METLIFECARE LIMITED
ANNUAL REPORT 2009

Contents

The Annual Meeting of shareholders of Metlifecare Limited will be held at the Remuera Room, 1st floor, Ellerslie Stand, Ellerslie Event Centre, 80 – 100 Ascot Avenue, Greenlane East, Auckland, on Thursday, 22 October 2009, commencing at 2.00pm.

Chairman's Report

It gives me great pleasure to present to you the 2009 Annual Report. This is my first report since being appointed to the position of Chairman of Metlifecare Limited on 1 May 2009. The retirement village industry provides great satisfaction to those of us who operate within it as our efforts can greatly reward our resident communities.

Metlifecare has developed a portfolio of high quality independent, assisted living facilities and care facilities in the key retirement destinations in New Zealand. Our sites are in highly desirable locations with excellent community amenities close by.

Today Metlifecare focuses on delivering superior facilities and services to enable residents to live independently and with dignity. We have confidence that our services are valued by our customers and I am pleased to report our highest ever level of new enquiries in 2009. High resident satisfaction continues to be a great source of pride for our staff and management.

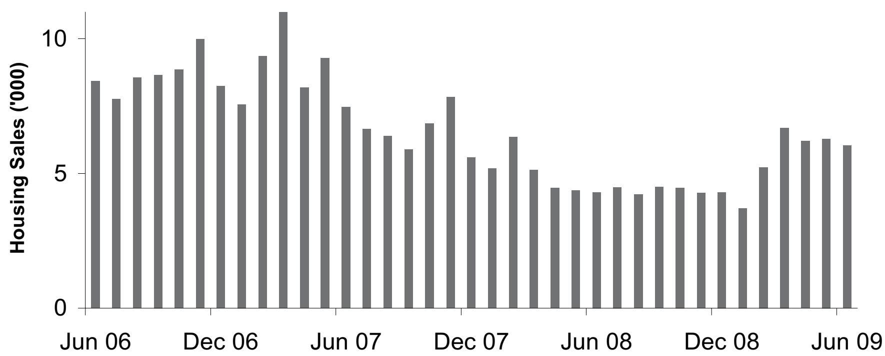
To prepare for the future, Metlifecare continues to grow and refine the products and services it offers. Metlifecare Takapuna opened a new market for the Company and now the North Shore of Auckland has a truly first class retirement village. Metlifecare has invested significantly in the facility and has been overwhelmed by the support from the local community.

Metlifecare is positioning itself to take advantage of the increased demand for our product and services arising from an ageing demographic and an increased acceptance of the retirement village lifestyle. The older population will require increased senior living facilities and Metlifecare's specialised skill and knowledge in the retirement village sector will enable it to cater for those needs.

Financial Year 2009 ("FY09") Economic Conditions

FY09 has been extraordinary for the world and the New Zealand economies, and this has impacted on Metlifecare's results for the period. To put the results in some context, it is useful to understand the fall in monthly housing sales in New Zealand which has impacted Metlifecare's future residents. Potential residents often rely on selling their family home as the main source of capital to fund their entry into a retirement village. Monthly housing volumes in New Zealand went into decline from a peak in March 2007, and took 22 months to reach the lowest point in January 2009 before improving.

Housing Sales Volumes – New Zealand



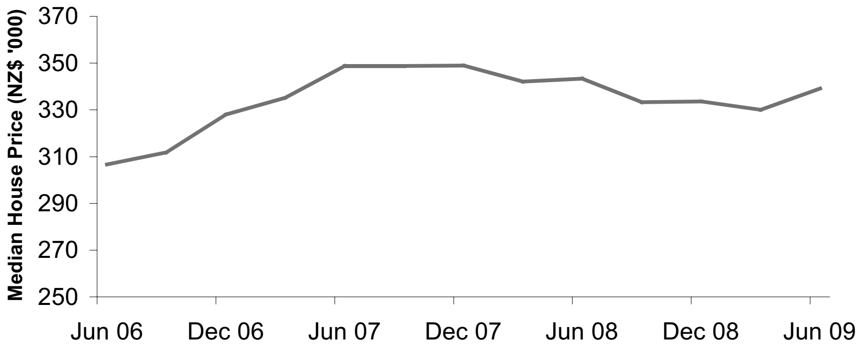
Source: Real Estate Institute of New Zealand

Chairman's Report

continued

Housing prices also fell during the recessionary period but not to the same degree as volumes.

Median House Prices – New Zealand



Source: Real Estate Institute of New Zealand

The above chart shows that NZ Median Housing prices declined through most of FY09 but began to improve over the last quarter of the year.

While the leads and inquiries for Metlifecare's products and services were 65% higher in FY09 compared to the previous year, potential new residents found that it was either very difficult, or that it took much longer than they anticipated, to sell their homes to fund their retirement village entry. Some potential residents frustrated with the delays in selling residential property put off their decision to enter a lifestyle retirement village until signs of economic improvement emerged. Consequently, in FY09 Metlifecare has experienced delays in the relicensing of our available units as many residents decided to stay longer in their own homes.

Overall our unit prices held up well during the period, and the main issue appeared to have been potential residents' liquidity as opposed to underlying affordability.

FY09 Financial Results

As a result of the extraordinary market conditions, cash flows from relicensing activities were down on the prior year. However, as occupancy levels were maintained, so too was operating revenue which mainly represents village and care fees. While variable selling costs were reduced in line with relicensing activities, much of the village operating costs are fixed. Management however spent considerable time during FY09 maintaining our services but also improving our cost structures, revising staff rosters and implementing other cost saving initiatives to partially compensate for slowed sales reflected through the reduction to other expenses in the year.

International Financial Reporting Standards ("IFRS") and Financial Reporting

In my capacity as Chairman, I have met with a number of shareholders and also held discussions with the New Zealand Shareholders Association about issues regarding the disclosure of information to shareholders under IFRS reporting for retirement villages. This year we have had to make further changes to how information is reported to comply with IFRS around the cash flows received and paid under refundable occupation agreements (relicensing activities). These relicensing cash flows are now disclosed as financing cash flows rather than operating cash flows. While this accords with accounting standards, it and other changes brought about by IFRS can make it harder for the reader to understand the underlying cash flows and operating performance of the business. Overleaf we have set out information and an alternative perspective on our trading cash flows and performance, to aid the reader.

Trading cash flows

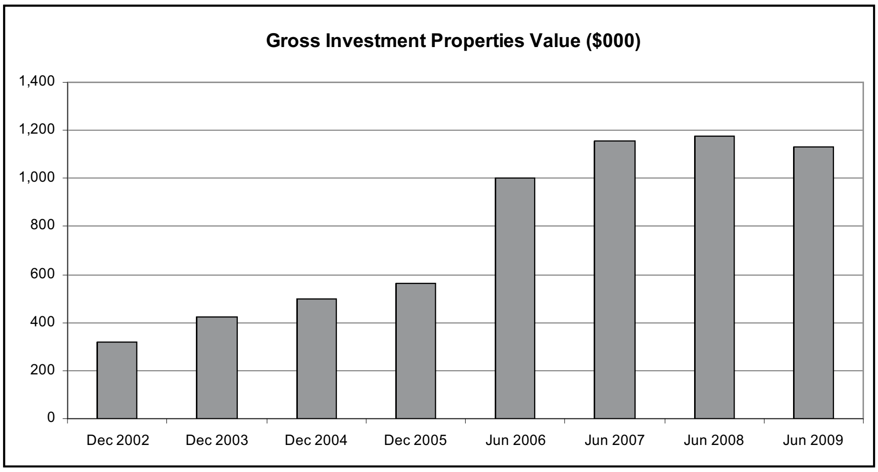
As a result of the market conditions, net cash flows from licensing and relicensing activities, which represents the increase in achieved pricing over the previous licence price or the receipts of first time licensing, of $27.2 million were down from $38.9 million in the prior year. As noted above, both the cash inflows and outflows from relicensing activities are now reported as financing activities in the cash flow statements on page 25 of the financial statements rather than as operating activities. The net cash outflow from operating activities as reported was $13.8 million compared to an outflow of $15.2 million in the prior year reflecting the cost initiatives put in place to increase operating margin from village revenues.

From an alternative perspective, most industry operators would consider our net cash flows from trading, including the roll over of resident units, were $24.8 million less interest costs of $11.4 million leaving net cash generated from trading as $13.4 million. In the prior year the trading cash flows were $33.4 million less interest costs of $9.8 million leaving net trading cash flow of $23.6 million.

Operating performance

Another issue that has a major impact on our reported earnings as distinct from our cash flow is the change in investment properties valuations under IFRS. The movement in fair value is highly dependent on the independent valuers' assessment of property price growth and discount rates. In the current economic environment it is understandable for both of these assessments to be guarded. As might be expected when there are dramatic changes in the underlying housing market as described above, the lack of large commercial transactions involving the sale of retirement village portfolios in the FY09, and worldwide difficulties in obtaining credit to fund large transactions such as the purchase and sale or retirement village portfolios, it is very difficult for independent valuers to determine the value of long term investments like retirement villages assets which have income streams that can recur for 40 to 80 years into the future.

Below is a table of the Metlifecare's Gross Investment Properties value over the last 8 years.



As mentioned in last year's report, under IFRS, the change in investment properties valuation is now recorded in the income statement while under previous accounting standards the movements were recorded in balance sheet reserves. This change has introduced volatility to Metlifecare's income statement based on an assessment of future market conditions which distracts from the operational performance in the current period. To assess core operating earnings for the year, an adjustment must be made for the unrealised component of the investment properties revaluation.

Chairman's Report

continued

In total the valuers valued the Metlifecare village portfolio at $1,128.8 million (2008: $1,175.6 million), a decline of $106.9 million after capitalised expenditure of $74.9 million and a $14.8 million reclassification of a jointly held asset in the period. The main variables in the valuer's valuation model contributing to the change in investment properties valuation were their views on future property growth rates and the discount rates applied to forecast future long term cash flows for the villages. I expect the total valuation will improve as the housing market picks up and the rollover of retirement village units improves in the coming year, and the second stage to Takapuna is delivered in April 2010.

The result after tax attributable to shareholders was a loss of $115.7 million (2008: loss of $53.1 million). This includes certain non-operating, non-cash items including the net revaluation of investment properties and financial instruments.

A reconciliation to an alternative trading performance perspective is provided in the table below.

	Year to 30 June 2009 ($'m)	Year to 30 June 2008 ($'m)
Loss after tax attributable to shareholders	(115.7)	(53.1)
Add back:		
Change in fair value of investment properties	106.9	44.4
Amortisation, depreciation and impairment	4.4	1.9
Finance costs	13.2	10.0
Trading performance	**8.8**	**3.2**

The trading performance above reflects the underlying core activities of the care facilities, village operations, management fees, sales and marketing and support costs at the village level. The trading performance figures do not include the relicensing cash flows mentioned previously which are now treated as financing cash flow activities under IFRS. The current year's village level performance reflects a management focus on maximising occupancy levels in care and village operations and a focus on cost management initiatives in wages, maintenance and discretionary spending. Given the severity of the economic conditions prevailing throughout the year this trading performance result demonstrates the soundness of the underlying retirement village business fundamentals.

Equity Raising

With uncertainty in the world's financial markets, Metlifecare proactively engaged with its banks seeking to secure its funding lines. This action resulted in the Company announcing its intention to strengthen its balance sheet through a capital raising. March 2009 saw the conclusion of a highly successful and oversubscribed renounceable rights issue which raised $37.4 million of new capital. We look forward in future years to returning much greater financial returns to investors who continued to show their faith in our Company.

On behalf of the Board, I would like to thank all shareholders, banks, residents, staff and suppliers for their continued support and confidence shown to the Company during these testing times.

Dividend

No dividend was declared for the year.

Growth

We were very pleased to mark the official opening of stage 1, Metlifecare Takapuna on 20 June 2009. The first stage involved 78 independent living apartments with 7 units settled before 30 June 2009. Over the years I have seen very many retirement villages across Australia and New Zealand, and the Takapuna development is, in my opinion, one of the top 5 developments in either country. We have commenced Stage 2, comprising 47 apartments, 15 serviced apartments and 5 resident only care suites, which is due for completion in April 2010.

Executive team

I am very pleased that the Board agreed to appoint Mr Alan Edwards as Chief Executive Officer of the Company from 1 August 2009. Alan has previously been CEO of two other retirement village businesses. Alan brings retirement village experience, change management skills, and an enthusiasm for the role which will be invaluable going forward. Alan replaced Mr Richard de Haast who resigned effective 31 July 2009. We thank Richard for his 5 years of service with the Company, the last 4 years as CEO.

We also welcome a new General Manager Sales, Ms Jan Martin to the team. Jan commenced on 10 August 2009. As well as being a former member of the New Zealand women's hockey team, Jan has an accounting qualification and over 15 years' experience in various sales roles.

Ms Gaynor Anderson resigned as General Manager Sales & Marketing, effective 28 August 2009.

Board of Directors

The Hon Jim McLay, CNZM, QSO retired as Chairman of Metlifecare on 1 May 2009 to take up the post of NZ Ambassador and Permanent Representative at the United Nations in New York. On behalf of the Board, I would like to acknowledge and thank Jim for his 4 years' leadership of the Board.

Dr Charles MacDonald was appointed a Director and Chairman, by the Board on 1 May 2009.

Mr Paul Cochrane was appointed as Alternate Director for Mr Darryl Guihot on 24 July 2008.

Mr John Perry resigned as Alternate Director for Mark Gibson on 31 March 2009.

Pursuant to the Constitution of the Company, Mr Peter Brown and Mr Darryl Guihot retire by rotation and being eligible offer themselves for re-election at the annual meeting. Dr Charles MacDonald being appointed during the year by the Board, holds office under the Constitution only until the annual meeting and being eligible, offers himself for election at the annual meeting.

Charles MacDonald

Dr J.C.A. MacDonald
Chairman
27 August 2009

Chief Executive Officer's Outlook Statement

Our People

The Directors and the Executive team would like to thank all staff for continued efforts to provide excellent service to residents throughout a year of very difficult trading conditions. The year ahead will continue to be challenging however we are confident that the strategies we are putting in place will ensure that all our teams are empowered and that our continuous improvement programmes will enable consistent movement towards goal achievement. We will actively seek to enhance our reputation as being outstanding providers of retirement lifestyles and that our continuum of care consistently meets or exceeds our residents' expectations.

Residents

The Board, Executive Team and the Village Operating teams are proud to once again record exceptionally high levels of overall resident satisfaction. We wish to thank our residents and their families for their continued support.

We know that residents place great value on the security they experience living in retirement villages and we know that this experience is enhanced by knowing that Metlifecare is a well managed and prosperous Company. Over the coming weeks and months I will move around the Group getting to know the teams and residents at our villages. I look forward to seeing further advances in the overall satisfaction residents experience in our villages, our assisted-living environment and our care facilities.

Future Directions

The Executive team and I are enthusiastic and believe that the Company is well able to bounce back after a tough year and gain added momentum as the NZ economy improves in FY10. During this year we will roll out stage two of the Takapuna development which includes a further 47 independent living apartments, 15 serviced apartments and 5 resident-only care suites. We will also actively seek new development and growth opportunities so that we can take advantage of the demographic profiles in this sector.

W.A. Edwards
Chief Executive Officer
27 August 2009

Executive Team Profiles

Alan Edwards MBL, BA, HED
(Appointed 1 August 2009)

Chief Executive Officer
Alan is responsible for developing the vision, setting the Company's strategy (in conjunction with the Board) and leading the Company and the team of highly skilled senior executives in pursuit of the primary business goals.

Alan is a business leader with significant experience in senior executive, general management and organisational development roles and has spent the last ten years leading companies in the retirement village industry. These experiences have produced specific skills in business optimisation, change management and aligning business strategy, organisational culture and the performance of people.

Richard de Haast resigned as Chief Executive Officer, effective 31 July 2009.

Michael Barker BMS, CA

Chief Financial Officer
Michael is the Chief Financial Officer at Metlifecare and is responsible for the Company's financial, treasury and information technology functions. Michael is focused on improving operating systems at Metlifecare and providing support to the Company's Chief Executive Officer to implement the Company's strategic plan.

