# METLIFECARE LIMITED
ANNUAL REPORT 2007

# Contents



The Annual Meeting of Shareholders of Metlifecare Limited will be held at the Guineas 3 Lounge, 3rd Floor, Ellerslie Event Centre, 80 - 100 Ascot Avenue, Greenlane, Auckland on Thursday, 1 November 2007, commencing at 11.00 am.

# Business Highlights

- **Net surplus for the year of $30.7 million.**
- **Total dividend for the year ended 30 June 2007 of 22.0 cents per share, without imputation credits (compared to the total dividend for the six months ended 30 June 2006 of 9.0 cents per share without imputation credits and 2.2 cents per share without imputation credits for the year ended 31 December 2005)**

# Chairman's and Chief Executive Officer's Report

## Financial Results

Metlifecare is pleased to report an operating surplus (before interest, tax, unusual items and minority interest) for the year ended 30 June 2007 of $35.9 million ($12.8 million for the six months ended 30 June 2006 and $24.4 million for the year ended 31 December 2005).

The net surplus (after minority interest) was $30.7 million ($11.5 million for the six months ended 30 June 2006 and $21.7 million for the year ended 31 December 2005).

| $ Million | 2003 Year | 2004 Year | 2005 Year | 2006 6 months | **2007 Year** |
|---|---|---|---|---|---|
| Total revenue | 110.1 | 108.9 | 127.6 | 59.1 | **171.4** |
| Operating surplus (EBIT) [1] | 14.3 | 19.4 | 24.4 | 12.8 | **35.9** |
| Net surplus (after minority interest) | 14.2 | 17.5 | 21.7 | 11.5 | **30.7** |

(1) Operating surplus before interest, tax, unusual items and minority interest.

Total revenue for the year was $171.4 million (compared with revenues of $59.1 million for the six months ended 30 June 2006 and $127.6 million for the year ended 31 December 2005).

Total assets stood at $400.3 million ($356.7 million at 30 June 2006 and $309.1 million at 31 December 2005) with the total value of all properties, including chattels, valued at $878.3 million ($786.8 million at 30 June 2006 and $651.6 million at 31 December 2005).

Total liabilities were $113.7 million ($103.3 million at 30 June 2006 and $79.4 million at 31 December 2005) with the Group's bank debt at $80.3 million ($74.3 million at 30 June 2006 and $55 million at 31 December 2005).

The Group's operating cash flow for the year was $48.8 million ($17.9 million for the six months ended 30 June 2006 and $38.5 million for the year ended 31 December 2005).

## Operations

Metlifecare continued to demonstrate its core competency in operational management of its retirement villages in keeping with a tradition of excellence, and showed yet further incremental improvement on resident satisfaction survey results, off an already high base.

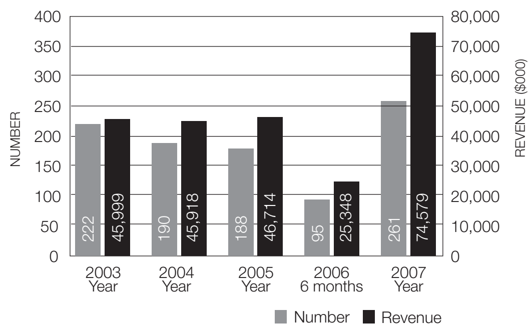
**Resales**

Resales of 261 units were achieved at an average selling price of $286,000 for the year. This compared to an average selling price of $267,000 for the last financial period (six months) ended 30 June 2006.

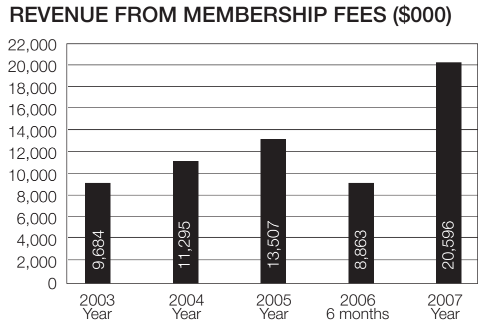
**Membership Fee**

Revenue from membership fees for the year was $20.6 million (compared with $8.9 million for the last financial period (six months) ended 30 June 2006 and $13.5 million for the year ended 31 December 2005).

RESALES NUMBER AND REVENUE ($000)




REVENUE FROM MEMBERSHIP FEES ($000)



### Rest Homes and Hospitals (Care Facilities)

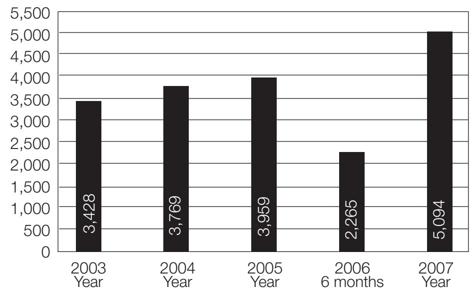
Occupancy levels for the year averaged 97.3% for hospitals (97.8% for the six months ended 30 June 2006 and 98.2% for the year ended 31 December 2005) and 92.0% for rest homes (89.8% for the six months ended 30 June 2006 and 90.2% for the year ended 31 December 2005).

In March, ten resident only care suites were commissioned at Metlifecare Pinesong.

### Ancillary and Support Services

Metlifecare provides a number of ancillary and support services ranging from domestic services, such as household cleaning and meals preparation, through to the provision of specialist home nursing care.

REVENUE FROM OTHER SERVICES ($000)



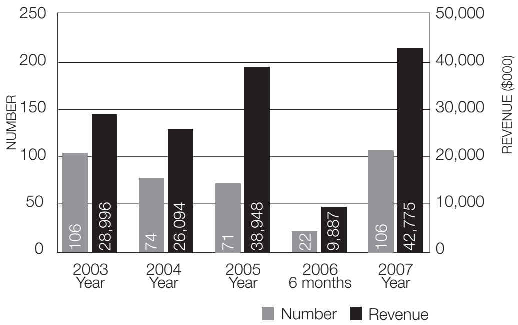

## Development

Metlifecare's portfolio increased by 79 independent living apartments and 27 serviced apartments during the year. The additional units were completed at Metlifecare Pinesong, Metlifecare Greenwood Park and Metlifecare The Avenues. These additional units brought the total portfolio to 2,278 units.

### Sales

During the year, Metlifecare sold 106 new villas and apartments with an average selling price of $403,000. This compared to an average selling price of $449,000 for the last financial period (six months) ended 30 June 2006. The higher average selling price in the prior period reflects the value of the high end apartments at Metlifecare 7 Saint Vincent.

SALES NUMBER AND REVENUE ($000)




## Dividend

The Directors declared a final dividend of 12 cents per share, without imputation credits, bringing the total dividend for the year to 22 cents per share, without imputation credits.

The date of record for the final dividend entitlement is 4 September 2007 and the date of payment is 11 September 2007.

## Our People

The Directors and Executive acknowledge the hard work and commitment of our employees and their contribution to the growth and success of the business. Our employees continue to deliver on a quality experience for our residents and we see this recognised in our resident satisfaction surveys.

## Residents

The Board, Management and Village Operating teams at Metlifecare extend warm thanks to our residents and their families for their continued support. The feedback received regarding services and amenities at the villages and participation in satisfaction surveys greatly assist us to achieve consistent improvements. The interests and satisfaction of our residents remain a core priority and focus.

# Chairman's and Chief Executive Officer's Report

continued

## Industry involvement

The Company continues to remain actively involved in industry affairs through its membership of The Retirement Villages Association of New Zealand Inc (RVA) and HealthCare Providers New Zealand. Richard de Haast (Metlifecare's Chief Executive Officer) is Vice President of the RVA.

## Executive Team

James Beveridge was appointed as Chief Financial Officer in October 2006 and Gaynor Anderson was appointed as General Manager – Sales and Marketing in June 2007.

Both James and Gaynor bring a depth of skills and experience to the Executive team and are focused on building on the success of the business and ongoing growth.

## Regulatory Environment

The transition phase through implementation of the specific documentation and disclosure requirements of the Retirement Villages Act has been efficient and well received by residents and prospective residents alike. The state of professional readiness for the Act and its attendant procedures and requirements is a credit to the team.

## Board of Directors

Messrs Cliff Cook and Patrick McCawe resigned from the Board during the year. The Board, Management and the Company express their appreciation to Messrs Cliff Cook and Patrick McCawe for their service as Directors.

Mr Patrick McClure, AO, was appointed a Director by the Board on 14 February 2007.

Pursuant to the Constitution of the Company Messrs Darryl Guihot and Brent Harman retire by rotation and, being eligible, offer themselves for re-election at the annual meeting. Mr Patrick McClure, AO, being appointed during the year by the Board, holds office under the Constitution only until the annual meeting and, being eligible, offers himself for re-election at the annual meeting.

## Constitution

As a consequence of changes made to the NZSX Listing Rules on 10 May 2006, a number of changes are required to the Constitution. The New Zealand Exchange Limited amended the Listing Rules on 1 May 2004 to permit listed issuers to incorporate the provisions of the Listing Rules in their constitutions by reference, instead of requiring that specific Listing Rules be inserted in their constitutions.

The Board now proposes to incorporate the Listing Rules by reference in the Company's Constitution. Shareholders will be asked to approve a new Constitution, as set out in the Notice of Annual Meeting.

## Change to International Financial Reporting Standards

New Zealand's change of accounting standards will take effect in all future reports prepared, and through the medium term extraordinary supplementary notes to the accounts will be offered to assist readers wherever it is perceived helpful. This harmonisation with international standards is to assist convergence of reporting practices, to further enable investment and evaluative certainty for all parties.

## The Future

Metlifecare continues to assertively progress both new site acquisition and development as well as organic growth at existing villages. The year ahead sees the commencement of the development of Metlifecare's first village on Auckland's North Shore, at Takapuna. In addition, developments under way will see the final completion of Metlifecare Pinesong and Metlifecare Bayswater.

We also look forward to the inclusion of Merivale Retirement Village in Christchurch from September 2007 and extend a warm welcome to staff and residents at this quality boutique village.

The focus remains on being the pre-eminent operator of lifestyle retirement villages in New Zealand and continuing our trend of improved performance.

| | |
|---|---|
| Hon. JK McLay, CNZM, QSO | RJA de Haast |
| Chairman | Chief Executive Officer |
| 20 August 2007 | 20 August 2007 |

# Executive Team Profiles

## Richard de Haast BA (Law), MSc

**Chief Executive Officer**

Richard is responsible for setting the Company's strategy and leading a team of highly skilled senior executives and the Company in the achievement of the business objectives.

