenue	25.5	34.1	40.4	56.0
EBITDA	4.2	5.8	5.9	8.8
NPAT	5.6	(8.2)	(2.8)	1.4



HEALTHCARE MARKET UPDATE: NEW CENSUS DATA



Following the release of new core statistics from data obtained from the recent census, we can reaffirm our observations that the demand for healthcare services has and will continue to grow for the foreseeable future.

One of the cornerstones of ElderCare's business strategy is the increased demand for medical and healthcare services from New Zealand's ageing population base. Recently released figures from the Department of Statistics' National Population Projections 2001 (base) – 2031, underline the significant changes that will be seen in the population structure in the next 50 years.

The impact of an ageing population

New Zealand's population is projected to reach 4.81 million by 2051, an increase of 930,000 or 24 percent from the estimated population of 3.88 million as at June 2001. The population growth rate will slow down steadily, because of the narrowing gap between births and deaths. The age structure will undergo significant changes, resulting in fewer children, more older people and further ageing of the population. By 2051, half of New Zealand's population will be older than 45 years, compared with a median age now of 35 years. In addition, 1.22 million people or one in four New Zealanders will be aged 65+ years, compared with 460,000 or 12 percent of the population in 2001.

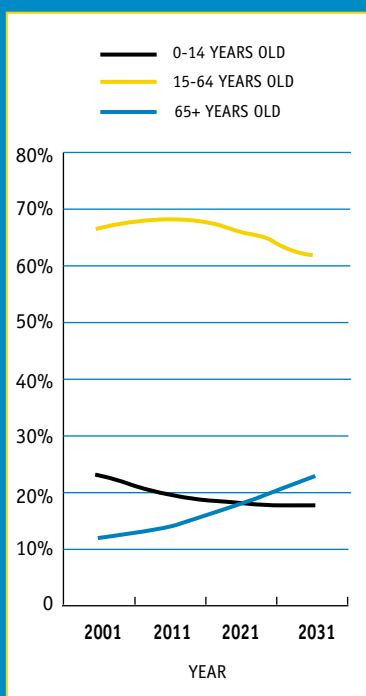
Although our older people are living longer, their number of healthy years is not necessarily increasing to the same degree. Often ageing brings a decline in good health in the years before death. The 1996/97 New Zealand Health Survey, by the Ministry of Health, showed that age was a significant factor in the use of medical and healthcare services. The older a person becomes, the more need there is for diagnostics testing, dental care, assisted living rest home facilities, rehabilitative support and many other healthcare services.

Government emphasis on primary healthcare services

The Government is planning now to make sure New Zealand is ready for these changes in the population base, and to ensure services are in place to support older New Zealanders. One trend identified in the Health Of Older People report, released by the Government in April 2002, is an increase in hospitalisations for conditions that could be treated at primary health care level. The Government's primary health care strategy is designed, among other things, to reverse this trend and to provide out of hospital care for a broad range of services.

ElderCare is well positioned to work both in the public and private healthcare market, developing integrated health and disability support services that are responsive to older people's varied and changing needs. One of our key business focuses is in providing primary care for communities around New Zealand. This is in line with the Government's objectives to move people out of institutions and provide care in the community. This focus is demonstrated in each of our ElderCare groups as follows:

- Through the Geddes Dental mobile units we provide dental care services to people who have limited mobility and are unable to go to a fixed location surgery
- In Diagnostics, we offer a mobile service through a fleet of nurse managers in vehicles who will make house calls to collect samples
- Our Aged Care sector is expanding facilities to offer palliative and respite care to local communities and extending services such as garden maintenance, meals on wheels and security monitoring to those who wish to remain in their own homes
- The primary focus for Ranworth - our operating business in the Rehabilitation sector – is on care in the community, with the use of community housing facilities and staff trained to rehabilitate patients back into everyday life.



AGED CARE

Five percent increase in bed capacity in coming months



With continually increasing demand for rest homes and living assistance for older people in New Zealand, ElderCare is investing to both upgrade and expand its existing aged care facilities in Whitianga, Takanini and Paraparaumu.

Whitianga Continuing Care (WCC) hospital and rest home is one of ElderCare's most popular facilities, with fantastic views over Mercury Bay and an incredible community focus.

It is the largest year round employer in Whitianga, a quiet seaside town in the Coromandel, and the sole provider of aged care in the nearby area. Known as a great spot for fishing, friends and family of residents often turn up at the rest home with fresh fish for dinner, and fresh crayfish is donated several times a year as an extra treat.

As well as providing assisted living support and hospital care, the 34 bed facility also offers GP referral care, but with 100 percent occupancy and growing waiting lists, GP referred patients are often turned away.



In order to provide the best community care and to meet demand, ElderCare is investing \$1.5 million to add an additional 17 beds to Whitianga Continuing Care, with construction due to start in February 2003. As well as providing much needed beds, the living areas will be extended and the facility will be fully landscaped, making this Coromandel's leading assisted living facility for the aged.

The additional beds will permit the hospital to accept future GP referrals, helping to support the Government's primary care strategy, and allowing local residents to stay in the community and close to friends and family.