He brings to the position over ten years' experience in senior finance roles in New Zealand, including four years as Financial Controller with Metlifecare.

Lynne Abercrombie MBA, Dip. Occ Ther.

General Manager Operations
Lynne is responsible for ensuring that Metlifecare's villages operate effectively to enable our residents to live a safe, satisfying and dignified life. Lynne leads the team that translates the Company's vision and values of professionalism, quality and teamwork into the day to day operations of the Company in line with business goals and objectives. Lynne is focused on maximising benefits for all associated with the Company, residents, staff and shareholders.

Lynne's career has been within the health services industry, initially as a clinician and more recently as a project and business manager within both the private and public sectors. Lynne joined Metlifecare in 2000 and has had a variety of roles within the Company before taking up the position of General Manager Operations.

Executive Team Profiles

continued

Jan Martin B.Com

(Appointed 10 August 2009)

General Manager Sales

Jan leads the Sales team with responsibility for sales of newly built units and re-sales of existing units.

The role also includes the delivery of marketing strategies to ensure product, location and pricing delivers to residents in accordance with their unique needs. The lifestyle, quality, certainty and peace of mind of the Metlifecare experience is founded upon the Metlifecare commitment to the "continuum of care".

With a background in accountancy both in New Zealand and the UK, Jan brings to the position over 15 years' experience in sales management and business development, primarily in telecommunications and property sectors.

Jan replaced Gaynor Anderson who resigned effective 28 August 2009.

Colleen Tang Dip. Bus (HR)

General Manager Human Resources

Colleen is responsible for human resources best practice within Metlifecare. This includes staff recruitment and retention, employee relations, learning and development, remuneration and benefits, performance management, employee health and safety and employment legislative requirements.

Colleen is a Human Resources specialist with over 20 years of experience in the manufacturing and service industries.

Craig Fletcher NZCE (Mech)

General Manager Property Services

Craig is responsible for the maintenance and development of Metlifecare's property assets. He leads a team of specialists that are focused on optimising asset performance through effective maintenance and operational regimes. This includes asset renewal and development, to meet the needs of a broad range of stakeholders.

Craig has over 20 years' extensive experience in engineering and property and facilities management in New Zealand in sectors ranging from infrastructure through to hospitality.

Directors' Profiles

As at 30 June 2009

Dr James Charles Alexander MacDonald Ph.D, MBA, Grad.Dip.Mgt, FCA

(Appointed 1 May 2009)

Chairman

Charles MacDonald was appointed Chief Executive Officer of the Retirement Villages Group on 1 April 2009 after consulting to the Group for nine months. Charles has extensive experience in the development, management and acquisition of retirement villages, having previously been Executive Chairman, Becton Living Retirement Division of Becton Property Group Limited, Executive General Manager, Retirement Division FKP Limited, CEO of Australian Retirement Homes Limited and Executive Director, Forest Place Group Limited.

He has also been Director of the National Board of the Australian Retirement Villages Association and Chairman of the Retirement Village Association Taxation and Government Relations National Committee, Director of Age Care Queensland and Member of the Australian Taxation Office's (ATO) Retirement Village Industry Partnership.

He chairs Metlifecare's Remuneration, Nominations & Corporate Governance and Finance Committees.

Peter Ross Brown LLB(Hons), B.Com

Director

Peter Brown is Managing Director and Chief Executive Officer of FKP Property Group. He joined the FKP Board as Managing Director in February 2003. He has in excess of 20 years' experience in property, having held senior executive positions in national ASX listed companies.

He chairs Metlifecare's Acquisition & Development Committee.

Mark Alexander Gibson BE (Mech) Hons

Director

Mark Gibson is a Division Director of Macquarie Group (NZ) Limited with ten years' experience in investment banking. He has led a number of merger and acquisition transactions in the retirement sector and has managed retirement assets on behalf of unlisted investors in New Zealand since 2005.

He is a member of Metlifecare's Finance Committee.

Directors' Profiles

continued

Darryl Leonard Guihot LLB (Sydney), BEc (Sydney), FCPA (Aust.)

Director

Darryl Guihot was appointed as Chief Financial Officer of FKP Limited in September 2004. Darryl offers more than 30 years' experience in commerce and investment banking, both in Australia and overseas. He has been a public company CFO since 1991 and his career includes exposure to diverse industries such as property, media, resources and retailing.

He chairs Metlifecare's Audit Committee.

Phillip Brent Harman [1]

Director

Brent Harman is a company director and business advisor with wide experience in media. He is the former Chief Executive Officer of Television New Zealand, has managed publicly listed companies in Australia and the United Kingdom, and has experience in mergers, acquisitions, joint ventures and restructurings.

He is a member of Metlifecare's Remuneration, Audit and Nominations & Corporate Governance Committees.

John James Loughlin [1] BCA, MBA, CA, ACIS, FIINZ, FCASP, FNZIM, AFInst.D

Director

John Loughlin is a professional company director. He is currently Chairman of Allied Farmers Limited and Tru-Test Corporation Limited. He is a director of Zespri Group Limited, Taupo Motorsport Park Limited, Centralines Limited, Kermadec Property Fund Limited and Port of Napier Limited. He is a former CEO and before that CFO of Richmond Limited and prior to that was an institutional fund manager. John and his wife own Askerne Winery.

He is a member of Metlifecare's Audit, Remuneration, Acquisition & Development, Nominations & Corporate Governance and Finance Committees.

Paul Victor Cochrane B.Com, ACA

(Appointed 24 July 2008)

Alternate Director for Darryl Guihot

Paul Cochrane was appointed as General Manager Finance, FKP Property Group in February 2008. He has over 20 years of experience in finance and property development, including seven years in senior management roles with Lend Lease Corporation. Paul was the Chief Financial Officer and Company Secretary at the property development company, Ariadne Australia Limited and worked across a range of industries throughout his nine years at PricewaterhouseCoopers.

Paul is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Queensland.

Michael Tucker

Alternate Director for Peter Brown

Michael Tucker joined FKP Property Group in October 2004 and brings more than 30 years' experience in the Development and Construction industry.

Michael's experience encompasses all areas of Development and Construction such as commercial and retail, retirement villages, tourism and hospitality, with a strong background in residential apartment building. He has held Senior Management positions in a number of companies including Australand Holdings and Baulderstone Hornibrook.

Michael has a trade background with a Degree in Construction Management from the United Kingdom.

Note:

[1] Messrs P.B. Harman and J.J. Loughlin were Independent Directors as at 30 June 2009.

Dr J.C.A. MacDonald, Messrs P.R. Brown, M.A. Gibson, D.L. Guihot, P.V. Cochrane (Alternate) and M. Tucker (Alternate) were not Independent Directors as at 30 June 2009.

Corporate Governance Statement

The Board is committed to ensuring that best practice principles of corporate governance are adopted by the Company. The Board believes that such principles protect and enhance the assets of the Company for the benefit of all shareholders. The following policies, practices and processes have been adopted or followed by the Company.

1. Ethical Standards

Directors should observe and foster high ethical standards.

The Company is committed to maintaining high ethical standards through ongoing attention to values and behaviour, particularly in respect of its responsibilities to those who reside in its retirement villages.

That commitment requires all Directors, managers, staff and contractors acting on behalf of Metlifecare to maintain high standards of ethical behaviour in all decision making and in their conduct.

That commitment extends to legal compliance, avoiding conflicts of interest, preserving confidentiality of information, upholding obligations to shareholders, respecting the rights of stakeholders, and the proper use of Metlifecare assets and property.

The Board has formulated a Code of Ethics to govern the conduct of the Company. The Code of Ethics is available on the Company's website.

The Code of Ethics deals with:
- conflicts of interest;
- confidentiality;
- gifts and corporate opportunities;
- use of Company assets and information;
- expected behaviours; and
- reporting of breaches and disciplinary measures.

In addition, the most significant policies and procedures that support the Company's Code of Ethics are:
- procedures for dealing with conflicts of interest;
- an Insider Trading Policy to address the insider trading requirements of the Securities Markets Act 1988;
- a Legislative Compliance Policy, including regular management confirmation to the Board in the form of compliance certification; and
- protocols for compliance with the requirements of Ministry of Health, District Health Boards and Retirement Villages/Care Facility Regulations.

Directors are required to disclose to the Board any actual or potential conflict of interest. Conflicts may arise:
- where the Director is indirectly or directly involved in the matter;
- where it may not be possible to give the Company undivided loyalty because of a Director's relationship with others involved; or
- where a Director's views are inhibited under an arrangement that limits free exercise for the Company's benefit.

The Insider Trading Policy applies to Directors and employees and incorporates all insider trading restraints. Within the permitted trading periods prescribed by legislation and regulation, Directors and employees are able to trade in Company shares in accordance with that policy, except when they are in possession of non-publicly available price sensitive information.

2. Board Composition and Performance

There should be a balance of independence, skills, knowledge, experience and perspectives among Directors so the Board works effectively.

The Board of Directors elected by the shareholders is responsible for supervising and directing the management of the business and affairs of the Company. This includes identifying and managing business risks, monitoring management systems and reporting to shareholders. All Directors must act in the best interests of the Company.

The Board is responsible for setting the objectives and strategic direction of the Company and monitoring performance against those bench marks.

The Board is responsible for appointing and removing the Chief Executive Officer. The Board has delegated certain of its powers to Committees of the Board and the day to day management of the Company to the Chief Executive Officer.

As part of the Board's charter, the Board has written delegated authority mandates in place for management.

The Board reserves responsibility for significant matters such as the approval of business plans and budgets, approving significant expenditure, the incurring of significant indebtedness, the entry into guarantees or indemnities and certain significant statutory matters.

Shareholder approval is required prior to entering into certain transactions by virtue of the NZSX Listing Rules and the Companies Act 1993.

The Board is responsible for appointing Directors to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders.

The Board has established a Nominations and Corporate Governance Committee to recommend Director appointments to the Board. The Nominations and Corporate Governance Committee has its own charter. This requires the majority of members to be independent Directors.

The Company's Constitution requires that the minimum number of Directors is three and the maximum number is twelve.

Under the NZSX Listing Rules, the Board is required to have a minimum of two Independent Directors (as defined under the Listing Rules) or if there are eight or more Directors, three or one-third of the total number must be Independent Directors.

The Board is required to identify which Directors are Independent Directors upon appointment and in this annual report (see Directors' Profiles on pages 11 to 13). The Board has adopted the definitions from the NZSX Listing Rules to determine the independence of Directors.

An independent Director is a Director who is not an executive of the Company and who has no Disqualifying Relationship. A "Disqualifying Relationship" means any direct or indirect interest or relationship that could reasonably influence, in a material way, the Director's decisions in relation to the Company. Directors are deemed to have a Disqualifying Relationship in the circumstances set out in the NZSX Listing Rules.

The Company's Constitution contains procedures for the appointment and removal of Directors.

These provisions include a requirement for at least one-third of the Directors to retire at an annual meeting but if eligible may offer themselves for re-election at that meeting.

The Chairman is appointed by the Board from among the non-executive Directors. This differs from the Securities Commission's Corporate Governance Principles and Guidelines in that the Chairman is not required to be an independent Director. The Board, having regard to the current composition of the shareholding of the Company, the skills, knowledge and experience of the current Chairman and that the Board currently includes two independent Directors, is of the view that there is an appropriate balance in the relationship between management and the Board. The Chief Executive is not able to also hold the position of Chairman.

The Chairman is responsible for managing and leading the Board, and for managing the Board's interaction with the Chief Executive.

The Board regularly meets without management present for open discussion on any Company issue. The Board may also at its option take such an opportunity either on request or prior to or at end of meetings.

Directors may with prior notification to the Chairman, seek professional advice at the Company's expense to assist in carrying out their duties and responsibilities.

Directors are encouraged to undertake appropriate training to remain current on how to best perform their duties as Directors of the Company. New Board appointees receive induction training.

The Company has directors and officers liability insurance in place and has indemnified the Directors of the Company and its subsidiaries.

The Board, led by the Chairman, formally reviews its performance and that of individual Directors and Committees annually. These reviews were not carried out during the year. The Chairman is responsible for fostering a constructive governance culture and applying appropriate governance principles among Directors and with management.

The Board schedules regular meetings during the year plus additional strategy meetings. Additional meetings are held at such other times as may be necessary to address particular matters.

Agendas of meetings are prepared by the Chairman, with the assistance of the Chief Executive Officer and Company Secretary.

Board papers are circulated in advance. Executives and the Company's external auditors and other advisers are available upon request to provide input to Board discussions.

Directors have opportunities for contact with a wider group of employees through visits to individual villages.

This annual report contains information about each Director and identifies which Directors are independent on pages 11 to 13. The Board's appointment, training and evaluation processes are discussed in various sections of this Corporate Governance Statement.

3. Board Committees

The Board should use Committees where this will enhance its effectiveness in key areas while retaining Board responsibility.

The Board has four formally constituted committees, each with a charter setting out its role, delegated responsibilities, authorities and accountability. Each charter is published on the Company's website.

Committees are comprised of a minimum of three Director members. Each committee will meet as required.

Senior management attend Committee meetings only by invitation.

Committees may appoint external advisers as they see fit.

Each Committee undertakes an annual review of its objectives and activities.

The Committees are not authorised to take action or make decisions on behalf of the Board unless specifically mandated by a prior Board approval.

The Chairperson of each Committee reports to the Board after each meeting on its findings and recommendations and minutes are circulated to the Board.

The Board also establishes special purpose Committees as required from time to time.

During the year the Board established a Due Diligence Committee, to manage the Renounceable Rights Issue and a Finance Committee to manage and monitor revenue, expenditure, cash flows and bank funding.

All Directors receive agendas and reports of Committee Meetings.

Audit Committee

The purpose of the Audit Committee is to assist the Board in discharging its responsibilities with respect to financial reporting, compliance and risk management practices.

The Audit Committee has a separate written charter outlining its authority, duties, responsibilities and relationships with the Board.

All members shall be non-executive Directors and a majority shall be Independent Directors.

At least one member is required to have an accounting or financial background (as defined in the NZSX Listing Rules). The Chairman of the Board must not also be the Chairman of the Audit Committee.

Directors may only attend Audit Committee Meetings if they are not a member by invitation of the Committee.

The Audit Committee's responsibilities are:

- reviewing the financial statements and other financial information provided to shareholders and other external parties and advising all Directors whether they comply with the appropriate laws and regulations;
- meeting regularly to monitor and review the external audit processes;
- ensuring that the external auditor or lead audit partner is rotated at least every 5 years;
- ensuring that processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters;
- recommending the appointment and removal of external auditors;
- overseeing all aspects of the Company – audit firm relationship, including having direct communication with and unrestricted access to the independent external auditors and Company accountants; and
- promoting integrity in financial reporting.

The Audit Committee also receives periodic presentations from management and considers wider issues such as asset valuations, legislative compliance, insurance and risk management, approval levels and discretionary expenditure.

The Audit Committee is responsible for ensuring auditor independence.

The Board regularly reviews the performance of the Audit Committee in accordance with its charter.

Remuneration Committee

The Remuneration Committee reviews and recommends to the Board the level and type of remuneration for the Chief Executive and members of the Executive Management Team, and the level and type of remuneration for the Board (for approval by shareholders).

The Remuneration Committee has a separate written charter outlining the authority, duties, responsibilities and relationship with the Board.

The main responsibilities of the Remuneration Committee are:

- to conduct an annual review of the Chief Executive's Performance;
- to consider the Chief Executive's review of senior executive performance;
- to review succession planning and senior management development plans; and
- to review compensation policy and recommend remuneration changes for Directors, the Chief Executive and senior executives.

The Board regularly reviews the performance of the Remuneration Committee in accordance with its charter.

Nominations and Corporate Governance Committee

The Nominations and Corporate Governance Committee is responsible for recommending Director appointments to the Board and developing and reviewing the Company's corporate governance policies.

The Nominations and Corporate Governance Committee has a separate written charter outlining the authority, duties, responsibilities and relationship with the Board.