With a background in hospitality operations and corporate human resources and training and development, Richard has always worked within service related companies and has a MSc in International Hotel Management.

## James Beveridge B.Com. (Hon), CA

**Chief Financial Officer**

James is the Chief Financial Officer at Metlifecare and is responsible for the Company's financial, treasury and information technology functions. James 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 15 years of experience in senior finance roles.

## Gaynor Anderson Dip. Bus (Training and Development)

**General Manager Sales & Marketing**

Gaynor leads the Sales and Marketing team tasked with effectively communicating the lifestyle, quality, certainty and peace of mind of the Metlifecare experience to prospective residents and our commitment to the "continuum of care".

Managing both sales of new units and re-sales of existing units, the team also matches the levels of services provided to individual's unique needs to ensure resident satisfaction from the outset. Care is taken that business growth from sales is managed with enhancement of the Metlifecare brand at the forefront.

Gaynor brings to the position a 25 year career spanning service, franchising and retail sales industries, having held leading roles in organisation development, corporate brand research and operations.

## 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.

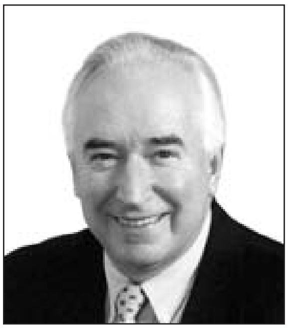
Lynne's career has been within the health services industry, initially as a clinician and more recently as a project and business manager within both the private and public sectors. Lynne joined Metlifecare in 2000 and has had a variety of roles within the Company before taking up the position of General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

## Colleen Tang Dip. Bus (HR)

**General Manager Human Resources**

Colleen is responsible for the strategic direction and delivery of human resources activities, including 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 practitioner with over 20 years of experience in the manufacturing and service industries.

# Directors' Profiles



## Honourable Jim McLay, CNZM, QSO

**Chairman**
Jim McLay practised as a barrister before becoming a Member of the New Zealand Parliament in 1975. Until his retirement from politics in 1987 he held, at various times, the positions of Deputy Prime Minister, Leader of the Opposition, Attorney General and Minister of Justice. He received the Queen's Service Order (QSO) for public service and was made a Companion of the Order of New Zealand (CNZM) for services to conservation.

Jim McLay is Executive Chairman of Macquarie New Zealand Limited. He is also Chairman of Goodman (NZ) Limited (manager of the publicly-listed Goodman Property Trust), Chairman of publicly-listed Just Water International Limited, Chairman of Healthphone Solutions Limited, and is a director of several other companies. He was founder Chairman of the New Zealand Council for Infrastructure Development (and remains its Patron), is Honorary New Zealand Chair of the Trans Tasman Business Circle and, from 2004-2007, has been a New Zealand delegate to the Australia New Zealand Leadership Forum.

Jim McLay has previously served as a director of Motor Race New Zealand Limited (administrator of New Zealand motor racing), Neuren Limited (a biotech start-up, now listed on the Australian Stock Exchange) and Evergreen Forests Limited (publicly listed forest owner); and was, for seven years, Chairman of Pharmacybrands Limited (licensor of the Unichem, AMCAL and Dispensary First retail pharmacy brands).

From 1993 to 2003, Jim McLay was the New Zealand Commissioner on the International Whaling Commission, and is one of ten members of the Humane Society of United States' International Council of Advisers. He has served as an adviser to the New Zealand Government on reviews of the wholesale electricity market, defence funding and financial management, accident compensation and reform of road funding and management.

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

## Peter Ross Brown LLB(Hons), B.Com

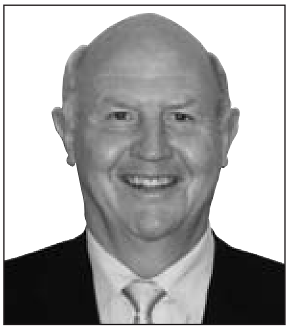
**Director**
Peter Brown is Managing Director & Chief Executive Officer of FKP Limited. He joined the FKP Limited Board as managing director in February 2003. He has in excess of 20 years experience in property having held senior executive positions in national ASX listed companies.

He chairs Metlifecare's Acquisition & Development Committee.

## 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.

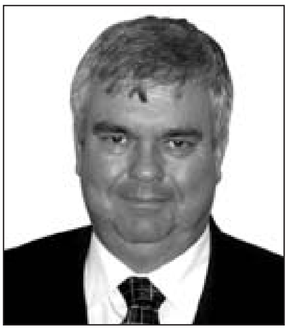
He chairs Metlifecare's Audit Committee.



## 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

**Director**
John Loughlin is a professional company director. He is currently Chairman of Allied Farmers Limited and Prism Group Holdings Limited. He is a director of Toll NZ Limited, Zespri Group Limited, Taupo Motorsport Park Limited, Centralines Limited, Lean Meats Limited and Kermadec Property Fund Limited. He is an Issuer Appointee to NZX Discipline. 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 and Nominations & Corporate Governance Committees.

# Directors' Profiles

continued

## Patrick Joseph McClure, AO

**Director**

Patrick McClure is a Division Director within Macquarie Bank and CEO of the Retirement Villages Group. Prior to joining Macquarie in 2006, Patrick was CEO of Mission Australia for 10 years. During that period the company was transformed from a state-based entity to a highly successful international organization with revenue of $250 million and 3,000 staff. Patrick has 20 years experience in executive management roles within community and public sector organizations.

He was Chairperson of the Federal Government's Reference Group on Welfare Reform from 2000-1, Deputy Chairperson of the Welfare to Work Consultative Forum from 2005-6, Member of the Board for a New Tax System from 1999-2001 and Chairperson of the OECD-LEED Forum on Social Innovation based in Paris from 2003-6.

He is currently a Commissioner of the Australian Fair Pay Commission and has been a Member of the Prime Minister's Community Business Partnership since 1999. He was awarded an Order of Australia (AO) in 2003 and an Australian Centennial Medal in 2001. He was selected as an AFR-BOSS True Leader in 2005 and a winner of the Equity Trustee's EQT CEO Awards for 'Lifetime Achievement" in 2002. He has a Master of Arts (Public Policy) and is a Fellow of the Australian Institute of Company Directors.

Patrick is a member of Metlifecare's Acquisition & Development Committee.

**Note:**

[1] Messrs PB Harman and JJ Loughlin were Independent Directors as at 30 June 2007. Hon. JK McLay, Messrs PR Brown, DL Guihot and PJ McClure were not Independent Directors as at 30 June 2007.

# 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;
- 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 appointing management, 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. 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.

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 10 to 12.) 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. 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 10 to 12. 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.

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.

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 relevant regulations, 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 56. Hon. Jim McLay, Messrs Peter Brown, Darryl Guihot, Patrick McClure, and Patrick McCawe (resigned), have waived their entitlement to Directors' fees. The Board decided that the annual fees for each of Messrs Cliff Cook (resigned), Brent Harman and John Loughlin is $60,000.

# Corporate Governance Statement

continued

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 58 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 on going 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 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 36.

