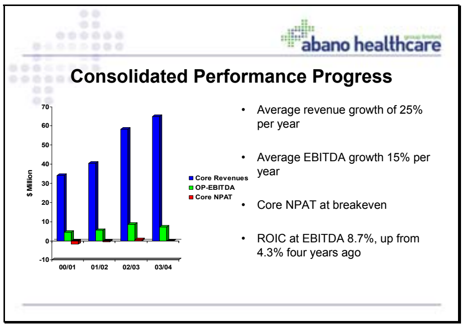
As Jim said 2003/2004 was a difficult year for us with some tough changes to contracts made by our Government clients and policy changes that affected business volumes.

Occupancy in the aged care sector decreased following changes to Government policy on asset testing for older people and the impact of employment legislation was felt across a number of sectors.

In addition, contract changes at ACC resulted in decreased revenues for some of the clients under our care. Having said that, we did make good operational progress in a number of areas.

I will briefly recap last year's financial performance, but as this information has already been provided to you in the annual report, I would like to spend much of my time today talking to you about the future opportunities for the Group, and the changing environment we are operating in.



On a consolidated basis, Revenues increased in each sector, with all businesses delivering a positive operating performance at Operating EBITDA.

Disappointingly, the results were down compared to last year at EBITDA and NPAT, but up compared to the previous two years, with a positive four year trend maintained at EBITDA and operating revenue.

As Jim has said, our performance was affected through a decreased contribution from Aged Care following changes to the Holidays Act, the introduction of the Health and Disability Standards and signalled Government policy changes on asset testing.

Rehabilitation, while down on last year's record result due to ACC contract changes, integrated the new acquisitions of Burtons and Health Partners well. This has lead to synergy benefits and a more efficient business as operations were streamlined.

Our focus in the period went into strengthening the management teams across the sectors, with Karen Schnellar appointed as General Manager of Abano Rehabilitation in January 2004, and Frank Janssen appointed General Manager for Abano Dental in September 2004, after the year in review ended.

In Aged Care, Diagnostics and Rehabilitation, extensive quality systems were put into place with company-wide certification to ISO 9001 awarded to Abano Aged Care, along with the Health and Disability Standards quality accreditation and a unique PILS (People for Independent Living Skills) programme through the University of Auckland.

Ranworth, one of our rehabilitation businesses, has also implemented an ISO 9001 certification programme, which was completed in October 2004, and Medlab Wellington gained a world first in achieving the coveted IANZ

ISO 15189 certification, which was presented to the laboratory by the CEO of IANZ and the Minister of Health in August last year.

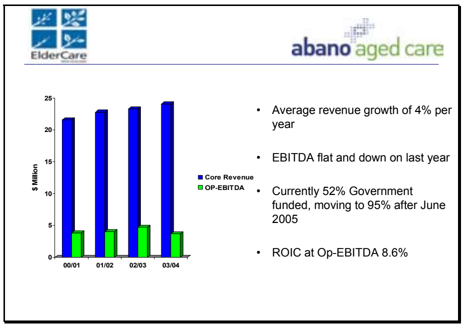
We have implemented a standard accounting platform across all businesses with Medlab Wellington currently undergoing a final roll out. The focus operationally for all business managers was, and continues to be, to maintain and improve margins where possible while ensuring we do not make short term decisions that will affect the organisations long term future, or the quality of care we offer our patients and clients. Revenue diversification has also been a key focus for the business going forward.

In measuring our performance at a sector level, we look at several factors. Firstly, sustainable Op-EBITDA (ie the contribution from the business before Abano corporate overhead is allocated) to the business' Revenue, where we expect margins of over 15 percent to be delivered, and secondly, a profit performance to funds invested that consistently provides returns that exceed the weighted cost of capital for the business sector.

Over the last four years, good progress has been made on a consolidated basis, and the Group's consolidated Return on Total Funds Invested at EBITDA (after corporate overheads) has grown from 4.3 percent in 00/01 to 8.7 percent in the year in review

Clearly, there is still more work to do before we will feel comfortable with the Group's overall return on investment, and the focus for all management for the current financial year is to enhance the performance of all businesses within the Group, with improved sustainable returns.

While we use the measure of Op-EBITDA and consolidated EBITDA the focus of management and of all business is to generate stand alone NPAT results in all business sectors. We simply use EBITDA as a proxy for the important cash flows from operations … but I assure all shareholders, I am a NPAT fundamentalist!



Firstly, Aged Care … The decline in occupancy we experienced was, we believe, in part created by changing Government legislation, and in part, by social moves to have people stay at home longer. The result has been that many people have postponed moving to an aged care facility until the asset testing legislation is removed in July 2005, when they would qualify for a Government subsidy.