The members of the Nominations and Corporate Governance Committee comprise a majority of independent Directors.

The Board regularly reviews the performance of the Nominations and Corporate Governance Committee in accordance with its charter.

Acquisition and Development Committee

The Acquisition and Development Committee's purpose is to consider and report to the Board on proposals for major acquisitions and property developments.

The members of this Committee are determined by their knowledge and expertise and the majority is not required to be independent Directors.

The Acquisition and Development Committee has a separate written charter outlining its authority, duties, responsibilities and relationship with the Board.

The Board regularly reviews the performance of the Acquisition and Development Committee in accordance with its charter.

4. Reporting and Disclosure

The Board should demand integrity in both financial reporting and in the timeliness and balance of disclosures on the Company's affairs.

The Audit Committee together with the external auditors has a pivotal role in ensuring the integrity of financial reporting and other information provided in public disclosure documents. The Company also has in place a system of internal control for reliable financial reporting.

All information received by the Company is considered in the context of the Company's obligations as a listed company with regard to continuous disclosure of material information relating to the Company to the market.

As a listed company, formal procedures are in place for the public release of information.

The Board examines continuous disclosure issues at each Board meeting and more frequently if required.

The Company is committed to keeping the market (including in particular its shareholders) fully informed.

The Company's processes are designed to ensure compliance with the Company's continuous disclosure obligations. Board and Committee Charters, policies of public relevance, media releases, annual reports and assessments and other investor focused material are available on the Company's website.

Public announcements about the Company's activities are accessible on the Company's website.

This annual report is required to include sufficient meaningful information to enable investors and stakeholders to be well informed on the affairs of the Company.

This Corporate Governance Statement discloses whether and how the corporate governance principles adopted or followed by the Company materially differ from the NZX Corporate Governance Best Practice Code, and how the Company is implementing the principles of corporate governance of the Securities Commission and explains any significant departure.

5. Remuneration

The remuneration of Directors and executives should be transparent, fair and reasonable.

Metlifecare is committed to providing fair and reasonable remuneration for Directors and executives and acknowledges the need to provide competitive remuneration to attract high calibre Directors and executives to serve the Company.

Director remuneration is currently paid in the form of Directors' fees. The Company meets Directors' reasonable travel and other costs associated with Metlifecare business. Procedures are in place to approve expenses.

As required by the Company's constitution, and by the NZSX Listing Rules, no increase in overall Director's remuneration can apply without shareholder approval.

The total monetary sum of fees approved for Directors is allocated among Directors as decided by the Board. The actual fees paid are disclosed in this annual report on page 72. Dr Charles MacDonald, Hon. Jim McLay (resigned), Messrs Peter Brown, Mark Gibson and Darryl Guihot, have waived their entitlement to Directors' fees. The Board decided that the annual fees for each of Messrs Brent Harman and John Loughlin is $75,000.

During the year the Board approved the payment of additional fees to Mr John Loughlin for abnormal services and attendances, over and above services and attendances normally covered by Directors' fees, at Finance Committee and equity raising Due Diligence Committee meetings.

Directors do not currently receive any remuneration in the form of Metlifecare shares. The Company does not currently have a formal performance-based share compensation plan for Directors. This differs from paragraph 2.7 of the NZX Corporate Governance Best Practice Code, which provides that Directors are encouraged to take a portion of their remuneration under a performance-based equity security (share) compensation plan, or alternatively, or in addition, are encouraged to invest a portion of their cash remuneration in purchasing the Company's shares. At the time this policy was considered, the Board took the view that given the composition of the shareholding of the Company and the representation of the major shareholders on the Board, this was not appropriate, but that the policy would remain under review.

From time to time, the Board will review the overall level of Directors' remuneration, taking into account market trends, the competitiveness of the prevailing level of remuneration and changes in workloads.

Shareholder approval is required for retirement benefits for Directors.

Chief Executive Officer and executive remuneration is recommended by the Remuneration Committee with reference to market surveys, job size and individual responsibilities, skills, knowledge, experience, competencies and accountabilities.

Executive remuneration is structured to include a base salary and an 'at risk' component paid upon achievement of company and individual targets agreed at the commencement of each year.

Executive remuneration is reviewed annually and the levels of remuneration are disclosed in this annual report on page 75 in accordance with the requirements of the Companies Act 1993.

6. Risk Management

The Board should regularly verify the Company has appropriate processes that identify and manage potential and relevant risks.

The Board has put in place a risk management policy.

The Company operates a risk management system which incorporates identification of risks to assets and operations in terms of probability and financial impact, as well as the level to which such risks can be mitigated. The Company also has in place processes for internal control.

Significant issues are required to be reported to the Board monthly. Urgent matters should be reported immediately to the Chairman and Chief Executive Officer.

The Board is required to report to investors and stakeholders in this annual report on risk identification and management and on internal controls. The Board continues to be responsible for monitoring and managing risk. Policies are in place to monitor and manage specific risks. There are no new or more significant risks that the Board wishes to draw to the attention of investors and stakeholders.

Formal six monthly compliance certificates are declared in writing by the Chief Executive Officer and the Chief Financial Officer that the financial reporting, risk management and associated compliance requirements and controls have been assessed and found to be operating efficiently.

The Company has a Treasury Policy to manage interest rate risk.

The Policy approves the use of certain instruments for risk management purposes, and it prohibits any activities that are purely speculative in nature. It also sets out exposure limits, delegated authorities and internal control measures.

The Company has in place, in addition to the policies detailed above, a number of other specific policies which cover areas such as legal compliance and contractual authorities. The legal compliance obligations are monitored on an ongoing basis through a system of six monthly compliance exception reports completed by senior managers.

All corporate policies are approved by the Board.

7. Auditors

The Board should ensure the quality and independence of external audit process.

The Company under its Audit Committee charter has established policies relating to the appointment and the independence of the external auditor. The lead and engagement audit partners of the external auditor are required to be rotated every five years. The Board is responsible for ensuring the independence of the external auditor and for obtaining a confirmation of this from the external auditor.

The Audit Committee charter requires the Board to facilitate full and frank dialogue among its Audit Committee, external auditors and management.

To ensure there is no conflict with other services that may be provided by the external auditors, the Company has adopted a policy that external auditors will not provide any other services unless specifically approved by the Board in accordance with the policy on auditor independence. The fees paid to the auditors and any non-audit work and fees are disclosed on page 44.

8. Shareholder Relations

The Board should foster constructive relationships with shareholders and encourage them to engage with the Company.

The Company has a shareholder communications policy. This policy is reviewed annually by the Board. The policy is published on the Company's website.

The Company's Chairman is responsible for ensuring that shareholders' meetings are conducted efficiently and shareholders have adequate opportunity to air their views and to obtain answers to their queries.

The Board requires the external auditor to attend annual meetings of the shareholders of the Company and be available to answer questions from shareholders.

The Company maintains a website with a section for shareholder communications. All corporate governance policies are available on the website. All information released to NZX, including reports to shareholders, may be found on the website.

9. Stakeholder Interests

The Board should respect the interests of stakeholders within the context of the Company's ownership type and its fundamental purpose.

The Board recognises that in addition to its shareholders, the residents of the Company's retirement villages are stakeholders of the Company.

The Company respects the rights and interests of its residents as they are set out in the relevant contractual documents.

The Company is an accredited member of The Retirement Villages Association of New Zealand Incorporated.

Retirement Villages Association members are required to comply with the Association's Code of Practice which identifies, specifies and protects the rights of residents and sets out the obligations of retirement village operators with regard to the operation of retirement villages and the care of residents.

The Company actively seeks to fulfil its obligations to its residents through the provision of quality products and services that are delivered in a manner that:

- respects and upholds residents' rights as established by the Association's Code of Practice;
- delivers to residents the products and services purchased in a manner that enhances the quality of their experience; and
- recognises and respects the residents' right to be involved as members of a community within their village.

Attendance at Board and Committee Meetings in the year ended 30 June 2009:

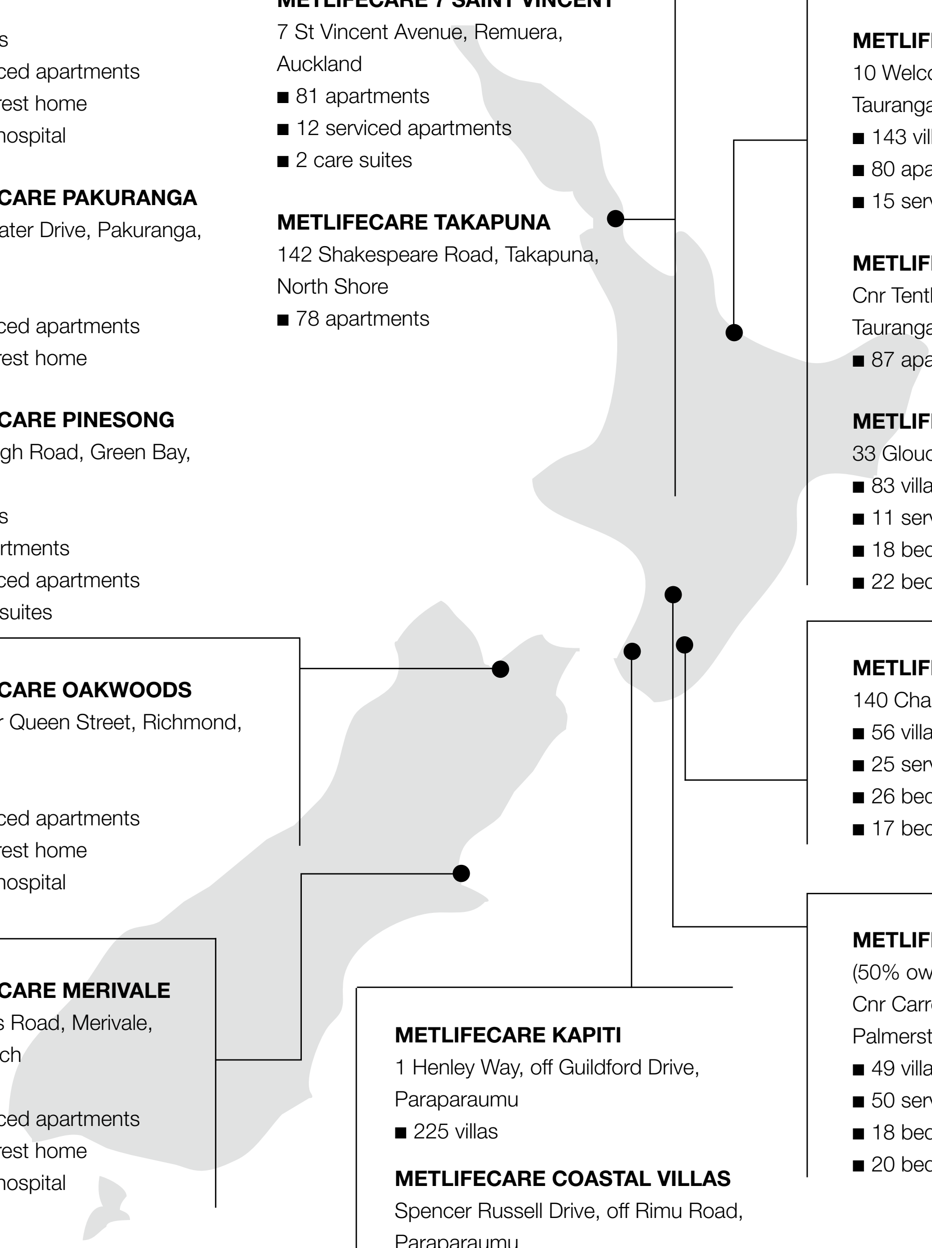
	Board Attendance		Committee Attendance		
Total number of meetings held	13	4	1	1	25
Director	**Board**	**Audit**	**Remuneration**	**Nominations and Corporate Governance**	**Finance**
Dr. J.C.A. MacDonald (Appointed 1 May 2009)	2				2
P.R. Brown	2				
M.A. Gibson	12				21
D.L. Guihot	-	3			
P.B. Harman	12	4	1	1	
J.J. Loughlin	13	4	1	1	21
Alternate Director					
P.V. Cochrane (Appointed 24 July 2008) (Alternate for D.L. Guihot)	9	1			
M. Tucker (Alternate for P.R. Brown)	10				
Former Director					
Hon. J.K. McLay (Resigned 1 May 2009)	10		1	1	17
J.A. Perry (Resigned 31 March 2009) (Alternate for M.A. Gibson)					

Note:

1. No meeting of the Acquisition and Development Committee was convened during the year.

Villages and Care Facilities

30 June 2009



METLIFECARE CRESTWOOD
38 Golf Road, New Lynn, Waitakere
- 121 villas
- 14 serviced apartments
- 41 bed rest home

METLIFECARE HIGHLANDS
49 Aberfeldy Avenue, Highland Park, Manukau
- 129 villas
- 70 serviced apartments
- 25 bed rest home
- 16 bed hospital

METLIFECARE PAKURANGA
14 Edgewater Drive, Pakuranga, Manukau
- 69 villas
- 18 serviced apartments
- 60 bed rest home

METLIFECARE PINESONG
66 Avonleigh Road, Green Bay, Waitakere
- 100 villas
- 232 apartments
- 27 serviced apartments
- 10 care suites

METLIFECARE POWLEY
135 Connell Street, Blockhouse Bay, Auckland
- 46 villas
- 34 serviced apartments
- 18 bed rest home
- 27 bed hospital

METLIFECARE 7 SAINT VINCENT
7 St Vincent Avenue, Remuera, Auckland
- 81 apartments
- 12 serviced apartments
- 2 care suites

METLIFECARE TAKAPUNA
142 Shakespeare Road, Takapuna, North Shore
- 78 apartments

METLIFECARE BAYSWATER
60 Maranui Street, Mt Maunganui
- 159 villas
- 56 apartments
- 17 serviced apartments
- 6 care suites

METLIFECARE GREENWOOD PARK
10 Welcome Bay Road, Welcome Bay, Tauranga
- 143 villas
- 80 apartments
- 15 serviced apartments

METLIFECARE THE AVENUES
Cnr Tenth Avenue & Devonport Road, Tauranga
- 87 apartments

METLIFECARE SOMERVALE
33 Gloucester Road, Mt Maunganui
- 83 villas
- 11 serviced apartments
- 18 bed rest home
- 22 bed hospital

METLIFECARE OAKWOODS
357 Lower Queen Street, Richmond, Nelson
- 92 villas
- 49 serviced apartments
- 18 bed rest home
- 30 bed hospital

METLIFECARE WAIRARAPA
140 Chapel Street, Masterton
- 56 villas
- 25 serviced apartments
- 26 bed rest home
- 17 bed hospital

METLIFECARE MERIVALE
60 Browns Road, Merivale, Christchurch
- 29 villas
- 32 serviced apartments
- 47 bed rest home
- 33 bed hospital

METLIFECARE KAPITI
1 Henley Way, off Guildford Drive, Paraparaumu
- 225 villas

METLIFECARE COASTAL VILLAS
Spencer Russell Drive, off Rimu Road, Paraparaumu
- 131 villas
- 50 serviced apartments
- 7 bed rest home
- 23 bed hospital

METLIFECARE PALMERSTON NORTH
(50% owned)
Cnr Carroll & Fitchett Streets, Palmerston North
- 49 villas
- 50 serviced apartments
- 18 bed rest home
- 20 bed hospital

Financial Statements

For the Year Ended 30 June 2009

Directors' Report

For the Year Ended 30 June 2009

The Directors have pleasure in presenting the Annual Financial Statements of Metlifecare Limited, for the year ended 30 June 2009.

The annual Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on 27 August 2009.