### 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 RVA 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.

# Corporate Governance Statement

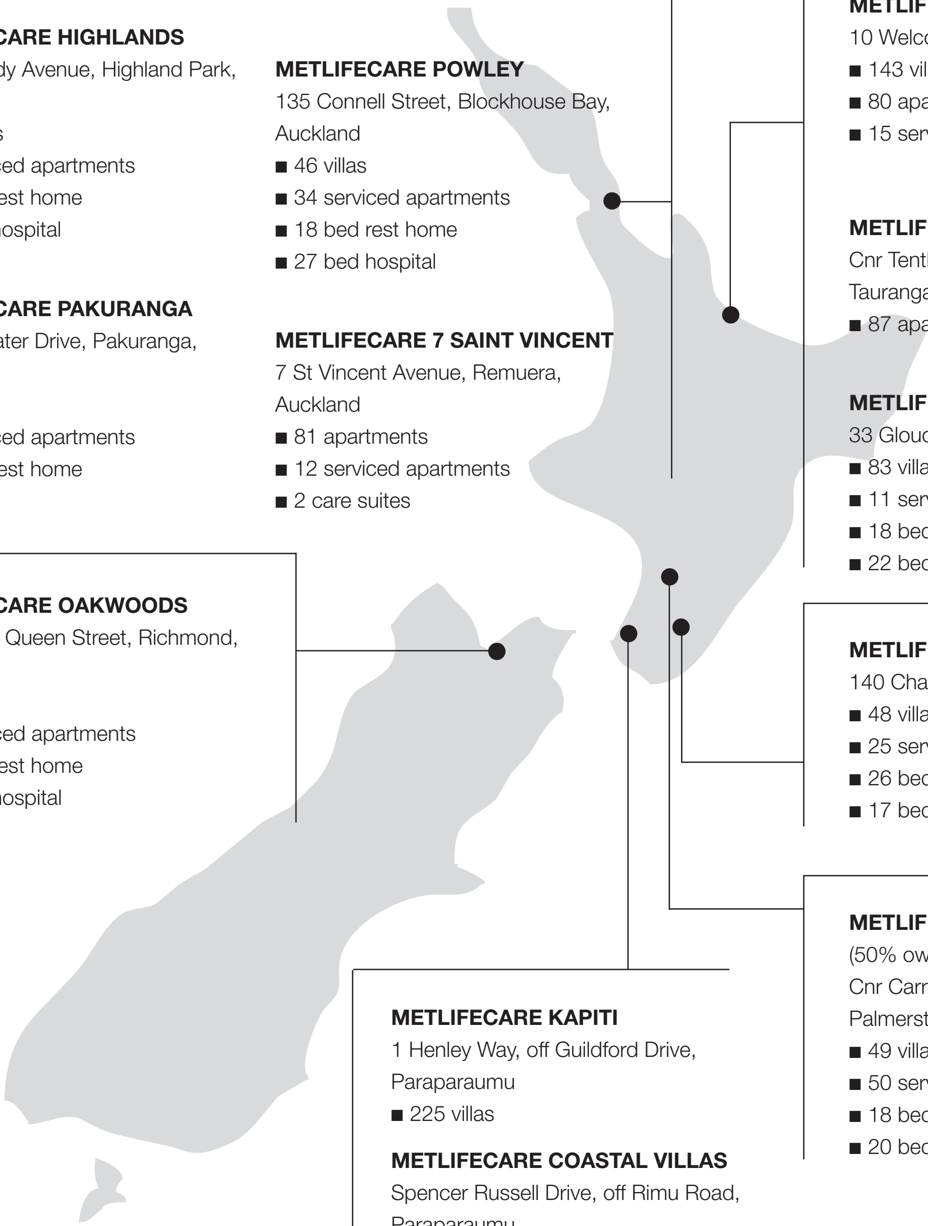
continued

Attendance at Board and Committee Meetings in the year ended 30 June 2007

| | Board Attendance | Committee Attendance | | | |
|---|---|---|---|---|---|
| **Total number of meetings held** | **5** | **2** | **1** | **4** | **1** |
| **Director** | **Board** | **Audit** | **Remuneration** | **Acquisition & Development** | **Nominations & Corporate Governance** |
| Hon J.K. McLay | 5 | - | 1 | - | 1 |
| P.R. Brown | 1 | - | - | 4 | - |
| D.L. Guihot | 4 | 2 | - | - | - |
| P.B. Harman | 5 | 2 | 1 | - | 1 |
| J.J. Loughlin | 4 | 2 | - | 3 | 1 |
| P.J. McClure (Appointed 14 February 2007) | 2 | - | - | - | - |
| **Former Director** | | | | | |
| C.J. Cook (Resigned 14 February 2007) | 3 | - | 1 | 2 | - |
| P.D. McCawe (Resigned 14 February 2007) | 3 | - | - | - | - |

# Villages and Care Facilities

30 June 2007



**METLIFECARE CRESTWOOD**
38 Golf Road, Titirangi, Auckland
- 121 villas
- 14 serviced apartments
- 41 bed rest home

**METLIFECARE HIGHLANDS**
49 Aberfeldy Avenue, Highland Park, Auckland
- 129 villas
- 70 serviced apartments
- 31 bed rest home
- 10 bed hospital

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

**METLIFECARE PINESONG**
66 Avonleigh Road, Titirangi, Auckland
- 100 villas
- 204 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 OAKWOODS**
357 Lower Queen Street, Richmond, Nelson
- 92 villas
- 49 serviced apartments
- 18 bed rest home
- 30 bed hospital

**METLIFECARE BAYSWATER**
60 Maranui Street, Mt Maunganui
- 159 villas
- 56 apartments

**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 WAIRARAPA**
140 Chapel Street, Masterton
- 48 villas
- 25 serviced apartments
- 26 bed rest home
- 17 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

**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

# Trend Statement

| FINANCIAL HIGHLIGHTS ($m) | Years ended 31 December | | | | | | | | | Six months ended 30 June | Year ended 30 June |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | **2007** |
| Gross revenues | 46.8 | 63.3 | 69.2 | 86.0 | 82.2 | 100.7 | 110.1 | 108.9 | 127.6 | 59.1 | **171.4** |
| Operating surplus[1] (EBIT) | 8.1 | 9.9 | 6.4 | 8.1 | 10.7 | 13.1 | 14.3 | 19.4 | 24.4 | 12.8 | **35.9** |
| Net surplus for the year | 6.4 | 8.5 | 1.5 | 0.5 | 7.2 | 10.4 | 14.2 | 17.5 | 21.7 | 11.5 | **30.7** |
| Cash flow from operations | 9.5 | 15.2 | 12.5 | 25.3 | 22.5 | 27.6 | 35.8 | 27.8 | 38.5 | 17.9 | **48.8** |
| Shareholders' equity (excluding minority interest) | 59.4 | 73.2 | 73.6 | 69.5 | 94.3 | 112.0 | 148.8 | 192.6 | 224.2 | 247.7 | **281.6** |
| Net debt[2] | 29.8 | 57.1 | 81.7 | 72.4 | 50.7 | 50.3 | 32.8 | 63.2 | 59.7 | 78.6 | **84.6** |
| Property revaluations (taken to reserves) | 17.0 | 8.4 | 7.7 | 6.0 | 5.9 | 13.6 | 40.0 | 51.9 | 36.8 | 24.9 | **55.0** |
| Total assets | 105.8 | 152.2 | 179.8 | 161.2 | 166.2 | 184.6 | 200.6 | 277.4 | 309.1 | 356.7 | **400.3** |
| **FINANCIAL STATISTICS** | | | | | | | | | | | |
| Return on average shareholders' equity | 12.5% | 12.8% | 2.1% | 0.7% | 8.8% | 10.1% | 10.9% | 10.2% | 10.4% | 4.9% | **11.7%** |
| Dividends per share | 5.0c | 6.0c | 1.5c | - | - | - | 5.0c | 5.5c | 2.2c | 9.0c | **22.0c** |
| Gearing (debt / debt + equity) | 33.4% | 43.8% | 52.2% | 50.6% | 34.4% | 30.6% | 17.8% | 24.2% | 20.6% | 23.7% | **22.8%** |
| **SALES AND RESALES[3]** | | | | | | | | | | | |
| Number of sales | 83 | 133 | 88 | 119 | 72 | 111 | 106 | 74 | 71 | 22 | **106** |
| Number of resales | 112 | 110 | 138 | 149 | 177 | 193 | 222 | 190 | 188 | 95 | **261** |
| Total | 195 | 243 | 226 | 268 | 249 | 304 | 328 | 264 | 259 | 117 | **367** |

**Notes:**

1 Operating surplus before interest, tax, unusual items and minority interest.
2 Interest bearing.
3 Including Metlifecare Palmerston North (50% owned).

# Financial Statements

For the Year Ended 30 June 2007

# Statements of Financial Performance

For the Year Ended 30 June 2007

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 |
| | NOTE | **$000** | $000 | **$000** | $000 |
| **OPERATING REVENUES** | 2 | **171,418** | 59,127 | **14,165** | 5,737 |
| **NET SURPLUS BEFORE TAXATION** | 3 | **31,476** | 11,792 | **844** | 436 |
| Taxation Expense | 4 | **-** | - | **-** | - |
| **NET SURPLUS AFTER TAXATION** | | **31,476** | 11,792 | **844** | 436 |
| Minority Interest in Surplus | 6 | **(786)** | (270) | **-** | - |
| **NET SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY** | | **30,690** | 11,522 | **844** | 436 |

The accompanying notes form an integral part of these financial statements.

# Statements of Movements in Equity

For the Year Ended 30 June 2007

| | NOTE | GROUP<br>**12 months ended 30 June 2007**<br>**$000** | GROUP<br>6 months ended 30 June 2006<br>$000 | COMPANY<br>**12 months ended 30 June 2007**<br>**$000** | COMPANY<br>6 months ended 30 June 2006<br>$000 |
|---|---|---|---|---|---|
| **EQUITY AT BEGINNING OF THE PERIOD** | | **253,362** | 229,625 | **55,190** | 54,754 |
| Net Surplus | | **30,690** | 11,522 | **844** | 436 |
| Revaluation of Investment Properties | 6 | **55,014** | 24,868 | **-** | - |
| Realised Surplus transferred to Statement of Financial Performance | 6 | **(26,823)** | (9,102) | **-** | - |
| Revaluation of Amounts Payable to Residents under terms of Occupation Licences | 6 | **(8,417)** | (3,831) | **-** | - |
| **Total Recognised Revenues and Expenses** | | **50,464** | 23,457 | **844** | 436 |
| Dividend Paid | 6 | **(16,596)** | - | **(16,596)** | - |
| Increase / (Decrease) in Minority Interest | 6 | **(734)** | 280 | **-** | - |
| Increase in Share Capital | 5 | **126** | - | **126** | - |
| **EQUITY AT END OF THE PERIOD** | | **286,622** | 253,362 | **39,564** | 55,190 |

The accompanying notes form an integral part of these financial statements.

# Statements of Financial Position

As At 30 June 2007

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | NOTE | **$000** | $000 | **$000** | $000 |
| **EQUITY** | | | | | |
| Share Capital | 5 | **44,596** | 44,470 | **44,596** | 44,470 |
| Reserves | 6 | **132,364** | 112,590 | **-** | - |
| Accumulated Surplus/(Deficit) | 6 | **104,684** | 90,590 | **(5,032)** | 10,720 |
| Parent Shareholders' Equity | | **281,644** | 247,650 | **39,564** | 55,190 |
| Minority Interest | 6 | **4,978** | 5,712 | **-** | - |
| **Total Equity** | | **286,622** | 253,362 | **39,564** | 55,190 |
| **NON CURRENT LIABILITIES** | | | | | |
| Bank Loans (Secured) | 7 | **80,300** | 74,250 | **80,000** | 74,000 |
| Other Loans | 11 | **4,325** | 4,325 | **-** | - |
| Refundable Occupation Licences | 12 | **1,418** | 1,692 | **-** | - |
| Amortising Liabilities to Residents | 10 | **33** | 132 | **-** | - |
| Finance Leases (Secured) | 8 | **66** | 92 | **-** | - |
| **Total Non Current Liabilities** | | **86,142** | 80,491 | **80,000** | 74,000 |
| **CURRENT LIABILITIES** | | | | | |
| Creditors and Accruals | 9 | **11,831** | 12,718 | **1,667** | 2,277 |
| Bank Overdraft | | **-** | - | **764** | - |
| Finance Leases (Secured) | 8 | **26** | 24 | **-** | - |
| Refundable Occupation Licences | 12 | **15,652** | 9,925 | **-** | - |
| Amortising Liabilities to Residents | 10 | **79** | 144 | **-** | - |
| **Total Current Liabilities** | | **27,588** | 22,811 | **2,431** | 2,277 |
| **Total Equity and Liabilities** | | **400,352** | 356,664 | **121,995** | 131,467 |

The accompanying notes form an integral part of these financial statements.