Takanini Lodge in South Auckland is also expanding, with a 20 bed dementia unit being added to the existing 72 beds available. Building is expected to begin in March 2003, and be completed in September. The extra beds will help to alleviate the major shortage of quality dementia care in South Auckland. In addition, ElderCare is now exploring the upgrade of Eldon Lodge in Paraparaumu to bring the rest home and dementia facility up to the quality of the new hospital.

DENTAL CARE

Taking the dentist to the client with innovative mobile service



Since 1997, Geddes Dental Group has been providing dental care for at risk groups identified by the Government's Oral Health Strategy, in particular adolescents, through the innovative development and creation of a mobile dental clinic scheme.

Geddes has expanded the mobile arm to three purpose built mobile surgeries, with six dental chairs that serve the incapacitated or immobile from Northland to Tauranga.

The scheme was initiated for the school health programme, and was introduced by Geddes in response to a stand off between the Health Funding Authority and General Dental Benefit providers in Auckland. The programme represented a new model for delivering adolescent dental care which featured school based mobile clinics backed up by an Auckland-wide network of branch practices.

The unforeseen success of the programme over the past five years and growing demand for mobile

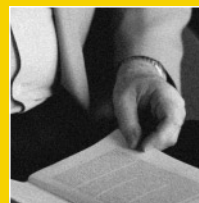
dental services, has seen Geddes Dental Group recently take possession of its third mobile dental clinic, with a value of over \$200,000.

Providing solutions for needs

Under the Government's Oral Health Strategy, adolescents are entitled to free dental care until the age of 18 years. One of the main objectives of the mobile dental clinic scheme was to provide adolescents with easier access to dental services, especially those teenagers who hadn't been to the dentist since leaving intermediate school.

The programme has now delivered 40,000 dental treatment visits since it began and is an effective model for delivering dental services to Auckland's multi-cultural secondary school population. More than 16,000 of Auckland's adolescents currently receive care under the mobile dental clinic scheme and its success has seen services extended to rest homes and aged care facilities.

REHABILITATION



Ranworth expands to the Capital



JBM Groups', from left to right:
Margaret Sharpe, Julia Brett, the Hon Ruth Dyson,
Brigitte Larkins, and Ranworth's Business
Development Manager John Clough

It's been a busy six months for Ranworth Healthcare, with the opening of a new branch in Wellington, lead sponsorship of New Zealand's only dedicated brain injury conference and the signing of a significant Training for Independence contract with the ACC.

In August this year, Ranworth furthered its national rehabilitation treatment offer, with the opening of a new Wellington branch. The office was set up to fill a gap in the local community health service and provides community and day programme treatment for those requiring brain injury rehabilitation.

Ranworth's health professionals work to a proven treatment model - assessing clients, determining their needs and then establishing a team of specialised health professionals to work with them on rehabilitation treatment.

The excellence of the Ranworth team in this area has led to the signing of a new Training For Independence contract with ACC, which will see the health company providing assessment and treatment for clients in communities throughout New Zealand. With a shortage of experienced health professionals around the country, Ranworth provides an

invaluable service to meet New Zealand's demand for brain injury rehabilitation treatment.

Sponsorship of national rehabilitation conference

Ranworth Healthcare's positioning as a New Zealand leader in the field of brain injury rehabilitation was further enhanced, with its lead sponsorship of the recent Traumatic Brain Injury Functional Rehabilitation Conference in Wellington.

The annual event is the only dedicated brain injury conference held in New Zealand, and showcases excellence in research, theoretical construct and best practice. Ranworth identified three goals when undertaking sponsorship of the event – to increase the business' profile within the industry; to build relationships with Government Ministers and key health officials and to further establish its positioning as a leader in the New Zealand brain injury field.

The conference was opened by the Minister for ACC and Minister for Disability Issues, the Hon. Ruth Dyson. Ranworth's Business Development Manager, Mr John Clough, was in attendance.

DIAGNOSTICS

A giant step into the future with molecular DNA diagnosis of disease



Following nine years of University study and work experience, Colette Bromhead is now one of New Zealand's only molecular biologists working in a private community laboratory.

Colette was appointed as Senior Scientist, Molecular Biology for Medlab Wellington, in 1998, and now works with a team of two to help diagnose patients from throughout New Zealand, through DNA testing.

Molecular biology is a new specialisation within laboratory medicine and is based on identifying diseases through the analysis of DNA. With infectious diseases, DNA testing has several advantages against traditional microbiology, which identifies organisms by growing them off swabs. For example, in traditional testing, culture requires live viable organisms which can often be difficult to maintain during transit from patient to laboratory. In DNA testing, however, the 'bugs' can be alive or dead and the DNA sequence will remain the same and still be detectable.

Diagnostic testing using the DNA method is also often used in New Zealand to identify two key genetic mutations, which are associated with a predisposition to clotting and deep vein thrombosis. These are particularly important to travellers on long haul flights or women taking exogenous estrogens in the form of contraceptive pills or hormone replacement therapy.

The majority of Medlab's business in this area comes from GP and/or specialist referral from the community. Currently, Medlab tests on average more than 100 specimens per day using DNA techniques for the detection of Chlamydia and clotting abnormalities. We envisage a small but significant increase in utilisation of the current tests but a significant increase from the extension of these type of tests to detection of other infectious diseases and other genetically determined abnormalities.