The result is that we saw resthome occupancies drop to between 80 and 90 percent, and on average, our clients in all categories were older and frailer than ever before. This, in turn, has led to increased costs to care for these people and an increase in the need for skilled nursing staff.

Our costs of employment also increased following the impact of the Holidays Act and we estimate that our wages expenses increased by approximate 3 percent p.a. in this sector alone. This has not been offset by any increase in funding from the Government. In addition, the industry has

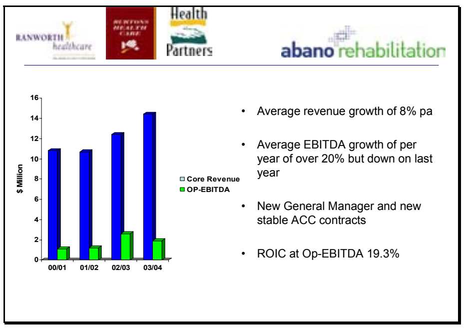
been engaged with Government for many months, negotiating a fee increase.

In an independent study by PriceWaterhouse Coopers, commissioned by the Government in 2000, the recommended fee increase was 15 percent. The Government has finally offered one percent, after the end of the financial year in review. The industry clearly has not accepted this and we, along with a number of other providers, are working together through an industry body to gain a higher fee increase, which more accurately reflect the costs of the Aged Care sector.

This action is being taken locally at District Health Board level, and includes a co-operative approach with a coalition of unions, as we have told them there is no more money in the pot for wage settlements. Both non-profit and for-profit providers are united in their desire to see the industry funded at a more appropriate level to reflect both the costs of providing the service and a sufficient return on the capital invested. We believe the Government and DHBs are finally listening.

A rolling programme of facility upgrades continued in the period to maintain or add value to facilities, with a number of growth opportunities identified for the new year. The expansion at Whitianga was completed, along with the new Takanini dementia unit, as announced last year, with occupancy increasing in both facilities through the end of the period in review and into the current financial year.

The overall sector result was a falling margin performance while revenues increased and the sector's ROIC at Op-EBITDA has varied from a low of 7.2 percent to a high of 10.0 percent last year. It was 8.6 percent in the year in review.



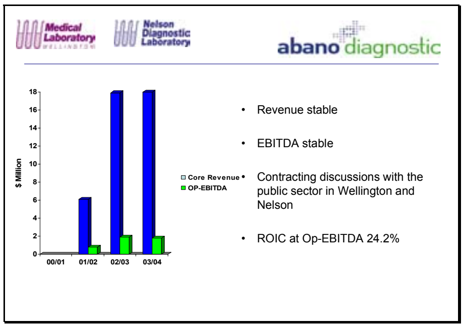
In Abano Rehabilitation, a number of contracts were re-negotiated in the past year, and new contracting specifications were introduced by the ACC. The impact of these changes led to a redefinition of our services which resulted in changes to our client treatment and clinic operations. This resulted in a change in the senior management team, and, regrettably, a number of positions being made redundant. The result is a slimmer but more robust organisation that is growing again and extending its service offering.

The result achieved in 2003 was exceptional and, while the result was down this year, the sector remains an attractive area for investment with a unique professional and comprehensive service offering that continues to grow. The sector also focused in that period on the merger of the two newly acquired businesses into the Group, being Burtons Healthcare and Health Partners, both of which have settled in well.

Since then, through the end of the financial year in review and into the current year, the clinical and operational performance has improved under the new management team. The services offered are still the largest in

New Zealand for the private sector and are valued and supported by ACC, as reaffirmed by ACC policy in recent weeks.

The ROIC at OP-EBITDA in this sector was 19.3 percent in the year under review.

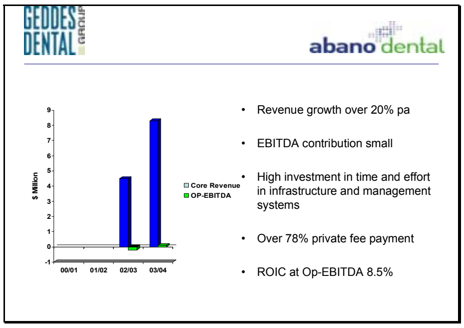


The Pathology laboratories in the Diagnostic sector have experienced steady and stable trading.

They have absorbed a risk sharing agreement with the local funding authorities, the District Health Boards, and have responded to a substantial DHB issued Request For Proposal to look at rationalisations of the services between the private and public sectors. This DHB sponsored initiative is looking at closer co-operation between hospital and private sector labs to find areas for cost savings. These discussions are at varying stages around the country and we are confident that there will be a good long term outcome for community laboratories and the public sector over time.