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | NOTE | **$000** | $000 | **$000** | $000 |
| **NON CURRENT ASSETS** | | | | | |
| Investment Properties | 13 | **226,419** | 195,540 | **-** | - |
| Property, Plant and Equipment | 14 | **34,649** | 33,461 | **772** | 715 |
| Investment in Subsidiaries | 15 | **-** | - | **32,705** | 32,705 |
| Amounts Due from Subsidiary Companies | 16 | **-** | - | **88,444** | 97,273 |
| Other Non Current Assets | 17 | **72,670** | 58,978 | **-** | - |
| **Total Non Current Assets** | | **333,738** | 287,979 | **121,921** | 130,693 |
| **CURRENT ASSETS** | | | | | |
| Cash at Bank | | **49** | 1,576 | **-** | 219 |
| Inventory | 18 | **27,597** | 39,399 | **-** | - |
| Debtors and Prepayments | 19 | **38,968** | 27,710 | **74** | 555 |
| **Total Current Assets** | | **66,614** | 68,685 | **74** | 774 |
| **Total Assets** | | **400,352** | 356,664 | **121,995** | 131,467 |

Hon. JK McLay, CNZM, QSO
Chairman
20 August 2007

JJ Loughlin
Director
20 August 2007

The accompanying notes form an integral part of these financial statements.

# Statements of Cash Flows

For the Year Ended 30 June 2007

| | NOTE | GROUP 12 months ended 30 June 2007 $000 | GROUP 6 months ended 30 June 2006 $000 | COMPANY 12 months ended 30 June 2007 $000 | COMPANY 6 months ended 30 June 2006 $000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| **Cash was provided from:** | | | | | |
| Receipts from Residents | | **146,786** | 52,465 | **-** | - |
| Interest Received | | **15** | 41 | **8,015** | 3,355 |
| Management Fees and Other Income Received | | **-** | - | **5,835** | 2,382 |
| | | **146,801** | 52,506 | **13,850** | 5,737 |
| **Cash was applied to:** | | | | | |
| Payments to Residents | | **(50,092)** | (15,147) | **-** | - |
| Payments to Suppliers | | **(23,105)** | (8,975) | **(2,928)** | (1,182) |
| Payments to Employees | | **(20,483)** | (9,770) | **(3,930)** | (2,092) |
| Interest Paid | | **(4,288)** | (672) | **(6,760)** | (2,104) |
| | | **(97,968)** | (34,564) | **(13,618)** | (5,378) |
| Net cash flow from operating activities | | **48,833** | 17,942 | **232** | 359 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| **Cash was provided from:** | | | | | |
| Sale of Property, Plant and Equipment | | **12** | - | **-** | - |
| Dividend Received | | **-** | - | **800** | - |
| Advances from Subsidiaries | | **-** | - | **8,829** | - |
| | | **12** | - | **9,629** | - |
| **Cash was applied to:** | | | | | |
| Purchase and Development of Property, Plant and Equipment | | **(2,902)** | (767) | **(374)** | (70) |
| Capitalised Interest | | **(2,783)** | (1,426) | **-** | - |
| Purchase and Development of Investment Properties | | **(33,467)** | (13,401) | **-** | - |
| Acquisition of Village Trade and Assets | 15 | **-** | (19,627) | **-** | - |
| Increase in Subsidiaries Equity | | **-** | - | **-** | (5,000) |
| Advances to Subsidiaries | | **-** | - | **-** | (13,618) |
| | | **(39,152)** | (35,221) | **(374)** | (18,688) |
| Net cash flow from investing activities | | **(39,140)** | (35,221) | **9,255** | (18,688) |

The accompanying notes form an integral part of these financial statements.

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 |
| | NOTE | **$000** | $000 | **$000** | $000 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| **Cash was provided from:** | | | | | |
| Bank Loans | | **6,050** | 19,250 | **6,000** | 20,000 |
| Issue of Shares | 5 | **126** | - | **126** | - |
| | | **6,176** | 19,250 | **6,126** | 20,000 |
| **Cash was applied to:** | | | | | |
| Dividend | | **(17,396)** | | **(16,596)** | - |
| | | **(17,396)** | | **(16,596)** | - |
| Net cash flow from financing activities | | **(11,220)** | 19,250 | **(10,470)** | 20,000 |
| **Net increase/(decrease) in cash held** | | **(1,527)** | 1,971 | **(983)** | 1,671 |
| Add cash at the beginning of the period | | **1,576** | (395) | **219** | (1,452) |
| **Cash at the end of the period** | | **49** | 1,576 | **(764)** | 219 |
| Cash comprises cash balances held with banks in New Zealand: | | | | | |
| Cash at Bank | | **813** | 1,576 | **-** | 219 |
| Bank Overdraft | | **(764)** | - | **(764)** | - |
| | | **49** | 1,576 | **(764)** | 219 |

The accompanying notes form an integral part of these financial statements.

# Statements of Cash Flows continued

For the Year Ended 30 June 2007

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| **RECONCILIATION OF NET SURPLUS WITH NET CASH FLOW FROM OPERATING ACTIVITIES** | | | | |
| Net Surplus | **30,690** | 11,522 | **844** | 436 |
| Add back development cost of sales included in Cash from Investing Activities | **36,157** | 7,731 | **-** | - |
| Repurchases | **3,942** | 3,351 | **-** | - |
| Dividend Received | **-** | - | **(800)** | - |
| | **70,789** | 22,604 | **44** | 436 |
| **Non-cash items** | | | | |
| Depreciation | **1,613** | 775 | **304** | 159 |
| Minority Interest | **786** | 270 | **-** | - |
| Net (Surplus)/Loss on Sale of Property, Plant and Equipment | **(7)** | - | **3** | - |
| | **2,392** | 1,045 | **307** | 159 |
| **Movement in Balance Sheet Items relating to Operating Activities** | | | | |
| Debtors and Prepayments | **(10,173)** | 1,266 | **481** | 96 |
| Creditors and Accruals | **(887)** | 1,089 | **(610)** | (259) |
| Amortising Liabilities to Residents | **(164)** | (99) | **-** | - |
| Other Non Current Assets | **(14,778)** | (11,077) | **-** | (73) |
| Creditors and Accruals Movement Relating to Investing Activities | **1,654** | 3,114 | **10** | - |
| | **(24,348)** | (5,707) | **(119)** | (236) |
| Net cash flow from operating activities | **48,833** | 17,942 | **232** | 359 |

The accompanying notes form an integral part of these financial statements.

# Accounting Policies and Notes to the Financial Statements

For the Year Ended 30 June 2007

## 1. STATEMENT OF ACCOUNTING POLICIES

**Reporting Entity**

The financial statements for the "Company" are for Metlifecare Limited as a separate legal entity.

The consolidated statements for the "Group" are for the economic entity comprising Metlifecare Limited and its subsidiaries.

In May 2006 the Group changed its balance date from 31 December to 30 June to align with its majority shareholder. As a result the Group has presented the financial statements for the year ending 30 June 2007 with the six month comparative period to 30 June 2006, being the previous audited financial period.

**Statutory Base**

Metlifecare Limited is a Company registered under the Companies Act 1993 and is listed on the New Zealand Stock Exchange. Metlifecare Limited is an issuer in terms of the Securities Act 1978. These financial statements have been prepared under the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

**Measurement Base**

The measurement base adopted is that of historical cost adjusted by the revaluation of Investment Properties and Care Facilities. During the year ended 31 December 2002 the Group ceased revaluing the care facilities and adopted historic cost principles.

**Accounting Policies**

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flow are set out below.

***a) Basis of Consolidation***

The consolidated financial statements are prepared from the financial statements of Metlifecare Limited and its subsidiaries, being companies that Metlifecare Limited controls directly, indirectly or beneficially.

The purchase method of consolidation has been used in respect of all subsidiaries. All material transactions between Group companies are eliminated on consolidation.

***b) Revenue Recognition***

**i) Rest Home, Hospital and Service Fees and Village Fee**

Rest Home, Hospital and Service Fees and Village Fee are recognised on an accruals basis.

**ii) Occupation Licences – Sale of New Units and Serviced Apartments**

Revenues from initial sales of Occupation Licences for new units and serviced apartments are recognised when the Group has an unconditional sale contract on these properties and practical completion of the development has been achieved. Surpluses and deficits from the sale of Occupation Licences are recognised as the difference between the Occupation Licence revenue and those costs directly related to developing the new units (including the cost of construction, land cost allocation and capitalised interest).

**iii) Occupation Licences – Resale of Units and Serviced Apartments**

Revenues from the resale of Occupation Licences for existing units and serviced apartments are recognised when the Group has an unconditional resale contract on these properties. Surpluses and deficits from the resale of Occupation Licences are recognised as the difference between the Occupation Licence revenue and the cost of repurchasing occupancy rights (including the cost of the Group's obligation for refurbishment costs, where applicable).

**iv) Lifecare Contributions**

Lifecare Contributions are amortised to the Statement of Financial Performance over the period set out in the Lifecare Agreement (generally 48 months) while the resident is in occupation, such that the recorded liability at balance date reflects the refundable or unamortised portion of the contribution. New documentation for sales and resales of Occupation Licences was introduced in the first half of 1996 which replaced Lifecare with Amenities Contribution. There was no earnings impact from Lifecare contributions in the result for the twelve months to 30 June 2007 or comparatives.

The non-current and current portions of the liability are stated as estimated by the Company.

**v) Amenities Contribution and Membership Fee**

An Amenities Contribution is payable by the residents of the Group's units and serviced apartments for the right to share in the use and enjoyment of the Common Facilities. The Amenities Contribution accrues monthly and is taken to income at the rate for units of 5.50% p.a. or 5.75% p.a. over four years to a maximum of 22% or 23% of the value of the Occupation Licence, and for serviced apartments at the rate of 8.33% p.a. over three years to a maximum of 25% of the value of the Occupation Licence.

In January 2005 the Group introduced the Membership Fee that replaced the Amenities Contribution, Refurbishment Charges and Selling Charge. The Membership Fee accrues monthly and is taken to income at the rate of 10% p.a. over a three year period to a maximum of 30% for all new sales and resales since January 2005.

The Amenities Contribution and Membership Fee is payable by the resident at the time of repayment by the Group to the resident of the Occupation Licence.

The non current and current portions of the asset are stated as estimated by the Company.

**vi) Other Revenues**

At Metlifecare Bayswater, acquired in 1998, 20% of the amount paid by the resident on entering the village is amortised to the Statement of Financial Performance monthly over 10 years. Should the resident leave during this period, the unamortised portion is refundable.

Standard Metlifecare documentation was introduced post acquisition of Bayswater for new sales and resales and the Amenities Contribution/Membership Fee principles are applied.