Dr J.C.A. MacDonald	D.L. Guihot
Chairman	Director
27 August 2009	27 August 2009

Cash Flow Statements

For the Year Ended 30 June 2009

		GROUP		PARENT	
		30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	NOTE	**$000**	$000	**$000**	$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**47,269**	44,442	**-**	-
Payments to suppliers and employees		**(48,138)**	(49,391)	**(6,215)**	(5,583)
Net GST paid		**(1,579)**	(620)	**(566)**	(399)
Management fees and other income received		**-**	-	**7,699**	6,844
Interest received		**89**	93	**8,508**	10,965
Interest paid		**(11,389)**	(9,754)	**(11,239)**	(11,805)
Dividend received		**-**	-	**600**	500
Net cash (outflow)/inflow from operating activities	24	**(13,748)**	(15,230)	**(1,213)**	522
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**529**	-	**-**	-
Payments for property, plant and equipment		**(1,392)**	(2,314)	**(73)**	(142)
Advances (to)/from subsidiaries		**-**	-	**7,918**	(23,320)
Advances to jointly controlled entity		**(239)**	-	**(478)**	-
Payments for investment properties		**(47,186)**	(33,603)	**-**	-
Payments for acquired village assets	25	**-**	(44,271)	**-**	-
Increase in subsidiaries equity		**-**	-	**-**	(1,000)
Capitalised interest paid		**(4,285)**	(3,303)	**-**	-
Net cash (outflow)/inflow from investing activities		**(52,573)**	(83,491)	**7,367**	(24,462)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts from customers for refundable occupation right agreements		**74,268**	87,857	**-**	-
Payments to customers for refundable occupation right agreements		**(47,107)**	(48,997)	**-**	-
Proceeds from borrowings		**49,946**	81,571	**-**	45,000
Repayments of borrowings		**(41,825)**	-	**(37,500)**	-
Proceeds from issue of shares		**37,362**	-	**37,362**	-
Dividends paid to shareholders		**(6,996)**	(20,113)	**(6,996)**	(20,113)
Share of dividend paid by jointly controlled entity		**(600)**	(500)	**-**	-
Net cash inflow/(outflow) from financing activities		**65,048**	99,818	**(7,134)**	24,887
Net (decrease)/increase in cash and cash equivalents		**(1,273)**	1,097	**(980)**	947
Cash and cash equivalents at the beginning of the year		**1,146**	49	**183**	(764)
Jointly controlled entity adjustment (note 17)		**(81)**	-	**-**	-
Cash and cash equivalents at end of the year	11	**(208)**	1,146	**(797)**	183

The above cash flow statements should be read in conjunction with the accompanying notes. Refer to note 2(k) for more detail.

Balance Sheets

As at 30 June 2009

		GROUP		PARENT	
		30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	NOTE	**$000**	$000	**$000**	$000
ASSETS					
Cash and cash equivalents	11	**-**	1,146	**-**	183
Trade receivables and other assets	12	**27,738**	26,006	**437**	120
Amounts due from subsidiaries	29	**-**	-	**129,368**	133,858
Amount due from jointly controlled entity	29	**239**	-	**478**	-
Derivative financial instruments	13	**-**	531	**-**	531
Property, plant and equipment	14	**72,532**	98,478	**279**	391
Intangible assets	15	**3,991**	6,151	**217**	169
Investments in controlled entities	16	**-**	-	**32,705**	33,705
Investment properties	18	**1,128,768**	1,175,551	**-**	-
Total assets		**1,233,268**	1,307,863	**163,484**	168,957
LIABILITIES					
Bank overdraft	11,20	**208**	-	**797**	-
Trade and other payables	19	**13,300**	14,192	**1,813**	1,531
Amounts due to subsidiaries	29	**-**	-	**32,661**	22,094
Derivative financial instruments	13	**1,186**	-	**1,186**	-
Bank loans	20	**174,017**	161,871	**87,500**	125,000
Other loans	20	**-**	4,325	**-**	-
Finance leases	20	**404**	65	**76**	-
Deferred membership fees	18	**38,297**	34,983	**-**	-
Refundable occupation right agreements	21	**567,951**	561,325	**-**	-
Total liabilities		**795,363**	776,761	**124,033**	148,625
Net assets		**437,905**	531,102	**39,451**	20,332
EQUITY					
Contributed equity	22	**81,958**	44,596	**81,958**	44,596
Retained earnings/(deficits)		**355,947**	478,645	**(42,507)**	(24,264)
Minority interest		**-**	7,861	**-**	-
Total equity		**437,905**	531,102	**39,451**	20,332

The above balance sheets should be read in conjunction with the accompanying notes.

Income Statements

For the Year Ended 30 June 2009

		GROUP		PARENT	
		30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	NOTE	**$000**	$000	**$000**	$000
Operating revenue	6	**58,425**	58,199	**8,285**	7,350
Finance income	7	**133**	163	**8,509**	10,965
Total income		**58,558**	58,362	**16,794**	18,315
Change in fair value of investment properties	18	**(106,869)**	(44,406)	**-**	-
Employee costs		**(27,837)**	(26,480)	**(3,355)**	(3,589)
Depreciation	8	**(1,709)**	(1,677)	**(157)**	(169)
Amortisation	8	**(228)**	(180)	**(136)**	(180)
Impairment of goodwill	8, 15	**(2,468)**	-	**-**	-
Finance costs	9	**(13,180)**	(9,954)	**(13,229)**	(11,997)
Other expenses	8	**(21,969)**	(29,705)	**(11,164)**	(2,721)
Total expenses	8	**(174,260)**	(112,402)	**(28,041)**	(18,656)
Loss before income tax		**(115,702)**	(54,040)	**(11,247)**	(341)
Income tax expense	10	**-**	-	**-**	-
Loss for the year		**(115,702)**	(54,040)	**(11,247)**	(341)
Attributable to:					
Shareholders of the parent company		**(115,702)**	(53,070)	**(11,247)**	(341)
Minority interest		**-**	(970)	**-**	-
		(115,702)	(54,040)	**(11,247)**	(341)

		GROUP		PARENT	
		30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
Loss per share for loss attributable to the equity holders of the Company during the year					
- Basic (cents)	26	**(120.3)**	(60.7)	**(11.7)**	(0.4)
- Diluted (cents)	26	**(120.3)**	(60.7)	**(11.7)**	(0.4)

The above income statements should be read in conjunction with the accompanying notes.

Statements of Movements in Equity

For the Year Ended 30 June 2009

GROUP	NOTE	Contributed Equity $000	Retained Earnings $000	Minority Interest $000	Total Equity $000
Balance at 1 July 2007		**44,596**	**551,828**	**9,331**	**605,755**
Loss for the period		-	(53,070)	(970)	(54,040)
Total recognised income and expenses for the period		-	(53,070)	(970)	(54,040)
Dividends paid	23	-	(20,113)	(500)	(20,613)
Balance at 30 June 2008		**44,596**	**478,645**	**7,861**	**531,102**
Loss for the period		-	(115,702)	-	(115,702)
Total recognised income and expenses for the period		-	(115,702)	-	(115,702)
Jointly controlled entity adjustment (note 17)		-	-	(7,861)	(7,861)
Dividends paid	23	-	(6,996)	-	(6,996)
Net proceeds from issue of shares	22	37,362	-	-	37,362
Balance at 30 June 2009		**81,958**	**355,947**	**-**	**437,905**

PARENT	NOTE	Contributed Equity $000	Retained Earnings / (Deficit) $000	Minority Interest $000	Total Equity $000
Balance at 1 July 2007		**44,596**	**(3,810)**	**-**	**40,786**
Loss for the period		-	(341)	-	(341)
Total recognised income and expenses for the period		-	(341)	-	(341)
Dividends paid	23	-	(20,113)	-	(20,113)
Balance at 30 June 2008		**44,596**	**(24,264)**	**-**	**20,332**
Loss for the period		-	(11,247)	-	(11,247)
Total recognised income and expenses for the period		-	(11,247)	-	(11,247)
Dividends paid	23	-	(6,996)	-	(6,996)
Net proceeds from issue of shares	22	37,362	-	-	37,362
Balance at 30 June 2009		**81,958**	**(42,507)**	**-**	**39,451**

The above statements of movements in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Year Ended 30 June 2009

1. GENERAL INFORMATION

Metlifecare Limited ("the Company" or "the Parent") and its subsidiaries (together "the Group") own and operate retirement villages in New Zealand. Metlifecare Limited is a limited liability company, incorporated and domiciled in New Zealand. The address of its registered office is Level 2, Metlifecare House, 302 Great South Road, Greenlane, Auckland.

These financial statements have been approved for issue by the Board of Directors on 27 August 2009.

The Group's owners do not have the power to amend these financial statements once issued. In approving these financial statements for issue the Directors have considered and note the Group has complied with all financial covenants and events of review in the year to 30 June 2009 and up to the date of this report. The key financial covenants are set out in note 20. Based on the Group's forecasts for the financial year ending 30 June 2010, the Directors have concluded that there were reasonable grounds to believe that the Group will continue to comply with all covenants and events of review and be able to refinance or seek replacement funding prior to the maturity of the Cash Advance And Development Facility on 30 June 2010. The 2010 forecasts are by their very nature uncertain and based on best estimate assumptions of events and transactions that may or may not occur as expected. In forming their view, Directors have considered the following:

- The reasonableness of the key assumptions underpinning the 2010 forecasts;
- The Group's performance leading into the forecast period and up to the date of this report; and
- The prevailing economic environment including relevant market indicators such as increases in nationwide house sales and positive net migration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Entities reporting

The financial statements are for Metlifecare Limited ("the Company" or "the Parent") and the consolidated group comprising Metlifecare Limited and its subsidiaries (together "the Group").

The Group is designated as a profit-oriented entity for financial reporting purposes.

Statutory base

Metlifecare Limited is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is also listed on the New Zealand Stock Exchange (NZX). The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards (IFRS).

The consolidated balance sheet for the Group and Company is presented on the liquidity basis where the assets and liabilities are presented in the order of their liquidity.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the

Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Restatement of comparatives

Comparative information on amounts due to and from subsidiaries (note 29) and financial instruments by category (note 3) have been reclassified in order to conform with the presentation of the current period. Also refer to note 2(k) regarding restatement of cash flow statements.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') which in all circumstances is New Zealand dollars. The financial statements are presented in New Zealand dollars, which is the presentation currency of the Group.

Transactions and balances

Foreign currency transactions are translated into the functional currency of each Group entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement of each Group entity.

(c) Segment reporting

An operating segment is a component of an entity that engages in business activities which earns revenue and incurs expenses and where the chief operating decision maker reviews the operating results on a regular basis and makes decisions on resource allocation.

(d) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Metlifecare Limited as at 30 June 2009 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(ii) Jointly controlled entities

The interest in a jointly controlled entity is accounted for in the consolidated financial statements using proportionate consolidation. The Group recognises its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The consolidated income statement of the Group includes its share of the income and expenses of jointly controlled entities. All balances and transactions establishing the jointly controlled entity and transactions with the joint venture and resulting unrealised profits or losses are eliminated to the extent of the Group's interest, unless losses are evidence of impairment.

The purchase method of accounting is used to account for the acquisition of subsidiaries and jointly controlled entities by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary or jointly controlled entity acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

(e) Revenue recognition

Revenue comprises the fair value of services provided, net of goods and services tax. Revenue is recognised as follows:

Membership fee
A membership fee is payable by the residents of the Group's independent living units and serviced apartments for the right to share in the use and enjoyment of common facilities. The membership fee is calculated as a percentage of the occupation right agreement amount and accrues monthly, for a set period, based on the terms of the individual contracts. The current disclosure document and occupation right agreement accrues membership fee at the rate of 10% per annum for a maximum of three years.

The membership fee is recognised in the income statement over the average expected length of stay of residents, which is 8 years for independent living units and 4 years for serviced apartments.

The membership fee is payable by the resident at the time of repayment (by the Group to the resident) of the refundable occupation right agreement amount. The Group has the right of set-off of the refundable occupation right agreement amount and the membership fee receivable.

At period end the membership fee receivable that has yet to be recognised in the income statement as membership fee revenue is held on the balance sheet as a liability (deferred membership fee).

Rest home, hospital and service fees and village fees
Rest home, hospital and service fees and village fees are recognised on an accruals basis.

Interest income
Interest income is recognised on an accrual basis using the effective interest method.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and changes to available tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted at balance date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and available tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. The associated current or deferred tax balances are recognised in these accounts as usual.

(g) Goods and Services Tax (GST)

The income statement and cash flow statement have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(i) Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(k) Cash flow statement

The following are definitions of the terms used in the cash flow statement:

- Cash comprises cash at bank, cash on hand and overdraft facilities;
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, investment properties and other investments. Investments can include securities not falling within the definition of cash;
- Financing activities are those activities which result in changes in the size and composition of the capital structure of the Company, including cash flows from refundable occupation right agreements; and
- Operating activities include all transactions and other events that are not investing or financing activities.

In the prior year cash flows from refundable occupation right agreements were included in operating cash flows. These cash flows are now considered to be more appropriately presented as cash flows from financing activities in the cash flows statement as it better reflects the nature of these cash flows. On this basis, the prior year cash flows statement has been restated to reflect this adjustment. Under the new classification, the prior year Group operating cash flows is restated to $(15.2m) (originally $23.6m) and cash flows from Group financing activities is restated to $99.8m (originally $61.0m) to be consistent with the presentation for the year ended 30 June 2009.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against an allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the income statement.

(m) Occupation right agreement receivables

Occupation right agreement receivables are recognised once an occupation right agreement becomes unconditional. The receivable is recorded at its nominal value and collection terms are based on the specific terms of individual occupation right agreements. Resident possession of either an independent living unit or serviced apartment occurs only after settlement.

(n) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. Changes in the fair value of derivative instruments are recognised immediately in the income statement.

The only derivatives the Company and Group are party to relate to interest rate swaps. The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Any accrued interest in respect of the derivative instruments is recognised separately within 'trade and other payables' and not included in the fair value of the derivative instrument.

(o) Other financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet. Loans and receivables are initially recognised at fair value on trade date plus transaction costs. They are subsequently carried at amortised cost using the effective interest method. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The nominal value of other financial assets and liabilities approximate their fair values unless otherwise disclosed.

The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of loans and receivables and financial liabilities is determined using the discounted cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of investment properties is determined by an independent external valuer (refer note 2(s) for more detail).

(q) Property, plant and equipment

Property, plant and equipment is stated at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on a straight line basis on property, plant and equipment, other than freehold land, at rates calculated to allocate the assets' cost or valuation, less estimated residual value, over their estimated useful lives, commencing from the time the assets are held ready for use, as follows:

- Freehold buildings 25 - 50 years
- Plant, furniture and equipment 3 - 10 years
- Motor vehicles 5 - 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(r) Intangible assets

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years). Costs associated with maintaining computer software programs are recognised as an expense when incurred.

(s) Investment properties

Investment properties include freehold land and buildings, comprising of: independent living units, serviced apartments and common facilities, provided for use by residents under the terms of the occupation right agreement. Investment properties are held for long-term yields, and are not occupied by the Group.

The fair value of investment properties is determined by a qualified independent external valuer using a discounted cash flow model. As required by NZ IAS 40 *Investment Properties*, in order to avoid double counting of assets and liabilities, the fair value as determined by the independent valuer is adjusted for assets and liabilities already recognised in the balance sheet which are also reflected in the discounted cash flow model. These adjustments to derive the carrying value of investment properties are disclosed in note 18.

The movement in the carrying value of investment properties, net of additions to investment properties is recognised as a fair value movement in the income statement.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

(w) Refundable occupation right agreements

Occupation right agreements confer the right of occupancy of the unit or serviced apartment until such time as the Group repurchases the occupation right. Amounts payable under occupation right agreement repurchase arrangements, which are firm monetary obligations, are shown in the balance sheet as liabilities.

At Metlifecare Greenwood Park, Metlifecare The Avenues, Metlifecare Powley and Metlifecare Kapiti certain occupation right agreements include the right to a proportion of the capital gain arising on resale. The amount of the capital gain relating to these agreements is recognised by way of a liability on the balance sheet.

(x) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(y) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

(z) Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

(aa) Dividends

Provision is made for the amount of any dividend declared on or before the balance date but not distributed at balance date.

(bb) Investments in subsidiaries and jointly controlled entities

Investments in subsidiaries and jointly controlled entities in the Parent's financial statements are stated at cost less impairment.