The demand for laboratory services in the community continues to grow and DHBs nationally are looking at strategies to control that growth and cap the cost to Government. New Zealand now provides a pathology service that operates at a fraction of the cost of laboratory services in any other OECD country, and around half the cost of the same service in Australia. In the interim, our two laboratories continue to meet the needs of the 500 referring medical professionals in the regions we serve and undertake diagnosis for the 1,850 patients we see each day.

The businesses, although with limited growth in the period, have achieved a ROIC at Op-EBITDA of 24.2 percent in the year under review



Finally, our Dental Sector is now two years old and poised for further organic growth and acquisition using both the Geddes brand and a second brand.

Progress over that time has been behind the scenes, with Geddes now in line with our Group-wide IT platform, state of the art clinical and management dental software in place, along with extensive management and system changes and upgrades to existing clinics. The marketing of the business was also changed with an emphasis placed on tracking and reaching the patients we have through effectively mining the 150,000 clients on the existing database.

After an extensive period of implementation in early 2004, the work on the business started to make good progress with average fees per dentists clinical day increasing, treatment plans expanding and facilities upgraded. This solid ground work has continued and the business is currently completing the investment in infrastructure.

In this period of management technology and facility investment, the ROIC

at EBITDA has grown from a negative return to 8.5 percent on a modest OP-EBITDA before corporate overhead costs are allocated.

To the future … To make a stronger Company

A number of important initiatives have been put in place in recent months.

The placement to RECT Funds Management will raise approximately $5.2 million and this will all be applied to growing the company through investments that are designed to improve the company's bottom line performance and the overall consolidated Return on Invested Capital and earnings per share.

Firstly, in February, we will expand our Diagnostic Sector business offering and make an initial investment of 40 percent in Ascot Radiology, in partnership with Calan Healthcare Property Trust, and Doctors David Rogers and David Milne.

We then have an option to acquire all of Calan's holding and half of Dr's Roger's and Milne's shares in June 2007, which will take us to 80 percent of the company. It is our intention to remain at this level, with the balance left in the hands of our Radiologist partners. The Ascot Practice is a young one and it operates through one central location at New Zealand's largest private hospital. It has state of the art equipment and services on offer and serves the 45 referring medical specialists that hold clinics or undertake theatre lists at the site.

The business delivery model is efficient and still growing, with largely private fee revenues of over $4.5 million and an operating EBITDA of over $1 million per annum. The projection for our investment, on a stand alone basis, is that we will receive a return at OP-EBITDA of over 20 percent and over 15 percent on a NPAT stand alone basis.

Negotiations for the second radiology practice mentioned are progressing well and we are confident of completing that acquisition at about the same time as Ascot Radiology. The second practice is smaller in size and provides complimentary services.

Secondly, we will extend our investment in Dental through the acquisition of the Auckland Dental Group, with settlement in February. This group of five dentists is led by Allen Baker, a highly respected Dentist and medical businessman in the Auckland community. Auckland Dental Group will form a nucleus for a second national brand offering which will compliment the Geddes Dental Group.

The current practice has private fee revenues of over $2 million and an operating EBITDA of over $400,000 per annum. Our investment will again yield over 20 percent at Op-EBITDA and over 15 percent on a stand alone NPAT basis. Alan, Mary and Rex will join Frank Janssen and his team to work through the establishment of this second national brand with a chain of new community practices.

To that end, I am also delighted to announce that we have an unconditional agreement to acquire Dr David Osie's surgery in Victoria Avenue in Remuera, which will be the second addition under the proposed new national dental brand offering.

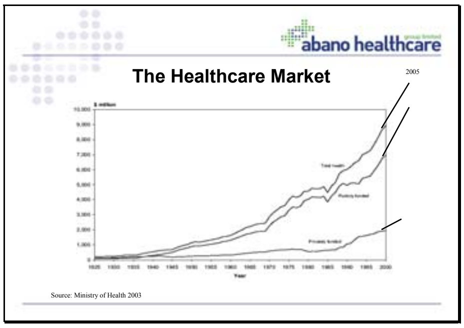
These acquisitions are all largely private fee revenue earning and, along with our other recent acquisitions, are adding scale to the existing infrastructure that we already have in place.

The percentage of revenue that we will generate from other sources other than Ministry of Health or District Health Boards has increased from 40% in 2000, to over 54% on an annualised basis including these acquisitions.

In Rehabilitation, we now have a stable contracting regime in place with ACC and a commitment from them to our role in the rehabilitation of ACC's clients with serious brain or spinal injuries. With a new management team in place, this business will progress and continue to offer Abano an attractive return for our investment that is above our weighted Average Cost of Capital.