***c) Investment Properties***

Investment Properties include freehold land and buildings intended to be held for the long term relating to units, serviced apartments, the common facilities (Community Assets) and future developments (Development Properties). This freehold land and buildings is provided for use by residents of units and serviced apartments which are occupied by residents under various Occupation Licences. Group owned equipment and furnishings for the use of residents under the terms of their Occupation Licences are also included under this heading.

Investment Properties are initially recorded at cost whilst being constructed or developed and are included in Inventory. On completion of a construction or development project, individual units and serviced apartments are sold, at which point they are included in Investment Properties.

Sold Units and Serviced Apartments are subsequently revalued on an annual basis and restated to market values as determined by an independent registered valuer. Development Properties represents land held for development and is recorded at cost including holding costs and costs associated in bringing the land to its current condition.

Interest incurred during the period that is required to complete and prepare the freehold land and buildings for its intended use is capitalised as part of the total cost.

Investment Properties are not depreciated. Any surplus or deficit determined by the annual revaluation is taken directly to Reserves. Investment Properties are stated in the Statement of Financial Position net of the refundable Occupation Licences which are not firm monetary obligations to repurchase and repay.

#### *d) Inventory*

The costs of units and apartments under construction and completed units and apartments awaiting sale of Occupation Licences are excluded from Investment Properties and are classified as a Current Asset under the heading “Inventory”. Occupation Licences repurchased awaiting resale are classified similarly. The carrying value of inventory is the lower of cost or net realisable value.

#### *e) Property, Plant and Equipment*

Property, Plant and Equipment comprise nursing homes, hospitals and administrative facilities.

The group has four classes of Property, Plant and Equipment:

Freehold Land; Freehold Buildings; Plant, Furniture and Equipment and Motor Vehicles.

All Property, Plant and Equipment is initially recorded at cost. Interest incurred during the period that is required to complete and prepare the asset for its intended use is capitalised as part of the total cost. Care facilities are carried at valuation as determined by an independent registered valuer as at 31 December 2001. During the year ended 31 December 2002 the Group ceased revaluing the care facilities and adopted historic cost principles.

#### *f) Depreciation*

Depreciation is provided on a straight line basis on all tangible 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 | 5 - 10 years |
| Motor Vehicles | 5 - 7 years |

#### *g) Refundable Occupation Licences*

Occupation Licences confer the right of occupancy of the unit or serviced apartment until such time as the Group repurchases the occupancy rights.

Amounts payable under Occupation Licence repurchase arrangements, which are firm monetary obligations, are shown in the Statement of Financial Position as liabilities separated between non current and current as estimated by the Company. Amounts which are payable only on resale of the Occupation Licence, or under an option to repurchase, are deducted from the Investment Properties to which they relate.

Realised surpluses on the initial and subsequent sale of Occupation Licences are recognised by way of transfer from the Investment Property Revaluation Reserve to the Statement of Financial Performance.

At Metlifecare Greenwood Park, Metlifecare Powley and Metlifecare Kapiti certain occupational licences include the right to a proportion of the capital gains arising on resale. The amount of the capital gain relating to these licences is recognised by way of a transfer from the Investment Property Revaluation Reserve to the refundable occupation licence liability.

#### *h) Amortising Liabilities to Residents*

The lump sum payment made by residents in respect of Lifecare Contributions, Village Facility Fees and Licence to Occupy fees are refundable on a pro rata basis if residents give up their right to occupancy within the period set out in the terms of their Agreement. Amounts estimated to be payable within one year of balance date are classified as a Current Liability as estimated by the Company. The remaining balance is classified as a Non Current Liability.

***i) Trade Debtors***

Trade Debtors are valued at expected realisable value after writing off any debts considered uncollectable and providing for any debts considered doubtful.

***j) Investments***

Investments in Subsidiaries are stated at cost in the parent Company financial statements.

***k) Impairment***

Annually the Company's directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised against any previous revaluation surplus with the excess recognised in the Statement of Financial Performance.

***l) Taxation***

The taxation expense shown in the Statement of Financial Performance includes both current and deferred taxation, and is calculated after deducting all available allowances. Deferred taxation, calculated using the liability method on a partial basis, is provided to cover future taxation benefits and liabilities arising from the reversal of timing differences between deductions under the Group's accounting policies and those allowed under income tax legislation. Debit balances in the deferred taxation account are recognised only to the extent that there is virtual certainty of their recovery in future periods.

***m) Long Term Maintenance Provision***

The terms of the Occupation Licences provide that the Company will maintain the land and buildings of each village. Residents pay for the long term maintenance through the weekly occupation charge at a rate determined from the long term maintenance plan.

***n) Lease Commitments***

*Finance Leases*

Assets under finance leases are recognised as non-current assets in the Statement of Financial Position. Leased assets are recognised initially at the lower of the present value of minimum lease payments or their fair value. A corresponding liability is established and each lease payment is allocated between the liability and interest expense. Leased assets are depreciated on the same basis as equivalent plant, furniture and equipment.

*Operating Leases*

Leases that are not finance leases are classified as operating leases. Operating leases are recognised as an expense in the periods the amounts are payable.

***o) Goods and Services Tax (GST)***

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

***p) Share Issue Costs***

Costs associated with the issue of shares are recognised as a reduction of the amount collected per share.

***q) Financial Instruments***

Financial Instruments carried in the Statement of Financial Position include cash and bank balances, investments, receivables, trade creditors and borrowings. The particular recognition methods are disclosed in individual policy statements associated with each item.

The Group uses derivative financial instruments within predetermined policies and limits in order to reduce its exposure to fluctuations in interest rates. Derivative financial instruments that are designated as hedges of specific items are recognised on the same basis as the underlying hedge items. The net differential paid or received on interest swaps and options is recognised as a component of interest expense.

The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

***r) Statement of Cash Flows***

The following are the definitions of the terms used in the Statement of Cash Flows:

i) Operating activities include all transactions and other events that are not investing or financing activities. Included within cash flows from operating activities are monies received from residents in relation to the sale and resale of Occupation Licences, Amenities Revenue and Village operating and Other Revenue.

ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.

iii) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

iv) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

***s) Changes in Accounting Policies***

There have been no changes in accounting policies during the year.

## 2. OPERATING REVENUES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| Sales Revenue | **42,755** | 9,887 | **-** | - |
| Resales Revenue | **74,579** | 25,348 | **-** | - |
| Amenities Revenue | **20,596** | 8,863 | **-** | - |
| Village Operating and Other Revenue | **33,488** | 15,029 | **14,165** | 5,737 |
| | **171,418** | 59,127 | **14,165** | 5,737 |

## 3. OPERATING SURPLUSBEFORE TAXATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| Net Surplus attributable to Shareholders is stated: | **30,690** | 11,522 | **844** | 436 |
| **After Charging/(Crediting):** | | | | |
| **Continuing Activities** | | | | |
| Depreciation | | | | |
| - Buildings | **479** | 233 | **-** | - |
| - Plant, Furniture & Equipment | **1,047** | 509 | **304** | 159 |
| - Motor Vehicles | **87** | 33 | **-** | - |
| Total depreciation | **1,613** | 775 | **304** | 159 |
| Fees Paid to Auditors | | | | |
| - Audit fees | **160** | 166 | **23** | 76 |
| - Taxation Services | **42** | 34 | **42** | 34 |
| Change in doubtful debts provision | | | | |
| - (released)/provided | **(84)** | (37) | **-** | - |
| Directors' fees | | | | |
| - Parent | **162** | 106 | **162** | 106 |
| - 50% subsidiary | **26** | 13 | **-** | - |
| Rent and operating lease costs | **362** | 176 | **219** | 176 |
| Realised Surplus transferred from Investment Property Revaluation Reserve | **(26,823)** | (9,102) | **-** | - |
| Interest | | | | |
| - bank loans | **6,799** | 2,295 | **6,487** | 2,136 |
| - bank and other short term borrowings | **8** | 1 | **-** | - |
| - finance leases | **9** | 5 | **-** | - |
| - advances to subsidiaries | **-** | - | **(8,016)** | (3,354) |
| - capitalised | **(2,783)** | (1,426) | **-** | - |
| - received | **(92)** | (52) | **-** | (1) |
| - facility fees | **444** | 148 | **429** | 178 |

| | | | | |
|---|---|---|---|---|
| Management fees | **-** | - | **(5,221)** | (2,371) |
| (Gain) / Loss on sale of property, plant and equipment | **(7)** | - | **3** | - |

## 4. TAXATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| **a) Taxation Expense is calculated as follows:** | | | | |
| Operating Surplus before Taxation | **31,476** | 11,792 | **844** | 436 |
| Taxation at 33% | **10,387** | 3,891 | **279** | 144 |
| Adjusted by the taxation effect of: | | | | |
| Timing differences not previously brought to account | **(3,415)** | (1,556) | **(15)** | 5 |
| Expenditure not deductible for taxation | **107** | 511 | **48** | 69 |
| Construction costs not deductible for taxation | **11,769** | 2,551 | **-** | - |
| Repurchase costs not deductible for taxation | **16,981** | 5,272 | **-** | - |
| Repurchase obligations deductible | **(39,576)** | (11,628) | **-** | - |
| Prior year tax adjustment | **(1,744)** | (332) | **-** | (14) |
| Taxation losses generated during the period | **5,491** | 1,291 | **(90)** | - |
| Company tax losses brought forward available for offset | **-** | - | **(222)** | (171) |
| Group tax losses brought forward available for offset | **-** | - | **-** | (33) |
| Taxation Expense | **-** | - | **-** | - |
| The Taxation Expense is represented by: | | | | |
| - Current taxation | **-** | - | **-** | - |
| - Deferred taxation | **-** | - | **-** | - |
| | **-** | - | **-** | - |
| **b) Available Taxation Losses** | | | | |
| Unrecognised taxation losses carried forward and available to be set off against future assessable income | **21,701** | 5,061 | **-** | - |
| Taxation Effect at 30% (2006: 33%) | **6,510** | 1,670 | **-** | - |

The future benefit of taxation losses not recognised is subject to the requirements of Income Tax Legislation being met.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$millions** | $millions | **$millions** | $millions |
| **c) Unrecognised Deferred Taxation Liability:** | | | | |
| Timing differences arising from normal operations | **91.1** | 87.5 | **(0.3)** | - |
| Freehold land and buildings | **58.8** | 36.2 | **-** | - |
| Occupation Licences | **243.1** | 209.9 | **13.0** | - |
| Gross Unrecognised Taxation Liability | **393.0** | 333.6 | **12.7** | - |
| Taxation at 30% (2006: 33%) | **117.9** | 110.1 | **3.8** | - |

The deferred taxation liability in relation to Occupation Licences and timing differences arising from normal operations have not been recognised on the basis that it is not expected to reverse and crystallise a tax liability in the foreseeable future to the extent that the current tax treatment and Group activities remain unchanged.