(cc) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods which the Group has not early adopted:

NZ IAS 23 (Amendment), Borrowing Costs (effective for annual period beginning on or after 1 January 2009). NZ IAS 23 will not have a material impact as the Group already elects to capitalise borrowing costs for all qualifying assets.

NZ IAS 1 (Amendment), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The revised NZ IAS 1 requires an entity to present all owner changes in equity, separately from non-owner changes in equity, in a statement of changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This amendment is not expected to have a material impact on the financial statements.

NZ IFRS 7 (Amendment) Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2009). The amended NZ IFRS 7 introduces a three level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. This amendment is not expected to have a material impact on the financial statements.

Annual Improvements Amendment to NZ IAS 40, Investment Property, paragraph 8 (effective for annual periods beginning on or after 1 January 2009). On adoption the Group will classify property acquired for the purpose of development as investment property under NZ IAS 40 Investment Property, rather than as property, plant and equipment under NZ IAS 16. Classification as investment property will be made on acquisition rather than at the point development or construction is complete. The change in fair value of such properties will be recognised periodically in the income statement from the date of acquisition over the construction or development phase. Where the property's fair value cannot be reliably measured, the Group will continue to measure it at cost until either its fair value can be reliably measured or the construction is complete (whichever is earliest). Currently the impact of this amendment cannot be reliably measured as the Group has not yet engaged independent valuers to value investment property under development.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swap contracts to economically manage certain interest rate risk exposures. Derivatives are exclusively used for economic hedging purposes (while hedge accounting is not applied as the Group does not meet the hedge accounting criteria), and not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange to determine market risk and aging analysis for credit risk.

Risk management is carried out centrally by the head office under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments.

The Group and the Parent entity hold the following financial instrument categories:

As at 30 June 2009	GROUP			PARENT		
	Loans and receivables	Assets at fair value through profit and loss	Total	Loans and receivables	Assets at fair value through profit and loss	Total
	$000	$000	$000	$000	$000	$000
Financial Assets						
Trade and other receivables	27,273	-	27,273	15	-	15
Amounts due from subsidiaries	-	-	-	129,368	-	129,368
Amounts due from jointly controlled entity	239	-	239	478	-	478
	27,512	-	27,512	129,861	-	129,861
	Other financial liabilities at amortised costs	Liabilities at fair value through profit and loss	Total	Other financial liabilities at amortised costs	Liabilities at fair value through profit and loss	Total
	$000	$000	$000	$000	$000	$000
Financial liabilities						
Bank overdraft	208	-	208	797	-	797
Trade and other payables	10,640	-	10,640	1,421	-	1,421
Amounts due to subsidiaries	-	-	-	32,661	-	32,661
Derivative financial instruments	-	1,186	1,186	-	1,186	1,186
Bank loans	174,017	-	174,017	87,500	-	87,500
Finance leases	404	-	404	76	-	76
Refundable occupation right agreements	567,951	-	567,951	-	-	-
	753,220	1,186	754,406	122,455	1,186	123,641

As at 30 June 2008	GROUP			PARENT		
	Loans and receivables	Assets at fair value through profit and loss	Total	Loans and receivables	Assets at fair value through profit and loss	Total
	$000	$000	$000	$000	$000	$000
Financial Assets						
Cash and cash equivalents	1,146	-	1,146	183	-	183
Trade and other receivables	25,866	-	25,866	22	-	22
Amounts due from subsidiaries	-	-	-	133,858	-	133,858
Derivative financial instruments	-	531	531	-	531	531
	27,012	531	27,543	134,063	531	134,594

	Other financial liabilities at amortised costs	Liabilities at fair value through profit and loss	Total	Other financial liabilities at amortised costs	Liabilities at fair value through profit and loss	Total
	$000	$000	$000	$000	$000	$000
Financial liabilities						
Trade and other payables	11,567	-	11,567	1,155	-	1,155
Amounts due to subsidiaries	-	-	-	22,094	-	22,094
Bank loans	161,871	-	161,871	125,000	-	125,000
Other loans	4,325	-	4,325	-	-	-
Finance leases	65	-	65	-	-	-
Refundable occupation right agreements	561,325	-	561,325	-	-	-
	739,153	-	739,153	148,249	-	148,249

(a) Market risk

(i) Foreign exchange risk

The Group's operating activities are solely in New Zealand, therefore, its exposure to foreign exchange risk arising from currency exposures is limited. From time to time when foreign currency denominated receivables or payables arise they are paid using spot rates of the foreign currency and no derivative instruments are used to limit the exposure. The Board considers this position to be reasonable given the limited foreign currency exposure.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

It is the Group's policy to economically manage the cash flow interest rate risk through the use of interest rate swaps. The use of interest rate swaps exposes the Group to fair value interest rate risk.

The cash flow and fair value risks are both managed through the use of the following policy limits:

Interest Rate Management Policy

Forecast Debt Timeframes	Minimum at CEO Discretion	Preferred Range	Maximum at CEO Discretion
0 - 1 year	30%	55 - 65%	80%
1 - 3 years	10%	35 - 45%	60%
3 - 5 years	0%	15 - 25%	40%
5+ years	0%	0%	20%

The position in this range is managed depending on the timeframe, underlying interest rate exposure and the economic conditions.

The interest rate applicable to the bank overdraft is variable. The interest rates applicable to the bank loans are variable and are reviewed at each rollover. The Group seeks to obtain the most competitive market rate of interest at all times.

Metlifecare Limited has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its floating rate long term debt.

The following table shows the sensitivity of the Group and Company's after tax profit and equity to a movement in the year end interest rates of +1% / -0.5% (2008: +1% / -1%). The sensitivity is based on reasonably possible changes over a financial year based on current announcements and market expectations.

GROUP	Carrying amount	+1% Profit after tax and Equity	-0.5% Profit after tax and Equity
	$000	**$000**	**$000**
30 June 2009			
Financial Assets			
Trade and other receivables	**27,273**	**-**	**-**
Amount due from jointly controlled entity	**239**	**2**	**(1)**
Financial Liabilities			
Bank overdraft	**208**	**(2)**	**1**
Trade and other payables	**10,640**	**-**	**-**
Derivative financial instruments	**1,186**	**193**	**(97)**
Bank loans *	**174,017**	**(1,452)**	**726**
Finance leases	**404**	**-**	**-**
Refundable occupation right agreements	**567,951**	**-**	**-**
		(1,261)	**630**
	Carrying amount	**+1% Profit after tax and Equity**	**-1% Profit after tax and Equity**
	$000	**$000**	**$000**
30 June 2008			
Financial Assets			
Cash and cash equivalents	1,146	-	-
Trade and other receivables	25,866	-	-
Derivative financial instruments	531	548	(527)
Financial Liabilities			
Trade and other payables	11,567	-	-
Bank loans*	161,871	(1,250)	1,250
Other loans	4,325	-	-
Finance leases	65	-	-
Refundable occupation right agreements	561,325	-	-
		(702)	723

* A portion of these loans are drawn down for specific developments and therefore interest on these loans is capitalised.

PARENT	Carrying amount	+1% Profit after tax and Equity	-0.5% Profit after tax and Equity
	$000	$000	$000
30 June 2009			
Financial Assets			
Trade and other receivables	**15**	**-**	**-**
Amounts due from subsidiaries	**129,368**	**1,294**	**(647)**
Amount due from jointly controlled entity	**478**	**5**	**(3)**
Financial Liabilities			
Bank overdraft	**797**	**(8)**	**4**
Trade and other payables	**1,421**	**-**	**-**
Amounts due to subsidiaries	**32,661**	**(327)**	**164**
Derivative financial instruments	**1,186**	**193**	**(97)**
Bank loans	**87,500**	**(875)**	**438**
Finance Leases	**76**	**-**	**-**
		277	**(138)**
	Carrying amount	**+1% Profit after tax and Equity**	**-1% Profit after tax and Equity**
30 June 2008	**$000**	**$000**	**$000**
Financial Assets			
Cash and cash equivalents	183	-	-
Trade and other receivables	22	-	-
Amounts due from subsidiaries	133,858	1,339	(1,339)
Derivative financial instruments	531	548	(527)
Financial Liabilities			
Trade and other payables	1,155	-	-
Amounts due to subsidiaries	22,094	(221)	221
Bank loans	125,000	(1,250)	1,250
		416	(395)

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group policy is to require a security deposit from new residents before they are granted the right to occupy a unit. Therefore, the Group does not face significant credit risk. The values attached to each financial asset in the Balance Sheet represent the maximum credit risk. Except as disclosed in the Financial Statements, no collateral is held with respect to any financial assets. The Group enters into financial instruments with various counterparties in accordance with established limits as to credit rating and dollar limits and does not require collateral or other security to support the financial instruments.

Refer to the trade and other receivables note (note 12) for more information on impairment of trade receivables.

The Group receivables represent distinct trading relationships with each of the residents. There are no concentrations of credit risk with residents. The only large receivables relate to the residential care subsidies which are received in aggregate via the various District Health Boards and Work and Income New Zealand. Neither of these entities has demonstrated or is considered a credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The tables below analyse the Group's and the Parent entity's financial liabilities into relevant maturity groupings. The Group's derivative interest rate swaps are net settled. These derivatives are categorised into relevant maturity groupings based on contractual maturity dates. The amounts disclosed in the tables below are the contractual undiscounted cash flows inclusive of interest payments.

GROUP	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	$000	$000	$000	$000	$000
30 June 2009					
Trade and other payables	**10,640**	**-**	**-**	**-**	**-**
Derivative financial instruments	**77**	**994**	**115**	**-**	**-**
Bank loans	**174,208**	**-**	**-**	**-**	**-**
Finance leases	**65**	**96**	**120**	**209**	**-**
Refundable occupation right agreements	**567,951**	**-**	**-**	**-**	**-**
30 June 2008					
Trade and other payables	11,567	-	-	-	-
Bank loans	163,956	-	-	-	-
Other loans	-	4,465	-	-	-
Finance leases	55	10	-	-	-
Refundable occupation right agreements	561,325	-	-	-	-

PARENT	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	$000	$000	$000	$000	$000
30 June 2009					
Trade and other payables	**1,421**	**-**	**-**	**-**	**-**
Amounts due to subsidiaries	**653**	**1,960**	**32,661**	**-**	**-**
Derivative financial instruments	**77**	**994**	**115**	**-**	**-**
Bank loans	**87,690**	**-**	**-**	**-**	**-**
Finance leases	**6**	**19**	**25**	**44**	**-**
30 June 2008					
Trade and other payables	1,155	-	-	-	-
Amounts due to subsidiaries	442	1,326	22,094	-	-
Bank loans	126,937	-	-	-	-

The bank loans are drawn down from the committed bank facilities for fixed periods (typically 1 to 3 months). At the conclusion of the draw down period the loans are rolled over for a further fixed period. The expected maturity of the committed bank facilities is shown in note 20.

The refundable occupation right agreement is repayable to the resident on vacation of the unit or serviced apartment or on termination of the occupation right agreement (subject to a new occupation right agreement for the unit or serviced apartment being issued to an incoming resident). The expected maturity of the refundable occupation right agreement liability is shown in note 21.

(d) Capital risk management

The Group monitors capital on the basis of the gearing ratio. Group capital consists of share capital and retained earnings. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total external borrowings (including ‘borrowings’ and ‘trade and other payables’ as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the balance sheet plus net debt.

The bank loans are subject to bank covenants. The covenants require the Group to maintain agreed ratios of earnings to interest expense, and equity to net tangible assets. There have been no covenant breaches during the year. Prior to the renegotiation of the new facility the December 2008 covenant test was waived by the bank.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Current market conditions
The global market for many types of real estate has been severely affected by recent volatility in global finance markets. The lower levels of liquidity and volatility in the banking sector have translated into a challenging operating environment and the number of real estate transactions has significantly reduced, although there were indicators of improvement in trading conditions in the fourth quarter.

The ongoing uncertainty in global credit and equity markets may negatively impact asset values in the future, however, these financial statements reflect the fair value as at the reporting date.

Fair value of investment properties
The fair value of investment properties has been determined by an independent qualified valuer using assumptions relating to future cash-flows arising from the investment properties and assumptions relating to future growth rates of retirement village occupation right agreement amounts, the average duration of residency of occupants and appropriate discount rates. Refer to note 18 for key assumptions made. The fair value of investment properties is subjective and changes to the assumptions have a significant impact on profit and the fair value.

Impairment testing of goodwill
On an annual basis the recoverable amount of goodwill is determined on a ‘fair value less cost to sell’ basis. These calculations for each cash generating unit use assumptions relating to future cash flows as detailed in note 15. Changes in these subjective assumptions or cash flows have a significant impact on these value in use calculations and consequently the recoverable amount of goodwill.

Revenue recognition
Membership fees are recognised as revenue on a straight-line basis. This requires management to estimate the period of occupancy for units and serviced apartments. Management estimates are based on past experience of occupancy periods and are detailed in Note 2 (e).

(b) Critical judgements in applying the entity’s accounting policies

Income taxes
Deferred tax assets and liabilities have been offset in accordance with NZ IAS 12 Income Taxes. The deferred tax has been calculated on the assumption that there will be no change in tax law or circumstances of the Group that will result in tax losses not being available to the Group in the future.

5. SEGMENT INFORMATION

The Group operates in one operating segment. The chief operating decision maker reviews the operating results on a regular basis and makes decisions on resource allocation based on the review of Group results. The nature of the products and services provided and the type and class of customers have similar characteristics within the operating segment.

6. REVENUE

	GROUP		PARENT	
	30 June 2009 $000	30 June 2008 $000	**30 June 2009 $000**	30 June 2008 $000
Membership fees	**17,839**	18,582	**-**	-
Rest home, hospital and service fees and village fees	**39,828**	38,710	**-**	-
Other	**758**	907	**8,285**	7,350
	58,425	58,199	**8,285**	7,350

7. FINANCE INCOME

	GROUP		PARENT	
	30 June 2009 $000	30 June 2008 $000	**30 June 2009 $000**	30 June 2008 $000
Interest on advances to subsidiaries and jointly controlled entity (note 29)	**-**	-	**8,505**	10,950
Other interest income	**133**	163	**4**	15
	133	163	**8,509**	10,965

8. EXPENSES

	GROUP		PARENT	
	30 June 2009 $000	30 June 2008 $000	**30 June 2009 $000**	30 June 2008 $000
Loss before income tax includes the following specific expenses:				
Depreciation				
Plant, furniture and equipment	**1,030**	1,063	**157**	169
Motor vehicles	**81**	91	**-**	-
Freehold buildings	**598**	523	**-**	-
Total depreciation	**1,709**	1,677	**157**	169
Amortisation of software	**228**	180	**136**	180
Impairment of goodwill	**2,468**	-	**-**	-
Provision for investment in controlled entity	**-**	-	**1,000**	-
Provision for advance to controlled entity	**-**	-	**7,139**	-
Loss on disposal of property, plant and equipment	**99**	5	**-**	7
Rental and operating lease expenses	**234**	245	**234**	245
Repairs and maintenance on plant, furniture and equipment	**560**	853	**19**	22
Repairs and maintenance on investment properties	**1,758**	3,683	**-**	-
Directors' fees				
– Parent	**157**	141	**157**	141
– Jointly controlled entity	**-**	13	**-**	-
Fees paid to Auditors				
– Audit	**193**	201	**27**	48
– Taxation	**80**	25	**80**	25
– Other assurance services	**4**	35	**4**	35
Donations	**16**	21	**16**	21

Other expenses are an accumulation of a number of various operational expenses, none of which are significant in themselves.

Fees paid to auditors by the Group for other assurance services were $4,000 (30 June 2008: $35,000 relating to IFRS conversion). For the year ended 30 June 2009, $49,000 was also paid to the auditors, for audit related services associated with the capital raising detailed in note 22. These costs have been offset against the proceeds from the issue of shares.