Finally, as we move through the contracting processes with DHBs, a number of challenges and opportunities will present themselves. The costs of compliance will continue to increase, and statutory costs will continue to be imposed through legislation changes.

One thing which is certain though, is that the demand for our services will continue to grow.



In a recent publication, commissioned by the Health Funding Association of New Zealand, Kim von Lanthen - a respected economist, ex PriceWaterHouse partner and past Chief Analyst Health at The Treasury - commented as follows …

"Public health inflation has leapt to an estimated eight percent per annum in the past three years, greatly in excess of CPI inflation."

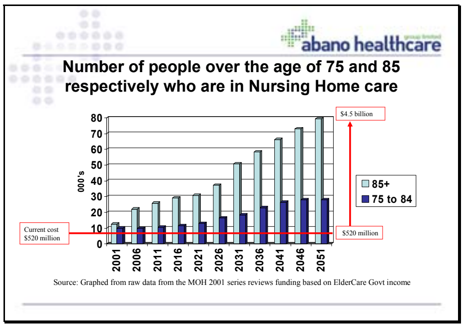
"Projections by the Ministry of Health in the 1990's suggested that public health spending into the future was sustainable … a view supported by Treasury… However, now both Health and Treasury projections have been revised, and by updating the data for the current level of health inflation, public health expenditure grows exponentially to over 63 percent of GDP by 2005" .

Two years ago, I told shareholders at the AGM that my sources indicated public health expenditure would grow to over 30 percent of GDP … well I was wrong. According to the Health Funding Association of New Zealand, that figure is now 63 percent of GDP. Unsurprisingly, the author concludes that this is clearly an unsustainable position for tax payers.

The paper requests that New Zealand debate this issue and that we recognise that the Government simply cannot continue to fund all the current services it does. Copies of this paper are available at the entrance to the meeting room and I urge all to take one.

More and more, health funding will need to become private fee based, and Abano has positioned itself to be able to provide these services for private fee payers, as well as diversifying our revenues, as can be seen by our investment into dental and radiology businesses.

In a frightening close to this paper, and in conversation with a co-editor, I was told that this projection was calculated before the recent social initiatives with Primary Health Organisations and the removal of Asset Testing were taken into account.



To high light this point … the impact of asset testing on Government expenditure can be seen in the above graph … remember the cost of this initiative is not in the projection of 63 percent of GDP we mentioned earlier.

Currently in 2004, the Government funds 60 percent of residential aged care industry at a cost of $520 million. This is currently more than 15 percent under-funded on a fee basis.

In 2005, the Government have elected to fund approximately 95 percent , increasing it to 100 percent free care by about 2008. The implication is they will fund everything above the red line. This means that by 2005, we estimate the annual cost to the Government will increase from the current $520 million to an estimated $1.1 billion and this will grow to over $4.0 billion by 2050. This by itself is a growth in Government expenditure of over 15 percent per annum, after the initial doubling of cost next year.

We believe this is an unsustainable initiative and social policy that has been implemented on an ideological basis without the financial cost being analysed. Last year, before this initiative was announced, I reported the Minister of Finance, Dr Cullen’s comments on Health spending. He said, and I quote: “Mind boggling financial implications”. At the time he said that, he would have been unaware of the graph in front of you now.

Our role is to now make sure that there is responsible debate over the cost of healthcare and to stimulate the debate on the role for private health insurance payment. The paper I quoted from urges Government to, in fact, subsidise the private health insurance sector as a cheaper method of funding health demand. Certainly we endorse this research and, as a minimum, the Government should remove the barriers and arbitrary penalties that currently exist for employers to offer meaningful schemes to staff, like FBT payments and tax deductibility barriers.

If New Zealand is to have a first world healthcare system we must control the excess public health sector inflation, measured currently at over eight percent per annum and promote further private sector involvement and

investment in both the funding and delivery of this growth. I encourage all here to enter this important debate.

Abano Healthcare Group is operating in a high growth industry, and our strengthened business foundation and market presence ensures we are well positioned to take advantage of the huge potential this market offers.

Demand for the services we offer will continue to grow and, in fact, accelerate over the next 45 years as our population ages, and our investment into infrastructure, development and acquisitions will allow us to secure long term, profitable funding and revenue streams ahead of other smaller businesses.

Our priority for the immediate future is to generate sustainable NPAT returns for the group and improve earnings per share and the returns for our shareholders while ensuring we are positioned to take advantage of all profitable and compatible growth opportunities presented to us.

I believe the Group has a bright future with a sound base and a great team of dedicated and passionate health and medical professionals.

Thank you for your patience and for listening