The deferred taxation liability in respect of Freehold Land and Buildings may only arise if these assets were sold at or higher than their original cost. This liability has not been recognised on the basis that the Company has no intention of disposing of these assets in the foreseeable future.

| **5. SHARE CAPITAL** | GROUP AND COMPANY | |
|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 |
| **Issued and Fully Paid Capital** | | |
| Balance at beginning of period | **44,470** | 44,470 |
| Shares issued on exercise of options | **126** | - |
| Balance at end of period | **44,596** | 44,470 |

There were 87,448,541 shares on issue at balance date (30 June 2006: 87,348,541). All Ordinary shares rank equally with one vote attached to each fully paid ordinary share. During the year ended 30 June 2007 there were 100,000 options exercised under the Executive Share Option Plan (six months ended 30 June 2006: Nil) resulting in an increase in Issued and Fully Paid Capital of $126,000 (30 June 2006: Nil).

## 6. RESERVES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 | **12 months ended 30 June 2007** | 6 months ended 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| **Investment Property Revaluation Reserve** | | | | |
| Balance at beginning of the period | **110,518** | 98,583 | **-** | - |
| Revaluations during the period | **55,014** | 24,868 | **-** | - |
| Realised Surplus transferred to Statement of Financial Performance | **(26,823)** | (9,102) | **-** | - |
| Revaluation of Amounts Payable to Residents under terms of Licences to Occupy | **(8,417)** | (3,831) | **-** | - |
| Balance at end of the period | **130,292** | 110,518 | **-** | - |
| **Property, Plant and Equipment Revaluation Reserve** | | | | |
| Balance at beginning and end of the period | **2,072** | 2,072 | **-** | - |
| **Total Reserves** | **132,364** | 112,590 | **-** | - |
| **Accumulated Surplus / (Deficit)** | | | | |
| Balance at beginning of the period | **90,590** | 79,068 | **10,720** | 10,284 |
| Net surplus | **30,690** | 11,522 | **844** | 436 |
| Dividend Paid | **(16,596)** | - | **(16,596)** | - |
| Balance at end of the period | **104,684** | 90,590 | **(5,032)** | 10,720 |
| **Minority Interests** | | | | |
| Balance at beginning of the period | **5,712** | 5,432 | | |
| Share of surplus in subsidiary | **786** | 270 | | |
| Dividends paid and provided to minority interests | **(800)** | - | | |
| Share of movement in Investment Property during the period | **(720)** | 10 | | |
| Balance at end of the period | **4,978** | 5,712 | | |

| 7. BANK LOANS | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| Total Bank Loans – Floating Rate | **80,300** | 74,250 | **80,000** | 74,000 |
| Non Current Portion | **80,300** | 74,250 | **80,000** | 74,000 |
| The Non Current Portion falls due for repayment as follows: | | | | |
| - One to Two Years | **80,300** | - | **80,000** | - |
| - Two to Five Years | **-** | 74,250 | **-** | 74,000 |
| Total Non Current Portion | **80,300** | 74,250 | **80,000** | 74,000 |

The loans, subject to a first priority by the Scheme Supervisors as described in Note 13, 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.

Metlifecare Limited has issued a letter of support for the bank borrowings of the 50% owned subsidiary Metlifecare Palmerston North Limited. Actual borrowings at balance date were $0.3m (30 June 2006: $0.25m).

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 2007 ranged from 7.88% to 8.86% per annum (six month period to 30 June 2006: 7.61% to 8.18% per annum).

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 2007, the Group had $107m of committed bank facilities of which $26.7m was undrawn (30 June 2006: $82m; $7.75m). The bank facilities mature on 30 June 2009.

## 8. LEASE COMMITMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| **a) Finance Leases** | | | | |
| Finance Lease commitments are payable as follows: | | | | |
| - Within One Year | **26** | 24 | **-** | - |
| - One to Two Years | **66** | 24 | **-** | - |
| - Two to Five Years | **-** | 68 | **-** | - |
| | **92** | 116 | **-** | - |

Finance leases are secured over the assets to which they relate (refer Note 14). The finance rate for the year to 30 June 2007 is 8.03% to 8.08% (six month period to 30 June 2006: 8.03% to 8.08%).

**b) Non Cancellable Operating Leases**

| | | | | |
|---|---|---|---|---|
| Non cancellable operating lease commitments are payable as follows: | | | | |
| - Within One Year | **255** | 274 | **255** | 274 |
| - One to Two Years | **255** | 253 | **255** | 253 |
| - Two to Five Years | **149** | 289 | **149** | 289 |
| | **659** | 816 | **659** | 816 |

## 9. CREDITORS AND ACCRUALS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| Trade Creditors | **937** | 880 | **59** | 212 |
| Sundry Creditors and Accruals | **8,834** | 10,144 | **1,347** | 1,773 |
| Employee Entitlements | **2,060** | 1,694 | **261** | 292 |
| | **11,831** | 12,718 | **1,667** | 2,277 |

## 10. AMORTISING LIABILITIES TO RESIDENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| The liabilities amortise as follows: (refer Notes 1(b) (iv) and (vi)) | | | | |
| Current | **79** | 144 | **-** | - |
| Non Current | **33** | 132 | **-** | - |
| | **112** | 276 | **-** | - |

The non current and current portions of the significant Amortising Liabilities to Residents balances are stated as estimated by the Company.

## 11. OTHER LOANS

**Non Current**

The loan is secured by way of mortgage over the property at 142 Shakespeare Road, Takapuna. Interest is payable 6 monthly in arrears at 6.5% p.a. (twelve month period to 30 June 2006: 6.5%). The loan is repayable at the earlier date of November 2008 or pro rata on sale of the units of the development.

## 12. REFUNDABLE OCCUPATION LICENCES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| Amounts payable to residents where there is no firm monetary obligation on the Group to repurchase until resale have been deducted from Investment Properties (Refer Note 13) and may be analysed as follows: | | | | |
| Repayable on resale only | **582,901** | 510,387 | **-** | - |
| Repayable under options to repurchase | **6,693** | 7,992 | **-** | - |
| | **589,594** | 518,379 | **-** | - |

Amounts repayable to residents under firm monetary obligation repurchase arrangements within 12 months of the resident leaving the village are shown separately as a liability in the Statement of Financial Position. The non current and current portions of the liability are stated as estimated by the Company as follows:

| | | | | |
|---|---|---|---|---|
| Current | **15,652** | 9,925 | **-** | - |
| Non Current | **1,418** | 1,692 | **-** | - |
| | **17,070** | 11,617 | **-** | - |

At balance date the Group had 2,218 allotted securities (30 June 2006: 2,114) with a carrying value of $607m (30 June 2006: $530m).

## 13. INVESTMENT PROPERTIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| Completed Facilities at net current values | **793,339** | 692,588 | **-** | - |
| Development Properties | **22,674** | 21,331 | **-** | - |
| Less: Refundable Occupation Licences (Refer Note 12) | **(589,594)** | (518,379) | **-** | - |
| | **226,419** | 195,540 | **-** | - |

Completed facilities at net current values (including community facilities at replacement cost) are based on an independent valuation report by CB Richard Ellis as at 30 June 2007.

Development Properties represents land held for development and is recorded at cost including holding costs and costs associated in bringing the land to its current condition. Development Properties expected to be developed during the next 12 months are included in Inventory (refer Note 18).

External finance costs capitalised during the year period to 30 June 2007 amounted to $2.0m (six month period to 30 June 2006: $1.3m).

Memoranda of Encumbrance in favour of the Scheme Supervisors of the village owning subsidiary companies are registered 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 Managers of the village schemes to observe obligations under the Deeds of Participation, Occupation Licences and Lifecare Agreements.

In relation to Metlifecare Greenwood Park Limited freehold land is subject to a first registered mortgage charge to the Scheme 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 Scheme 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 Managers of the Village Scheme to observe obligations under the Deed of Participation and Occupation Licence Agreements.

| 14. PROPERTY, PLANT AND EQUIPMENT | AT COST | AT VALUATION | ACCUMULATED DEPRECIATION | NET BOOK VALUE |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| **As at 30 June 2007** | | | | |
| **Group** | | | | |
| Freehold Land | **10,339** | **3,570** | **-** | **13,909** |
| Freehold Buildings | **4,082** | **15,313** | **(2,575)** | **16,820** |
| Plant, Furniture and Equipment | **18,292** | **-** | **(14,595)** | **3,697** |
| Motor Vehicles | **1,121** | **-** | **(898)** | **223** |
| | **33,834** | **18,883** | **(18,068)** | **34,649** |
| **Company** | | | | |
| Plant, Furniture and Equipment | **2,244** | **-** | **(1,472)** | **772** |
| | **2,244** | **-** | **(1,472)** | **772** |
| **As at 30 June 2006** | | | | |
| **Group** | | | | |
| Freehold Land | 10,044 | 3,570 | - | 13,614 |
| Freehold Buildings | 3,352 | 15,313 | (2,096) | 16,569 |
| Plant, Furniture and Equipment | 15,904 | - | (12,818) | 3,086 |
| Motor Vehicles | 1,067 | - | (875) | 192 |
| | 30,367 | 18,883 | (15,789) | 33,461 |
| **Company** | | | | |
| Plant, Furniture and Equipment | 2,182 | - | (1,467) | 715 |
| | 2,182 | - | (1,467) | 715 |

The majority of land and buildings are carried on the basis of a valuation determined by an independent registered valuer on 31 December 2001. During the year ended 31 December 2002 the Group ceased revaluing the care facilities and adopted historic cost principles. The latest Government valuation of land and buildings held as Investment Property and Property, Plant and Equipment land and buildings is $466m (30 June 2006: $394m)

Property, Plant and Equipment subject to finance leases included in Group Property, Plant and Equipment above:

| | | | | |
|---|---|---|---|---|
| **As at 30 June 2007** | | | | |
| Motor Vehicles | **177** | **-** | **(136)** | **41** |
| | **177** | **-** | **(136)** | **41** |
| **As at 30 June 2006** | | | | |
| Motor Vehicles | 177 | - | (101) | 76 |
| | 177 | - | (101) | 76 |

During the six month period to 30 June 2007 external finance costs of $0.8m (six month period to 30 June 2006: $0.1m) were capitalised into Property, Plant and Equipment.