9. FINANCE COSTS

	GROUP		PARENT	
	30 June 2009 $000	30 June 2008 $000	**30 June 2009 $000**	30 June 2008 $000
Change in the fair value of derivatives	**1,717**	691	**1,717**	691
Interest expense	**13,616**	11,930	**9,380**	10,670
Facility costs	**2,132**	636	**2,132**	636
Less Interest expense capitalised	**(4,285)**	(3,303)	**-**	-
	13,180	9,954	**13,229**	11,997

10. INCOME TAX EXPENSE

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
(a) Income tax expense				
Current tax	**-**	-	**-**	-
Deferred tax	**-**	-	**-**	-
Under/over provision in prior year	**-**	-	**-**	-
	-	-	**-**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss before income tax expense	**(115,702)**	(54,040)	**(11,247)**	(341)
Tax at the New Zealand tax rate of 30% (2008: 33%)	**(34,711)**	(17,833)	**(3,374)**	(113)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Temporary differences not previously brought to account	**(3,433)**	(1,531)	**86**	29
Non-recognised temporary differences	**31,746**	13,650	**2,454**	35
Repurchase obligations deductible	**(1,316)**	(1,081)	**-**	-
Taxation losses generated during the period	**7,714**	6,795	**834**	49
Income tax expense	**-**	-	**-**	-

The weighted average applicable tax rate was 30% (2008: 33%)

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
(c) Unrecognised deferred tax asset:				
Temporary differences arising from normal operations	**43,983**	37,831	**863**	420
Unused tax losses	**45,919**	20,386	**3,380**	148
Investment properties	**176,805**	110,162	**-**	-
Total temporary differences	**266,707**	168,379	**4,243**	568
Unrecognised deferred tax balance @ 30%	**80,012**	50,514	**1,273**	170

No income tax was paid or payable during the year. The Company and Group have not recognised deferred tax assets on temporary differences relating to investment properties and tax losses carried forward because, due to the Company's tax position, the realisation of the related tax benefit through future taxable profits is not considered to be probable.

(d) Imputation credits

The imputation credit balance for the Company and Parent at 30 June 2009 is nil (2008: Nil). No tax payments were made during the year and dividends paid were unimputed.

11. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	30 June 2009 $000	30 June 2008 $000	**30 June 2009 $000**	30 June 2008 $000
Cash at bank and in hand	**-**	1,146	**-**	183
Cash and cash equivalents per balance sheet	**-**	1,146	**-**	183
Less bank overdraft	**(208)**	-	**(797)**	-
Cash and cash equivalents per cash flow statement	**(208)**	1,146	**(797)**	183

12. TRADE RECEIVABLES AND OTHER ASSETS

	GROUP		PARENT	
	30 June 2009 $000	30 June 2008 $000	**30 June 2009 $000**	30 June 2008 $000
Trade receivables	**3,390**	3,711	**-**	-
Provision for doubtful receivables	**(18)**	-	**-**	-
	3,372	3,711	**-**	-
Occupation right agreement receivables	**22,847**	20,621	**-**	-
Prepayments	**465**	140	**422**	98
Other receivables	**1,054**	1,534	**15**	22
Total receivables and other assets	**27,738**	26,006	**437**	120
Impairment provision				
Provision for doubtful debts at 1 July	**-**	-	**-**	-
Increase in provision	**(18)**	-	**-**	-
Reversal of provision not required	**-**	-	**-**	-
Bad debts written off	**-**	-	**-**	-
Provision for doubtful debts at 30 June	**(18)**	-	**-**	-
Past due and impaired receivables				
Impaired receivables				
1 to 3 months	**-**	-	**-**	-
Over 3 months	**18**	-	**-**	-
	18	-	**-**	-
Past due but not impaired receivables				
1 to 3 months	**161**	143	**-**	-
Over 3 months	**39**	74	**-**	-
	200	217	**-**	-

All trade and other receivables are expected to mature within 12 months of balance date.

The carrying value of trade and other receivables reflects the fair value. There is no collateral held and maximum exposure equals carrying value.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Interest rate swaps				
Assets	**-**	531	**-**	531
Liabilities	**(1,186)**	-	**(1,186)**	-
Expected maturity				
Within 12 months	**(1,071)**	283	**(1,071)**	283
Later than 12 months	**(115)**	248	**(115)**	248
	(1,186)	531	**(1,186)**	531

At balance date the Group held 5 (2008: 9) interest rate swap agreements, for a total notional amount of $34m (2008: $65m). The effective interest rate of the swaps range from 6.26% - 7.82% (2008: 6.26% - 8.69%) and mature between July 2009 – August 2010 (2008: March 2009 – August 2010).

14. PROPERTY, PLANT AND EQUIPMENT

GROUP	Work in progress	Freehold land	Freehold buildings	Plant furniture and equipment	Motor vehicles	Total
	$000	$000	$000	$000	$000	$000
At 1 July 2007						
Cost	34,200	13,909	19,395	17,619	1,121	86,244
Accumulated depreciation	-	-	(2,603)	(14,212)	(898)	(17,713)
Net book value	34,200	13,909	16,792	3,407	223	68,531
Year ended 30 June 2008						
Opening net book amount	34,200	13,909	16,792	3,407	223	68,531
Additions	36,673	3,674	7,226	1,883	106	49,562
Depreciation	-	-	(523)	(1,063)	(91)	(1,677)
Disposals	-	-	-	(8)	-	(8)
Transfer to investment properties (note 18)	(17,930)	-	-	-	-	(17,930)
Closing net book amount	52,943	17,583	23,495	4,219	238	98,478
At 1 July 2008						
Cost	52,943	17,583	26,621	19,353	1,227	117,727
Accumulated depreciation	-	-	(3,126)	(15,134)	(989)	(19,249)
Net book value	52,943	17,583	23,495	4,219	238	98,478
Year ended 30 June 2009						
Opening net book amount	52,943	17,583	23,495	4,219	238	98,478
Additions	51,547	37	41	965	72	52,662
Depreciation	-	-	(598)	(1,030)	(81)	(1,709)
Disposals	(692)	-	-	(8)	(2)	(702)
Transfer to investment properties (note 18)	(64,008)	(8,067)	(2,796)	-	-	(74,871)
Jointly controlled entity adjustment	-	(225)	(979)	(103)	(19)	(1,326)
Transfer to work in progress	2,062	(2,062)	-	-	-	-
Closing net book amount	41,852	7,266	19,163	4,043	208	72,532
At 30 June 2009						
Cost	41,852	7,266	22,598	19,762	1,254	92,732
Accumulated depreciation	-	-	(3,435)	(15,719)	(1,046)	(20,200)
Net book value	41,852	7,266	19,163	4,043	208	72,532

Borrowing costs of $4.3m (2008: $3.3m) arising on financing specifically entered into for the construction of investment properties (WIP) were capitalised during the year. Capitalisation rates of 4.33% - 8.99% (2008: 8.43% - 9.40%) were used, representing the borrowing costs of the loans used to finance the projects.

PARENT

	Plant furniture and equipment $000
At 1 July 2007	
Cost	1,571
Accumulated depreciation	(1,089)
Net book value	482
Year ended 30 June 2008	
Opening net book amount	482
Additions	85
Depreciation	(169)
Disposals	(7)
Closing net book amount	391
At 1 July 2008	
Cost	1,543
Accumulated depreciation	(1,152)
Net book value	391
Year ended 30 June 2009	
Opening net book amount	391
Additions	49
Depreciation	(157)
Disposals	(4)
Closing net book amount	279
At 30 June 2009	
Cost	1,585
Accumulated depreciation	(1,306)
Net book value	279

Carrying value of assets held under finance lease:

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Motor vehicles				
Cost	**177**	177	**-**	-
Accumulated depreciation	**(177)**	(171)	**-**	-
Net book value	**-**	6	**-**	-

15. INTANGIBLE ASSETS

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Goodwill				
Opening balance	**5,982**	-	**-**	-
Additions (note 25)	**-**	5,982	**-**	-
Impairment charge	**(2,468)**	-	**-**	-
Closing balance	**3,514**	5,982	**-**	-
Computer Software				
Opening balance	**169**	290	**169**	290
Additions	**536**	59	**184**	59
Amortisation charge	**(228)**	(180)	**(136)**	(180)
Closing balance	**477**	169	**217**	169
Total intangible assets	**3,991**	6,151	**217**	169

Goodwill impairment test

The goodwill arose in the acquisition of the business of Merivale Retirement Village (the cash generating unit) by Metlifecare Merivale Limited. The recoverable amount of the goodwill is assessed on a ‘fair value less cost to sell’ basis for each cash generating unit the intangible relates to. These calculations use cash flow projections based on management forecasts to the maturity of the village. Cash flows beyond this are extrapolated using the growth rates of 6.0% (2008: 6.5%). The discount rate used is 15.0% (2008: between 10.5% and 14.0%). The impairment charge recognised above is the difference between the carrying value and the recoverable amount of the goodwill on the acquisition of Merivale Retirement Village.

Carrying value of intangible assets held under finance lease:

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Computer Software				
Cost	**414**	-	**92**	-
Accumulated amortisation	**(80)**	-	**(17)**	-
Net book value	**334**	-	**75**	-

16. INVESTMENT IN CONTROLLED ENTITIES

Name of entity	Class of shares	Equity holding 30 June 2009	Equity holding 30 June 2008
Metlifecare Bayswater Limited	Ordinary	**100%**	100%
Metlifecare Coastal Villas Limited	Ordinary	**100%**	100%
Metlifecare Crestwood Limited	Ordinary	**100%**	100%
Metlifecare Greenwood Park Limited	Ordinary	**100%**	100%
Metlifecare Highlands Limited	Ordinary	**100%**	100%
Metlifecare Kapiti Limited	Ordinary	**100%**	100%
Metlifecare Merivale Limited	Ordinary	**100%**	100%
Metlifecare Oakwoods Limited	Ordinary	**100%**	100%
Metlifecare Pakuranga Limited	Ordinary	**100%**	100%
Metlifecare Pinesong Limited	Ordinary	**100%**	100%
Metlifecare Powley Limited	Ordinary	**100%**	100%
Metlifecare 7 Saint Vincent Limited	Ordinary	**100%**	100%
Metlifecare Somervale Limited	Ordinary	**100%**	100%
Metlifecare Takapuna Limited	Ordinary	**100%**	100%
Metlifecare The Avenues Limited	Ordinary	**100%**	100%
Metlifecare Wairarapa Limited	Ordinary	**100%**	100%
Dormant entities			
Metlifecare Epsom Limited	Ordinary	**100%**	100%
Bay of Plenty Retirement Village Limited	Ordinary	**100%**	100%
Provider Care NZ Limited	Ordinary	**100%**	100%
Third Age Care Limited	Ordinary	**100%**	100%

All subsidiaries, except the dormant entities, provide accommodation and care for the aged through the ownership and management of retirement villages. All subsidiaries are incorporated in New Zealand and have a balance date of 30 June.

On 3 September 2007, Metlifecare Merivale Limited acquired assets, liabilities and the business of Merivale Retirement Village Limited. Refer note 25 for further details.

	30 June 2009	30 June 2008
	$000	$000
Investment in controlled entities at cost	**33,705**	33,705
Provision for impairment of investment	**(1,000)**	-
Investment in controlled entities at carrying value	**32,705**	33,705

A provision of $1m has been made against an investment in a subsidiary as the subsidiary is in a negative equity position.

17. INVESTMENT IN JOINTLY CONTROLLED ENTITY

The Group holds a 50% shareholding in Metlifecare Palmerston North Limited, which owns and operates a retirement village in Palmerston North providing accommodation and care for the aged.

	50% Share 30 June 2009 $000
Financial performance	
The Group's operating revenues and share of expenses, proportionately consolidated, was:	
Revenue	1,751
Expenses	(1,978)
Net contribution to Group operating loss	**(227)**
Financial position	
The Group's share of assets and liabilities, proportionately consolidated, was:	
Trade and other receivables	448
Property, plant and equipment	1,294
Intangible assets	8
Investment properties	14,582
Share of total assets included in Group	16,332
Bank overdraft	(3)
Trade and other payables	(303)
Amount due to related party	(239)
Bank loans	(300)
Finance leases	(9)
Deferred membership fees	(475)
Refundable occupation right agreements	(7,969)
Share of total liabilities included in Group	(9,298)
Net assets employed in the jointly controlled entity	**7,034**
Aggregate cash flows from operating, investing and financing activities	**(84)**

There are no contingent liabilities or capital commitments relating to the group's interest in the jointly controlled entity, and no contingent liabilities or capital commitments of the entity itself.

While there was a high level of involvement in the management and funding of the operations of Metlifecare Palmerston North Limited by the Company, the board of Metlifecare Palmerston North Limited is appointed equally by the shareholders and the Board members have one vote each. Given the shareholding is 50% each the consolidation treatment has been revisited and, Metlifecare Palmerston North Limited is now considered to be a jointly controlled entity and as such is accounted for as a jointly controlled entity in the current year and is proportionately consolidated. In the prior year, Metlifecare Palmerston North Limited was consolidated. The impact of the change in accounting for this entity has no impact on the total equity attributable to the shareholders of the parent company. The impact on the loss after tax and the individual balance sheet line items is not material to the Group's reported results.

RECONCILIATION OF NET ASSETS EMPLOYED IN THE JOINTLY CONTROLLED ENTITY

	30 June 2009
	$000
Balance at 30 June 2008 reflected in Minority Interest	7,861
Net contribution to Group operating loss	(227)
Dividends paid	(600)
Balance at 30 June 2009 as above	**7,034**

18. INVESTMENT PROPERTIES

	GROUP		**PARENT**	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Fair Value				
Opening balance	**1,175,551**	1,155,095	**-**	-
Jointly controlled entity adjustment	**(14,785)**	-	**-**	-
Capitalised subsequent expenditure	**74,871**	64,862	**-**	-
Change in fair value during the period	**(106,869)**	(44,406)	**-**	-
Closing balance	**1,128,768**	1,175,551	**-**	-

Investment properties were valued at 30 June 2009 and 30 June 2008 by Colliers International Consultancy and Valuation Pty Limited (Colliers), independent registered valuers and associates of the New Zealand Institute of Valuers, at a total of $534.9m (2008: $591.8m). Colliers is appropriately qualified and experienced in valuing retirement village properties in New Zealand. The fair values are based on a discounted cash flow model applied to the expected future cash flows generated by the investment properties. The valuation calculates the expected cash flows for a 40 year period (2008: 40 years), based on occupancy turnover of 8-23% pa (2008: 8-20% pa) for units and 15-26% pa (2008: 15-23% pa) for serviced apartments which is extrapolated at a real growth rate of 2.50% (2008: 2.45%) and discounted to present value at pre-tax discount rates of 12.0-15.5% (2008: 10.5-14.5%).

The valuation of investment properties by Colliers is adjusted for cash flows relating to refundable occupation right agreements, residents' share of capital gains, deferred management fees and membership fee receivables which are already recognised separately on the balance sheet and also reflected in the cash flow model. A reconciliation between the Colliers valuation amount and the amount recognised on the balance sheet as investment properties is as follows:

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Independent valuation of investment properties	**534,873**	591,833	**-**	-
Plus: Refundable occupation right agreement amounts	**647,819**	626,109	**-**	-
Residents' share of capital gains	**34,820**	35,817	**-**	-
Deferred membership fee	**38,297**	34,983	**-**	-
Less: Membership fee receivables	**(111,624)**	(97,518)	**-**	-
Less: Occupation right agreement receivables	**(22,847)**	(20,621)	**-**	-
Plus: First time occupation right agreement receivables	**7,430**	4,948	**-**	-
	1,128,768	1,175,551	**-**	-

Memoranda of encumbrance in favour of the statutory supervisors of the village owning subsidiary companies are recognised as a first charge over the freehold land of those companies to protect the interests of the residents in the event of failure by the subsidiary companies as operators of the villages to observe obligations under the deeds of supervision, occupation right agreements and Lifecare agreements.

In relation to Metlifecare Greenwood Park Limited, freehold land is subject to a first registered mortgage charge to the statutory supervisor, Covenant Trustee Company Limited, to secure the amounts payable to residents under repurchase arrangements.

In relation to Metlifecare Powley Limited, a first mortgage in favour of the statutory supervisor is registered over the freehold land of the company to protect the interests of residents in the event of failure by Metlifecare Powley Limited, as operator of the village, to observe obligations under the deed of supervision and occupation right agreements.

19. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Trade creditors	**973**	618	**69**	55
Sundry creditors and accruals	**9,623**	10,949	**1,308**	1,100
Related party payable (note 29)	**44**	-	**44**	-
Employee entitlements	**2,660**	2,625	**392**	376
Total trade and other payables	**13,300**	14,192	**1,813**	1,531

All trade and other payables are expected to mature within 12 months of balance date.

The carrying value of trade and other payables reflects the fair value.

20. INTEREST BEARING LIABILITIES

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Bank loan	**174,017**	161,871	**87,500**	125,000
Finance lease	**404**	65	**76**	-
Bank overdraft	**208**	-	**797**	-
Other loans	**-**	4,325	**-**	-
Total interest bearing liabilities	**174,629**	166,261	**88,373**	125,000
Expected maturity				
Within one year	**174,348**	4,390	**88,313**	-
Later than one year	**281**	161,871	**60**	125,000
	174,629	166,261	**88,373**	125,000

Bank loans

Bank loans, subject to a first priority by the Scheme Supervisors, are secured by a first and only registered mortgage over certain of the Group's freehold properties and a first and only registered debenture over the assets and business undertakings of certain Group companies.

A Negative Pledge Deed has been entered into by certain subsidiaries in favour of the Banks in which the subsidiaries have undertaken not to create or permit to exist any mortgage or other charge over their assets or revenues without obtaining the prior written consent of the Group's bankers.

Interest on loans and advances is charged using the Prime Committed Cash Advance Facility rate plus a margin.

Interest rates applicable in the year to 30 June 2009 ranged from 4.30% to 9.14% per annum (2008: 8.39% to 9.49%).

The bank overdraft is secured in the same manner as the bank loans. Interest is charged at the wholesale prime overdraft rate for any overdraft facilities utilised.

At 30 June 2009, the Group had $212m of committed bank facilities, including overdraft, of which $37.7m was undrawn (2008: $242m, $80.1m). The bank facilities expire on 30 June 2010.

Metlifecare Limited has issued a letter of support for the bank borrowings of the 50% owned jointly controlled entity Metlifecare Palmerston North Limited.

At 30 June 2009, Metlifecare Palmerston North Limited had $2.4m of committed bank facilities, including overdraft, of which $1.8m was undrawn (2008: $2.4m, $2.4m). The bank facilities expire on 31 July 2009. Subsequent to this the banking facilities were not extended and were replaced with an overdraft facility.

On 13 March 2009 the Company entered into a new Cash Advance and Development Facility (CADF), effective 1 April 2009 which expires on 30 June 2010. In summary, the CADF comprises:

- Term loan facility of NZD$116 million, expiring 30 June 2010 (the **Cash Advance Facility**); and
- Term loan facility of NZD$100 million, expiring 30 June 2010 (the **Development Facility**).

A requirement of the CADF is that the aggregate limit of $216m is reduced to $201m by 31 December 2009. In April 2009 the Company reduced the facility limit by $6m to $210m. The facility limit at 30 June 2009 is $210m. The amount of the facility drawn down at 30 June 2009 was $174m comprising $88m under the Cash Advance Facility and $86m under the Development Facility.

Overdraft facility totalling NZD$2 million (the **Overdraft**).

Financial Covenants

The financial covenants with which the Company must comply require a certificate to be provided on a quarterly basis. The financial covenants include:

- Interest Cover Ratio (calculated on the Cash Advance Facility); and
- Loan to Value Ratio (calculated on the combined CADF).

The Interest Cover is based on the net cashflows available for debt servicing for the prior 12 month period as a multiple of the corresponding interest costs.

The Loan to Value Ratio stipulates a minimum ratio of drawn debt to the most recent independent portfolio valuation.

A breach of a financial covenant is an event of default. Following an event of default the Banks may do any of the following:

- Cancel the facilities with immediate effect; and/or
- Declare all or any part of the Outstanding Moneys to be immediately due and payable; and/or
- Exercise all or any of their respective rights under the debt facility agreement and at law.

The facilities also incorporate events of review in respect of the Development Facility that include selling prices and total receipts tested quarterly and cumulatively.

A further event of review stipulates the maximum acceptable levels of unsold stock across the villages at any point in time.

Should an event of review occur the Company has 30 days to negotiate the terms and conditions to remedy the event of review and if the terms and conditions cannot be agreed, the Banks may cancel the facilities and demand repayment of the debt within thirty days.

Other loans

The loan was secured by way of mortgage over the property at 142 Shakespeare Road, Takapuna. Interest was payable 6 monthly in arrears at 6.5% p.a (2008: 6.5%). The loan was repaid in November 2008.

Finance lease liabilities

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Commitments in relation to finance leases are payable as follows:				
Within one year	**161**	66	**25**	-
Later than one year but not later than five years	**329**	-	**69**	-
Later than five years	**-**	-	**-**	-
Minimum lease payments	**490**	66	**94**	-
Future finance charges	**(86)**	(1)	**(18)**	-
Recognised as a liability	**404**	65	**76**	-

Finance leases are secured over the assets to which they relate to (refer to note 14). The finance rate for the year to 30 June 2009 is 8.04% (2008: 8.04%).

21. REFUNDABLE OCCUPATION RIGHT AGREEMENTS

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Refundable security deposits	**647,819**	626,109	**-**	-
Residents' share of capital gains	**34,820**	35,817	**-**	-
Loans to residents	**(3,064)**	(3,083)	**-**	-
Membership fees receivable	**(111,624)**	(97,518)	**-**	-
Total refundable occupation right agreements	**567,951**	561,325	**-**	-

A new resident is charged a refundable security deposit, in advance of being issued the right to occupy one of the Group's units or serviced apartments, which is refunded to the resident on vacation, net of any amount owing to the Group. The Group has a legal right to set-off any amounts owing to the Group by a resident against that resident's security deposit. Such amounts include membership fees, rest home/hospital fees, service fees and village fees. As the refundable occupation right is repayable on demand to the resident, upon vacation, the fair value is equal to the face value, being the amount that can be demanded.

Expected maturity

The security deposit is refundable to the resident on vacation of the unit or serviced apartment or on termination of the occupation right agreement (subject to a new occupation right agreement for the unit or serviced apartment being issued to an incoming resident). In determining the fair value of the Group's investment properties Colliers International Consultancy and Valuation Pty Limited estimate the average length of stay to be 4.4 to 12.5 years for units (2008: 5.0 to 12.5 years) and 3.8 to 6.7 years for serviced apartments (2008: 4.4 to 6.7 years). Therefore, it is not expected that the full obligation to residents will fall due within one year. Based on Colliers' turnover calculations the expected maturity of the gross obligation to residents is as follows:

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Within 12 months	**84,906**	75,294	**-**	-
Beyond 12 months	**483,045**	486,031	**-**	-
	567,951	561,325	**-**	-

22. SHARE CAPITAL

Parent and Group	30 June 2009 Shares	30 June 2008 Shares	30 June 2009 $000	30 June 2008 $000
Issued and fully paid up capital	**122,448,541**	87,448,541	**81,958**	44,596
Balance at beginning of the period	**87,448,541**	87,448,541	**44,596**	44,596
Shares issued	**35,000,000**	-	**37,800**	-
Issue costs	**-**	-	**(438)**	-
Balance at end of period	**122,448,541**	87,448,541	**81,958**	44,596

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. The shares have no par value.

23. DIVIDENDS

	Group and Parent			
	30 June 2009 $000	30 June 2008 $000	30 June 2009 Cents per share	30 June 2008 Cents per share
Final dividend for the period ended 30 June 2008	**6,996**	-	**8.0**	-
Interim dividend for the period ended 30 June 2008	**-**	9,619	**-**	11.0
Final dividend for the period ended 30 June 2007	**-**	10,494	**-**	12.0

24. RECONCILIATION OF LOSS AFTER TAXATION WITH CASH GENERATED FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Net loss after tax	**(115,702)**	(53,070)	**(11,247)**	(341)
Adjustments for:				
Change in fair value of investment properties	**106,869**	44,406	**-**	-
Change in fair value of residents' share of capital gains	**544**	3,420	**-**	-
Change in fair value of derivative financial instruments	**1,717**	691	**1,717**	691
Depreciation	**1,709**	1,677	**157**	169
Amortisation	**228**	180	**136**	180
Impairment of goodwill	**2,468**	-	**-**	-
Provision for investment in controlled entity	**-**	-	**1,000**	-
Provision for advance to controlled entity	**-**	-	**7,139**	-
Loss on disposal of property, plant and equipment	**99**	5	**-**	7
Changes in working capital relating to operating activities:				
Debtors and prepayments	**(1,957)**	6,054	**(82)**	(46)
Creditors and accruals	**(987)**	1,252	**(33)**	(138)
Deferred membership fees	**3,788**	5,988	**-**	-
Refundable occupation right agreements	**(12,524)**	(25,833)	**-**	-
Net cash (outflow)/inflow from operating activities	**(13,748)**	(15,230)	**(1,213)**	522

Refer note 2(k) for more detail on the reclassification of occupation right agreement cash flows to financing activities.

25. BUSINESS COMBINATIONS

On 3 September 2007, the Group acquired the assets of Merivale Retirement Village and Care Facility located in the suburb of Merivale in Christchurch. The acquired business contributed a loss before tax of $1.5m for the ten months to 30 June 2008.

If the acquisition had occurred on 1 July 2007, the Group revenue is estimated to have been $14.8m and the Group loss before tax would have been $54.4m.

Details of net assets acquired and goodwill are as follows:

Purchase Consideration	**$000**
Cash paid	43,609
Direct costs relating to the acquisition	662
Total Consideration	**44,271**
Fair value of assets acquired	38,289
Goodwill	**5,982**

The goodwill is attributable to the fair value of the care facilities and potential for future development.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's Carrying Amount	**Fair Value**
	$000	**$000**
Trade and other receivables	7	7
Membership fee receivables	939	939
Property, plant and equipment	6,922	10,375
Investment properties	24,259	46,934
Trade and other payables	(99)	(99)
Refundable occupation right agreements	(19,867)	(19,867)
Net assets acquired	**12,161**	**38,289**
Purchase consideration settled in cash		**44,271**
Cash and cash equivalents in subsidiary acquired		**-**
Cash outflow on acquisition		**44,271**

26. EARNINGS/(LOSS) PER SHARE

Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year adjusted to assume conversion of dilutive potential of ordinary shares as a result of the issue of share options.

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
Loss attributable to equity holders ($000)	**(115,702)**	(53,070)	**(11,247)**	(341)
Basic and Diluted				
Weighted average number of ordinary shares in issue (thousands)	**96,175**	87,449	**96,175**	87,449
Earnings/(loss) per share (cents)	**(120.3)**	(60.7)	**(11.7)**	(0.4)

27. CONTINGENCIES

Contingent liabilities

There are no material contingent liabilities as at 30 June 2009 (2008: Nil).

28. COMMITMENTS

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
Capital commitments				
Estimated commitments contracted for at balance date but not provided for to purchase, construct or develop investment properties	**14,136**	40,963	**-**	-
	14,136	40,963	**-**	-
Operating lease commitments				
Non-cancellable				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows				
Within one year	**305**	279	**305**	269
Later than one year but not later than five years	**1,260**	181	**1,260**	163
Later than five years	**-**	-	**-**	-
	1,565	460	**1,565**	432

The Group leases head office premises and various property, plant and equipment under non-cancellable operating lease agreements. The leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

29. RELATED PARTY TRANSACTIONS

At 30 June 2009, Retirement Villages New Zealand Limited owns 81.96% (2008: 81.98%) of Metlifecare Limited. Retirement Villages New Zealand Limited is therefore a controlling shareholder.

FKP Limited and Macquarie Group Limited are shareholders in RVNZ Investments Limited, which is the ultimate parent of Retirement Villages New Zealand Limited.

(a) Directors

The names of persons who were directors of the company at any time during the financial year are as follows: J K McLay (resigned 1 May 2009), J C A MacDonald (appointed 1 May 2009), P R Brown, D L Guihot, P B Harman, J J Loughlin, M A Gibson. The Directors of Metlifecare Limited and their immediate relatives do not hold shares in the Company, either directly or indirectly (30 June 2008: nil).

(b) Key management personnel compensation

Key management personnel compensation for the year ended 30 June 2009 and the year ended 30 June 2008 is set out below. The key management personnel are all the directors of the company and the executives with the greatest authority for the strategic direction and management of the company.

	30 June 2009 $000s	30 June 2008 $000s
Short-term employee benefits	**1,637**	1,474
Total	**1,637**	1,474

Key management only receive short-term compensation and have not received post-employment benefits, other long-term benefits, termination benefits or share-based payments.

(c) Transactions

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
(i) entities with joint control or significant influence over the Group				
Costs incurred by Retirement Villages New Zealand Limited on behalf of Metlifecare Limited	**44**	-	**44**	-
Professional services charged by FKP Limited	**-**	287	**-**	287
Professional services charged by Macquarie Bank Limited	**-**	662	**-**	662
(ii) subsidiaries				
Advances to subsidiaries	**-**	-	**-**	23,320
Repayments from subsidiaries	**-**	-	**7,918**	-
Interest charged to subsidiaries	**-**	-	**8,505**	10,950
(iii) jointly controlled entity				
Advance to jointly controlled entity	**239**	-	**478**	-

(d) Outstanding balances

	GROUP		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$000	$000	**$000**	$000
(i) entities with joint control or significant influence over the Group				
Amount owing to Retirement Villages New Zealand Limited	**44**	-	**44**	-
(ii) subsidiaries				
Advances owed to subsidiaries	**-**	-	**(32,661)**	(22,094)
Advances owed from subsidiaries	**-**	-	**129,368**	133,858

A provision of $7.1m has been made against an advance owed from a subsidiary as the subsidiary is in a negative equity position.

No advances owed from subsidiaries are past due.

(iii) jointly controlled entity				
Advance owed from jointly controlled entity	**239**	-	**478**	-

(e) Terms and conditions

Subsidiaries and jointly controlled entity advances

Advances due to and from subsidiaries are unsecured and repayable with a minimum of 12 months' notice. At balance date notice had not been given in relation to these advances. Interest charges are calculated monthly based on the average Prime Committed Cash Advance Facility rates. Interest rates applicable in the twelve month period to 30 June 2009 ranged from 5.56% to 8.44% (2008: 7.88% - 8.71%).

30. SUBSEQUENT EVENT

There are no subsequent events between 30 June 2009 and the date that the financial statements were authorised.

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Auditors' Report to the shareholders of Metlifecare Limited

We have audited the financial statements on pages 25 to 66. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 29 to 36.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2009 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its controlled entities other than in our capacities as auditors and providers of tax and other assurance related services.