### 15. INVESTMENT IN SUBSIDIARIES

The Company's investment in subsidiaries comprises shares at cost.
Operating subsidiaries are:
Metlifecare Bayswater Limited
Metlifecare Coastal Villas Limited
Metlifecare Crestwood Limited
Metlifecare Greenwood Park Limited
Metlifecare Highlands Limited
Metlifecare Kapiti 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

All these subsidiaries are 100% owned and have balance dates of 30 June.

Metlifecare Palmerston North Limited

This subsidiary is 50% owned and has a balance date of 30 June.

Due to high level involvement in the management and funding of operations, the Directors consider it appropriate to account for the 50% owned Metlifecare Palmerston North Limited as a consolidated in-substance subsidiary using the purchase method of consolidation.

The principal activity of each subsidiary is the provision of accommodation and care of the aged through the ownership and management of a retirement village.

On 30 April 2006 Metlifecare Kapiti Limited acquired the village operating assets of Kapiti Village Limited and from this date assumed the ownership and management of the retirement village situated at Henley Way, Paraparaumu.

On 31 May 2006 Metlifecare The Avenues Limited acquired the village operating assets of The Avenues Retirement Resort Limited and from this date assumed the ownership and management of the retirement village situated at 10 Tenth Avenue, Tauranga. At the same date it acquired land situated at the corner of Tenth Avenue and Norris Street from Sanderson Group Limited. It is the intent of Metlifecare The Avenues Limited to combine these properties to complete the development of the village over time.

The impact of the above acquisitions are shown in the Statement of Cash Flows. The total price for the assets of the villages was $19.6 million. This was allocated as follows:

| | **$000** |
|---|---|
| Investment Properties (net of discount on acquisition) | **93,849** |
| Refundable Occupation Licences | **(78,420)** |
| Purchase of Amenities Contribution Receivable | **3,360** |
| Purchase of Loans to Residents | **279** |
| Purchase of Working Capital | **559** |
| Cash consideration | **19,627** |

The discount on acquisition of $2.6m has been applied to the investment properties acquired.

### 16. AMOUNTS DUE TO AND FROM SUBSIDIARY COMPANIES

These Loans are unsecured and repayable with a minimum of 12 months' notice.

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 2007 ranged from 7.48% to 7.86% per annum (six month period to 30 June 2006: 7.20% to 7.47% per annum).

Amounts due to subsidiary companies have been classified as Non Current Assets as notice has not been given in relation to these accounts.

### 17. OTHER NON CURRENT ASSETS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| Loans to Residents | **2,816** | 2,817 | **-** | - |
| Amenities Contribution Receivable (Refer Note 1(b)(v)) | **69,854** | 56,161 | **-** | - |
| | **72,670** | 58,978 | **-** | - |

**Loans to Residents:**

This represents loans to residents which are made at effective interest rates that range from nil percent to the current bank rate for residential first mortgage loans. At balance date 32% (30 June 2006: 31%) of the total loans had an effective interest rate of nil. These loans are secured by a right of set off in respect of amounts payable to residents pursuant to the terms of Occupation Licences. Based on occupancy trends, these loans are likely to be repaid on average in 5 years.

### 18. INVENTORY

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| Repurchased Occupation Licences held for resale | **2,513** | 2,034 | **-** | - |
| Occupation Licences for completed Units and Serviced Apartments available for sale | **13,721** | 15,422 | **-** | - |
| Total Unallotted Securities | **16,234** | 17,456 | **-** | - |
| Construction Work in progress – Unit and Serviced Apartment | **11,363** | 21,943 | **-** | - |
| | **27,597** | 39,399 | **-** | - |

At balance date the Group had 60 unallotted securities (30 June 2006: 58).

## 19. DEBTORS AND PREPAYMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| Trade Debtors | **2,736** | 2,629 | **-** | - |
| Less: Provision for Doubtful Debts | **-** | (84) | **-** | - |
| Sundry Debtors and Prepayments | **1,265** | 1,674 | **71** | 552 |
| Unconditional Sale and Resale Receivables | **28,041** | 17,650 | **-** | - |
| Amenities Contribution Receivable (Refer Note 1(b)(v)) | **6,909** | 5,824 | **-** | - |
| Taxation Receivable | **17** | 17 | **3** | 3 |
| | **38,968** | 27,710 | **74** | 555 |

## 20. CAPITAL COMMITMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **As at 30 June 2007** | As at 30 June 2006 | **As at 30 June 2007** | As at 30 June 2006 |
| | **$000** | $000 | **$000** | $000 |
| Estimated capital commitments contracted for at balance date but not provided for | **9,113** | 16,682 | **-** | - |

## 21. RELATED PARTY TRANSACTIONS

Retirement Villages New Zealand Limited owns at 30 June 2007 81.98% of Metlifecare Limited and the Hon. J K McLay, Messrs P R Brown, D L Guihot and P J McClure are directors of Retirement Villages New Zealand Limited.

During the twelve month period to 31 December 2005 Metlifecare Limited incurred costs on behalf of Retirement Villages New Zealand Limited. $277,441 was outstanding at 30 June 2006, which was repaid in full to Metlifecare Limited during the year ended 30 June 2007.

During the twelve month period to 31 December 2005 Metlifecare Limited incurred costs on behalf of Private Health Care (NZ) Limited. $129,550 was outstanding at 30 June 2006, which was repaid in full to Metlifecare Limited during the year ended 30 June 2007.

Metlifecare Limited paid nil (six month period to 30 June 2006: $11,423) to Pharmacybrands Ltd, of which the Hon. J K McLay is a director.

## 22. SEGMENT INFORMATION

The Group operates in one industry, the accommodation and care of the aged through the ownership and management of retirement villages. All operations are carried out in New Zealand.

## 23. FINANCIAL INSTRUMENTS

Exposure to interest rate risk arises in the normal course of the Group's business. To manage and limit the effects of these financial risks the Group operates within the following polices and utilises the following financial instruments.

At balance date the Group and the Company had the following financial assets; cash and bank balances, debtors (trade and sundry), amenities contribution receivable, related party receivables, loans to residents and the following financial liabilities; creditors (trade and sundry), occupation licences, bank loans and overdraft, other loans, finance leases, related party payables and amortising liabilities to residents.

### Management Policy

The Group does not enter into derivative financial instruments for trading or speculative purposes.

### Credit Risk

To the extent that the Group has a receivable from another party there is a credit risk in the event of non–performance by that counterparty. At balance date there are no significant concentrations of credit risk in respect of Debtors. The values attached to each financial asset in the Statement of Financial Position 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. In accordance with the established counterparty restrictions, there are no significant concentrations of credit risk in respect of financial instruments.

### Fair Value

The fair value of all financial instruments recognised in the Statement of Financial Position is their carrying value with the exception of the amenities contribution receivable (notes 17 and 19), amortising liabilities to residents (note 10) and refundable occupation licences (note 12). These assets and liabilities are settled when residents depart and as such are interrelated. The costs and complexity in establishing the assumptions associated in calculating the fair value for these assets is considered to outweigh the benefits to the readers of the financial statements.

The estimated fair value of the Group's and Company's financial instrument compared to their carrying value are as follows:

| **Group and Company** | **As at 30 June 2007** | | As at 30 June 2006 | |
|---|---|---|---|---|
| | Fair Value | Carrying Value | Fair Value | Carrying Value |
| Interest Rate Swaps | **$1,221,677** | **-** | $494,120 | - |

**Interest Rate Risk**

It is the Group's policy to manage the fixed interest rate component of its debt obligations within the range of 0 to 90 percent of total funding costs. The position in this range is managed depending on the timeframe, underlying interest rate exposure and 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. At balance date the Group had the following interest rate swap and option agreements outstanding:

**As at 30 June 2007**
**Group and Company**

| Notional Principle Amount | Bank | Effective Interest Rate | Maturity | Type |
|---|---|---|---|---|
| $5 million | BNZ | 6.43% | September 2007 | Swap |
| $5 million | BNZ | 6.34% | March 2009 | Swap |
| $4 million | BNZ | 6.26% | March 2009 | Swap |
| $10 million | BNZ | 6.37% | April 2009 | Swap |
| $5 million | BNZ | 6.29% | July 2009 | Swap |
| $4 million | BNZ | 6.26% | September 2009 | Swap |
| $4 million | BNZ | 6.34% | August 2010 | Swap |
| $11 million | BNZ | 7.82% | May 2010 | Swap |
| $10 million | ANZ National | 6.64% | October 2007 | Swap |
| $15 million | ANZ National | 8.11% | May 2008 | Swap |
| $10 million | ANZ National | 7.51% | May 2010 | Swap |

**As at 30 June 2006**
**Group and Company**

| Notional Principle Amount | Bank | Effective Interest Rate | Maturity | Type |
|---|---|---|---|---|
| $4 million | BNZ | 6.46% | July 2006 | Swap |
| $5 million | BNZ | 6.43% | September 2007 | Swap |
| $5 million | BNZ | 6.34% | March 2009 | Swap |
| $4 million | BNZ | 6.26% | March 2009 | Swap |
| $10 million | BNZ | 6.37% | April 2009 | Swap |
| $5 million | BNZ | 6.29% | July 2009 | Swap |
| $4 million | BNZ | 6.26% | September 2009 | Swap |
| $4 million | BNZ | 6.34% | August 2010 | Swap |
| $10 million | ANZ National | 6.64% | October 2007 | Swap |

**24. ADOPTING NZ EQUIVALENTS TO IFRS ("NZIFRS")**

In December 2002, the New Zealand Accounting Standards Review Board announced that all New Zealand reporting entities will be required to adopt International Financial Reporting Standards for reporting periods beginning on or after 1 January 2007, with the adoption of early adoption for periods beginning on or after 1 January 2005. In November 2004 the Accounting Standards Review Board approved the New Zealand Equivalents of International Financial Reporting Standards (NZ IFRS).