Explanatory paragraph

In forming our unqualified opinion on the financial statements, we have considered the adequacy of the disclosure made in Note 1 and Note 20 of the financial statements for the Company and Group concerning the ability of the Company to meet the obligations under its existing funding facility, including compliance with prospective debt covenants which is dependent amongst other things, on the future cash flows generated from occupancy right agreements which is inherently uncertain. Our opinion is not qualified in respect of this matter.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 25 to 66:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and Group as at 30 June 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 August 2009 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Auckland

Statutory Information

Interests Register

(a) GENERAL DISCLOSURES

The following Directors of Metlifecare Limited gave general notice of their interests, or cessation of interests, in the following entities, pursuant to section 140(2) of the Companies Act 1993 for the year ended 30 June 2009:

Director	Entity	Nature of Interest
P.R. Brown	FKP Limited	Director/Officer
	FKP Funds Management Limited	Director/Officer
	Forest Place Group Limited	Director
	RVNZ Holdings Limited	Director
	Retirement Village Investments Limited	Director
	Retirement Villages New Zealand Limited	Director
	Private Life Care Holdings Limited	Director
	Hillsborough Heights Village Holdings Limited	Director
	Hibiscus Coast Village Holdings Limited	Director
	Longford Park Village Holdings Limited	Director
	Hillsborough Heights Village Management Limited	Director
	Hibiscus Coast Village Management Limited	Director
	Longford Park Village Management Limited	Director
	Longford Park Village Limited	Director
	FKP Property Group	Shareholder
D.L. Guihot	FKP Property Group	Shareholder/Officer
	Macquarie Goodman Group	Shareholder
	Macquarie Communications Infrastructure Group	Shareholder
	Macquarie Countrywide Trust	Shareholder
	APN News & Media Limited	Shareholder
	Publishing & Broadcasting Limited	Shareholder
	ING Industrial Fund	Shareholder
	Harvey Norman Limited	Shareholder
	+ Australia and New Zealand Banking Group Limited	Shareholder
	+ National Australia Bank Limited	Shareholder
	+ Stockland	Shareholder
	+ Lend Lease Corporation Limited	Shareholder
	Mulpha FKP Limited	Director
	Retirement Villages New Zealand Limited and subsidiary companies	Director

Interests Register continued

Director		Entity	Nature of Interest
M.A. Gibson	*	Vector Limited	Shareholder
	*	Contact Energy Limited	Shareholder
	*	Auckland International Airport Limited	Shareholder
	*	Macquarie Group Limited	Shareholder
		Private Life Care Holdings Limited and subsidiary companies	Director
	+	Various subsidiary and associated companies of Retirement Care (NZ) Limited	Director
		Macquarie Group (NZ) Limited	Officer
P.B. Harman		Broadcast Production Services Limited (formerly Becker Group Limited)	Director
		Prime Television NZ Limited	Director
		Prime Ventures NZ Limited	Director
		The NZ Wine Fund Limited	Director
		Harman Investments Limited	Director
		Harman Consulting Limited	Director
	+	SKYCITY Entertainment Group Limited	Director
		HT Media Holdings Limited	Chairman
J.J. Loughlin		Zespri Group Limited and subsidiary companies	Director
	*	Prism Group Holdings Limited and subsidiary companies	Chairman
		Prism Group Holdings Limited	Shareholder
		Allied Farmers Limited and subsidiary companies	Chairman/Shareholder
		Centralines Limited	Director
	*	Lean Meats Limited	Director
		Firstlight Venison NZ Limited and subsidiary companies	Chairman
		Taupo Motorsport Park Limited	Director/Shareholder
	*	NZX Discipline	Issuer Appointee
	*	Hawkes Bay Winemakers Limited	Shareholder
		Hawkes Bay Vintners Charitable Trust	Trustee
		Loughlin Gibbs Limited	Director/Shareholder
		Askerne Estate Winery Limited	Chairman/Shareholder
		Loughlin Viticulture and Consulting Limited	Chairman/Shareholder
		Allied Nationwide Finance Limited	Chairman
		Tru-Test Corporation Limited	Chairman
		Kermadec Property Fund Limited	Director/Shareholder
		Port of Napier Limited	Director
		J J & K E Loughlin Family Trust	Trustee/Beneficiary
		TMM Trust	Trustee/Beneficiary
	*	Animal Health Board Representatives Committee	Ministerial Representative

Director		Entity	Nature of Interest
Dr J.C.A. MacDonald (Appointed 1 May 2009)		Retirement Villages Group	Officer
		Private Life Care Holdings Limited	Chairman
		Hibiscus Coast Village Management Limited	Chairman
		Hillsborough Heights Village Holdings Limited	Chairman
		Hillsborough Heights Village Management Limited	Chairman
		Longford Park Village Holdings Limited	Chairman
		Longford Park Village Limited	Chairman
		Longford Park Village Management Limited	Chairman
		Various wholly owned subsidiary companies of Metlifecare Limited	Chairman
		Metlifecare Palmerston North Limited	Director
P.V. Cochrane (Alternate) (Appointed 24 July 2008)	*	FKP Property Group	Shareholder
	*	GPT Group	Shareholder
		PTB Group Limited	Shareholder
		Viento Group Limited	Shareholder
	*	IMP (Australia) Limited	Shareholder
		OZ Minerals Limited	Shareholder
		MacArthurcook Limited	Shareholder
		FKP Limited	Officer
	+	Private Life Care Holdings Limited and subsidiary companies	Director
M. Tucker (Alternate)		FKP Property Group (comprising the stapled entities FKP Limited and FKP Property Trust)	Shareholder
		Australand Property Group (comprising the stapled entities Australand Holdings Limited and Australand Property Trust)	Shareholder
		WATPAC Limited	Shareholder
		FKP Constructions Pty Limited	Director
		Evo-Con Pty Limited	Director
		FKP Limited	Officer
Former Director			
Hon J.K. McLay (Resigned 1 May 2009)	*	Macquarie Group Holdings New Zealand Limited and associated companies	Director/Officer
	*	Goodman (NZ) Limited and associated companies	Director
	*	Just Water International Limited	Director
		J K McLay Limited and associated companies	Director/Officer
	*	Healthphone Solutions Limited	Director
	*	Private Life Care Limited and associated companies	Director
	*	Various wholly owned subsidiary companies of Metlifecare Limited	Director
	*	Metlifecare Palmerston North Limited	Director
		St Patrick's Cathedral Heritage Foundation	Trustee

Former Director		Entity	Nature of Interest
J.A. Perry (Alternate) (Resigned 31 March 2009)		Macquarie Group	Shareholder
		Retirement Villages Group	Shareholder
		Babcock & Brown Communities Group	Shareholder
	*	Retirement Villages Group Management Pty Limited	Director/Officer

Notes:

* Interest ceased or withdrawn during the year

+ New

(b) SPECIFIC DISCLOSURES

During the year there were no specific disclosures by the Directors of the Company or any subsidiary of any interests in transactions entered into by the Company or any subsidiary.

(c) INDEMNITY & INSURANCE

In accordance with the Companies Act 1993, Metlifecare Limited has effected insurance and given indemnities to its Directors including Directors of subsidiary companies.

(d) USE OF COMPANY INFORMATION

During the year the Board received no notices from Directors of the Company requesting to use Company information.

(e) DIRECTORS' SHARE DEALINGS & RELEVANT INTERESTS

During the year no Directors disclosed to the Board, under section 148 of the Companies Act 1993 and section 19T of the Securities Markets Act 1988, particulars of acquisitions or dispositions of relevant interests in ordinary shares in the Company.

As at 30 June 2009, none of the Directors had a relevant interest in the ordinary shares in the Company.

(f) REMUNERATION OF DIRECTORS

Remuneration and other benefits paid to Directors during the year.

Director	Directors' Fees $	Other Fees $
P.B. Harman	75,000	-
J.J. Loughlin	75,000	21,225[1]
	150,000	21,225

Note:

1. Fees paid for abnormal services and attendances, over and above services and attendances normally covered by Directors' fees, at Finance Committee and equity raising Due Diligence Committee meetings.

Remuneration and other benefits paid to Directors of Metlifecare Palmerston North Limited (a jointly controlled entity) during the year.

Director	Directors' Fees
	$
R.J.A. de Haast	5,000 [1]
M.G. Barker (Appointed 1 August 2008)	4,579 [1]
J.M. Beveridge (Resigned 1 August 2008)	421 [1]
Dr C.M.A. Love	5,000
Professor Sir R.H.N. Love	5,000
K.T. Hindle	5,000
	25,000

Note:

1. Directors' fees paid to Metlifecare Limited.

Other Director Information

COMPANY DIRECTORS

The Directors as at 30 June 2009 are set out in the directory on page 78. During the year one Director and one Alternate Director resigned:

Hon. J.K. McLay (1 May 2009), J.A. Perry (Alternate) (31 March 2009).

SUBSIDIARY COMPANY DIRECTORS

The following persons held the office of Director of the Company's wholly owned subsidiaries during the year. No Director of any wholly owned subsidiary company received any Director's fees or other benefits as a Director of a subsidiary:

R.J.A de Haast, M.G. Barker (appointed 1 August 2008) and J.M. Beveridge (resigned 1 August 2008).

The Hon. J.K. McLay (resigned 1 May 2009) and Dr. J.C.A. MacDonald (appointed 1 May 2009) held the office of Director of the Company's wholly owned subsidiaries during the year except Metlifecare Epsom Limited and Provider Care NZ Limited.

SUBSIDIARIES (WHOLLY OWNED)

Bay of Plenty Retirement Village Limited
Metlifecare Bayswater Limited
Metlifecare Coastal Villas Limited
Metlifecare Crestwood Limited
Metlifecare Epsom Limited
Metlifecare Greenwood Park Limited
Metlifecare Highlands Limited
Metlifecare Kapiti Limited
Metlifecare Merivale Limited
Metlifecare Oakwoods Limited
Metlifecare Pakuranga Limited
Metlifecare Pinesong Limited
Metlifecare Powley Limited
Metlifecare 7 Saint Vincent Limited
Metlifecare Somervale Limited
Metlifecare Takapuna Limited
Metlifecare The Avenues Limited
Metlifecare Wairarapa Limited
Provider Care NZ Limited
Third Age Care Limited

JOINTLY CONTROLLED ENTITY (50% SHAREHOLDING)

The following persons held the office of Director of Metlifecare Palmerston North Limited, a jointly controlled entity, during the year.

Dr. J.C.A. MacDonald (appointed 5 May 2009), Hon. J.K. McLay (resigned 5 May 2009), R.J.A. de Haast, M.G. Barker (appointed 1 August 2008), J.M. Beveridge (resigned 1 August 2008), Professor Sir R.H.N. Love, Dr C.M.A. Love and K.T. Hindle.

Other Statutory Information

EMPLOYEES' REMUNERATION OVER $100,000

The number of employees or former employees of the Company, or any subsidiary, not being directors, who during the year, received remuneration and other benefits valued at or exceeding $100,000, are stated below.

Remuneration	Number of Employees
$100,000 - $110,000	11
$110,000 - $120,000	3
$130,000 - $140,000	4
$190,000 - $200,000	1
$210,000 - $220,000	1
$220,000 - $230,000	2
$560,000 - $570,000	1

OFFICERS' SHARE DEALINGS

During the year no officers disclosed to the Board under section 19T of the Securities Markets Act 1988 particulars of acquisitions or dispositions of relevant interests in ordinary shares in the Company.

NET TANGIBLE ASSETS PER SECURITY

30 June 2009	30 June 2008
$3.54	$6.00

WAIVER GRANTED AND PUBLISHED BY NZX

In February 2009 a waiver was granted from Rule 7.10.5 to enable shareholders to make applications in excess of their entitlements in accordance with the Oversubscription Facility on the following conditions:

(a) Any issue of unsubscribed rights is dealt with by Metlifecare's Directors in a fair and equitable manner and any shortfall in the issue is divided up between those who apply for additional shares in direct proportion to the number of shares held by the applicants as at the Record Date for entitlements; and

(b) The offer document for the Rights Issue record that a waiver from Rule 7.10.5 has been granted by NZXR and details the conditions of this waiver.

Details relating to this waiver are available on the Company's website at, www.metlifecare.co.nz.

Shareholder Information

As at 3 August 2009

TWENTY LARGEST SHAREHOLDERS

Shareholders	Number of Fully Paid Ordinary Shares	Percentage of Issued and Paid Up Share Capital
Retirement Villages New Zealand Limited	100,361,955	81.96
TEA Custodians Limited (TEAC 40)	9,773,217 *	7.98
NZ Superannuation Fund Nominees Limited (SUPR40)	5,198,241 *	4.25
MFL Mutual Fund Limited	3,214,324 *	2.63
Premier Nominees Limited – Armstrong Jones Property Securities Fund	606,044 *	0.50
Cogent Nominees (NZ) Limited	466,662 *	0.38
Custody and Investment Nominees Limited	419,506 *	0.34
Apollo Holdings Limited	200,000	0.16
Hubbard Churcher Trust Management Limited	136,238	0.11
Everest Equity Investments Limited	105,405	0.09
Christopher William Flood	100,000	0.08
David Alexander Coory and Marie Linda Coory	64,086	0.05
Custodial Services Limited (A/C 3)	52,912	0.04
HSBC Nominees (New Zealand) Limited A/C State Street (HKBN45)	50,328 *	0.04
Massey Pharmacy Limited	50,000	0.04
Frank Simon Pearson	49,400	0.04
Julie Ann Komen	42,000	0.04
Peter James Stewart	41,430	0.03
FNZ Custodians Limited (Non Dta Non Resident A/C)	35,000	0.03
Kevin John Murphy	35,000	0.03
TOTAL	121,001,748	98.82

* Shareholdings held in New Zealand Central Securities Depository Limited. Total holdings in New Zealand Central Securities Depository Limited were 19,741,755 (16.12%).

SPREAD OF HOLDINGS

Size of Holdings	Number of Shareholders	%	Number of Shares held	%
1 – 999	91	23.28	43,033	0.04
1,000 - 4,999	190	48.59	443,816	0.36
5,000 - 9,999	48	12.28	326,382	0.27
10,000 - 99,999	51	13.04	1,053,718	0.86
100,000 - 999,999	7	1.79	2,033,855	1.66
1,000,000 +	4	1.02	118,547,737	96.81
TOTAL	391	100.00	122,448,541	100.00

SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to section 35F of the Securities Markets Act 1988.

The persons who, according to the file kept by the Company pursuant to section 35C of the Securities Markets Act 1988, are substantial security holders in the Company as at 3 August 2009 are as follows:

Substantial Security Holders	Number of Shares	Percentage of Shares
Retirement Villages New Zealand Limited	100,361,955	81.96
FKP Limited	100,361,955	81.96
Macquarie Bank Limited	100,361,955	81.96
Macquarie Group Limited	100,361,955	81.96
RVNZ Investments Limited	100,361,955	81.96
ANZ Fiduciary Services Pty Limited	100,361,955	81.96
Retail Employees Superannuation Pty Limited	100,361,955	81.96
Retirement Benefits Fund Board	100,361,955	81.96
Fisher Funds Management Limited	7,582,238	8.67

Notes:

Pursuant to the provisions of the Securities Markets Act 1988, more than one relevant interest can exist in the same voting securities.

The total number of voting securities of the Company on issue at 3 August 2009 was 122,448,541 ordinary fully paid shares.

Directory

DIRECTORS
As at 30 June 2009

Dr James Charles Alexander MacDonald
Chairman

Peter Ross Brown

Mark Alexander Gibson

Darryl Leonard Guihot

Phillip Brent Harman

John James Loughlin

Paul Victor Cochrane
(Alternate for D.L. Guihot)

Michael Tucker
(Alternate for P.R. Brown)

AUDIT COMMITTEE

Darryl Leonard Guihot
Chairman

Phillip Brent Harman

John James Loughlin

REMUNERATION COMMITTEE

Dr James Charles Alexander MacDonald
Chairman

Phillip Brent Harman

John James Loughlin

NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE

Dr James Charles Alexander MacDonald
Chairman

Phillip Brent Harman

John James Loughlin

ACQUISITION & DEVELOPMENT COMMITTEE

Peter Ross Brown
Chairman

John James Loughlin

FINANCE COMMITTEE

Dr James Charles Alexander MacDonald
Chairman

Mark Alexander Gibson

John James Loughlin

CHIEF EXECUTIVE OFFICER

Wynton Alan Edwards
(Appointed 1 August 2009)

AUDITORS

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Auckland

SOLICITORS

Hesketh Henry
41 Shortland Street
Auckland

BANKERS

Bank of New Zealand
Corporate & Institutional Banking
Level 13
BNZ Tower
125 Queen Street
Auckland

ANZ National Bank Limited
Level 13
The National Bank Tower
209 Queen Street
Auckland

REGISTERED OFFICE

Level 2
Metlifecare House
302 Great South Road
Greenlane
Auckland

Postal Address
PO Box 37463
Parnell
Auckland

Telephone: 09 539 8000
Facsimile: 09 539 8001
www.metlifecare.co.nz

SHARE REGISTRAR

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
North Shore City

Private Bag 92119
Auckland

Telephone: 09 488 8700
Facsimile: 09 488 8787
Investor Enquiries: 09 488 8777

This Annual Report is signed for and on behalf of the Board of the Company by:

Dr J.C.A. MacDonald
Chairman
27 August 2009

D.L. Guihot
Director
27 August 2009

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