The Group is continuing to progress the NZ IFRS Conversion Project. The Group will adopt NZ IFRS for the year ending 30 June 2008, publishing NZ IFRS compliant financial statements for the half year ending 31 December 2007 and the full year ending 30 June 2008.

As at 30 June 2007 the Group has identified the following areas that are likely to have significant impact on the financial statements presented by the Group.

**Revenue** – Under NZ IFRS sales and resales revenue will no longer meet the definition of revenue under NZ IFRS. As at 30 June 2007, sales and resales revenue amounted to $117m (six month period to 30 June 2006: $35m). Amenities revenue will be recognised over the average period of occupancy of the resident, the legal entitlement to the revenue being the current recognition basis under NZ FRS. As at 30 June 2007, this will result in deferred revenue of approximately $27m (as at 30 June 2006: $21m).

**Investment Properties** – Under NZ IFRS the fair value of Investment Properties will be measured using discounted cash flow techniques excluding cash flows already recognised as a separate asset or liability in the Balance Sheet, for example refundable occupation licences. Investment Properties will be shown gross of the refundable occupation licences with the amount owing to residents being recorded as a separate liability. Under NZ FRS the Investment Properties are carried at net current value and are shown net of refundable occupation licences.

Changes in value of Investment Properties will be recorded in the Income Statement. Under NZ FRS, these are currently recorded in reserves with only the sale or resale margin being recorded in the Statement of Financial Performance.

The Group is in the process of commissioning new Investment Property valuations. It is anticipated that these valuations are likely to be higher than those prepared under NZ FRS.

**Income Taxes** – Under NZ IFRS deferred tax will be calculated a "balance sheet" approach which recognises deferred tax assets and liabilities by reference to differences between the accounting and tax values of Balance Sheet items, rather than the accounting and tax values recognised in the Income Statement. This will result in the Group potentially recognising deferred tax balances in relation to Investment Properties and certain other balances in the Balance Sheet.

**Inventories** – Under NZ IFRS certain items currently recognised as inventory will no longer meet the definition of inventory and will be reclassified as investment properties and property, plant and equipment.

The carrying value of inventory at 30 June 2007 is $28m (as at 30 June 2006: $39m).

**Financial Instrument Disclosure and Presentation** – NZ IFRS may result in financial assets and financial liabilities being reclassified in the Balance Sheet, for example where right of set off exists, and in the recognition of interest rate swaps in the Balance Sheet at fair values. The fair value of interest rate swaps at 30 June 2007 was an asset of $1.2m (as at 30 June 2006: $0.5m).

The purpose of this disclosure is to highlight the impact the Group expects as a result of transitioning to NZ IFRS from current NZ GAAP based on the standards and interpretations as they are today. It is possible that future developments to NZ IFRS will vary the nature of the adjustments required by the time the Group reports its first financial statements prepared under NZ IFRS, and the variation may be material.

**25. SUBSEQUENT EVENT**

On 17 July 2007 Metlifecare Merivale Limited, a 100% owned subsidiary of Metlifecare Limited, acquired the village operating assets and liabilities of Merivale Retirement Village Limited and Merivale Lifecare Limited. The purchase consideration for the assets and liabilities was $44m. The fair value of the assets and liabilities acquired are yet to be finalised.

The Directors have declared a final dividend of 12.0 cents per share, without imputation credits, bringing the total dividend paid for the year ended 30 June 2007 to 22.0 cents per share (compared to 9.0 cents per share without imputation credits for the six month period ended 30 June 2006).

**PricewaterhouseCoopers**
188 Quay Street
Private Bag 92162
Auckland 1142
New Zealand
Telephone +64 9 355 8000
Facsimile +64 9 355 8001
www.pwc.com/z

**Auditors' Report to the shareholders of Metlifecare Limited**

We have audited the financial statements on pages 24 to 50. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 31 to 35.

**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 2007 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 judgments 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 subsidiaries other than in our capacity as auditors and tax advisors.

**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 24 to 50;

  (i) comply with generally accepted accounting practice in New Zealand; and

  (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 20 August 2007 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:

| Director | Entity | Nature of Interest |
|---|---|---|
| P.R. Brown | FKP Limited | Director/Officer |
| | FKP Funds Management Limited | Director |
| | 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 |
| D.L. Guihot | FKP Property Group | Shareholder/Officer |
| | Macquarie Goodman Group | Shareholder |
| | Macquarie Communications Infrastructure Group | Shareholder |
| | Macquarie Countrywide Trust | Shareholder |
| | * Stockland | Shareholder |
| | APN News & Media Limited | Shareholder |
| | Publishing & Broadcasting Limited | Shareholder |
| | Mulpha FKP Limited | Director |
| | Retirement Villages New Zealand Limited and subsidiaries | Director |
| P.B. Harman | Becker Group Limited | Director |
| | Theatre Red Pte Limited | Director |
| | Prime Television NZ Limited | Director |
| | Prime Ventures NZ Limited | Director |
| | The NZ Wine Fund Limited | Director |
| | Vavasour Wines Limited | Director |
| | Harman Investments Limited | Director |
| | + Harman Consulting Limited | Director |
| | * PB & BJ Harman Pty Limited | Director |

# Interests Register

continued

| Director | Entity | Nature of Interest |
|---|---|---|
| J.J. Loughlin | Toll NZ Limited and Subsidiary Companies | Director |
| | Zespri Group Limited and Subsidiary Companies | Director |
| | Prism Group Holdings Limited and Subsidiary Companies | Chairman/Shareholder |
| | Allied Farmers Limited and Subsidiary Companies | Chairman/Shareholder |
| | Centralines Limited | Director |
| | Lean Meats Limited | Director |
| | CPG Limited and Subsidiary Companies | Chairman |
| | Taupo Motorsport Park Limited (formerly MIT Development 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 (formerly Allied Prime Finance Limited and Nationwide Finance Limited) | Chairman |
| | + Kermadec Property Fund Limited | Director |
| | * Hawkes Bay Inc | Trustee |
| | * Hawkes Bay Tourism Trust | Trustee |
| | J J & K E Loughlin Family Trust | Trustee/Beneficiary |
| | TMM Trust | Trustee/Beneficiary |
| | Animal Health Board Representatives Committee | Ministerial Representative |
| P.J. McClure (Appointed 14 February 2007) | Macquarie Bank Limited | Officer |
| Hon J.K. McLay | Macquarie New Zealand Limited and Associated Companies | Director/Officer |
| | Retirement Villages New Zealand Limited | Director |
| | * Forward Steps Limited | Director |
| | * Kids First Properties Limited | Director |
| | Goodman (NZ) Limited (formerly Macquarie Goodman (NZ) Limited) and Associated Companies | Director |
| | Just Water International Limited | Director |
| | ^ Pharmacybrands Limited | Director |
| | J K McLay Limited and Associated Companies | Director/Officer |
| | Various wholly owned subsidiary companies of Metlifecare Limited | Director |
| | Metlifecare Palmerston North Limited | Director |

| Former Director | Entity | Nature of Interest |
|---|---|---|
| C.J. Cook (Resigned 14 February 2007) | NSI Management Limited through Clifford Cook Family Trust and Susanna Cook Family Trust | Shareholder/Director |
| | Renaissance Lifecare PLC | Shareholder/Director |
| | WRV Holdings Limited (owns Waiheke Retirement Village Limited) | Shareholder |
| | * Metlifecare Palmerston North Limited | Director |
| | * All wholly owned subsidiary companies of Metlifecare Limited | Director |
| | A2 Corporation Limited | Director |
| | Private Health Care (NZ) Limited | Director |
| | Waiheke Retirement Village Limited | Director |
| | Chesapeake Limited | Director |
| | Chain Hill Farm Limited | Director |
| | Clifford Cook Family Trust | Trustee |
| | Susanna Cook Family Trust | Trustee |
| | Clifford James Cook Family Trust | Trustee |
| | * Retirement Villages New Zealand Limited | Consultant |
| P.D. McCawe (Resigned 14 February 2007) | Singapore Changshu Development Company Pte Limited | Director |
| | Changshu Xinghua Port Co Ltd | Director |
| | Companies Associated with the Macquarie Bank Group | Director |
| | Macquarie Bank Limited | Officer |

**Notes:**

* Interest ceased during the year

+ New

^ Interest ceased after year end

# Interests Register

continued

**(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 2007, 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<br>$ |
|---|---|
| P.B. Harman | 60,000 |
| J.J. Loughlin | 60,000 |
| **Former Director** | |
| C.J. Cook (Resigned 14 February 2007) | 37,644 |
| | 157,644 |

Remuneration and other benefits paid to Directors of Metlifecare Palmerston North Limited (50% owned subsidiary) during the year.

| Director | Directors' Fees<br>$ |
|---|---|
| R.J.A. de Haast | 5,000 [1] |
| J.M. Beveridge | 1,863 [1] |
| Dr C.M.A. Love | 5,000 |
| Dr R.H.N. Love | 5,000 |
| K.T. Hindle | 5,000 |
| **Former Director** | |
| C.J. Cook (Resigned 14 February 2007) | 3,137 |
| | 25,000 |

**Note:**

1. Directors' fees paid to Metlifecare Limited.

# Other Director Information

**COMPANY DIRECTORS**

The Directors as at 30 June 2007 are set out in the directory on page 61. During the year two Directors resigned:

C.J. Cook (14 February 2007) and P.D. McCawe (14 February 2007).

**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, J.M. Beveridge (appointed 25 October 2006), C.J. Cook (resigned 14 February 2007) and N.S. MacCulloch (resigned 30 August 2006).

The Hon. J.K. McLay 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 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

**SUBSIDIARY (50% OWNED)**

The following persons held the office of Director of Metlifecare Palmerston North Limited, the Company’s 50% owned subsidiary, during the year.

Hon. J.K. McLay, R.J.A. de Haast, J.M. Beveridge (appointed 14 February 2007), Dr R.H.N. Love, Dr C.M.A. Love, K.T. Hindle, C.J. Cook (resigned 14 February 2007) and N.S. MacCulloch (alternate Director, resigned 30 August 2006).

# 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 | 4 |
| $110,000 - $120,000 | 4 |
| $120,000 - $130,000 | 3 |
| $140,000 - $150,000 | 2 |
| $160,000 - $170,000 | 1 |
| $170,000 - $180,000 | 1 |
| $180,000 - $190,000 | 1 |
| $220,000 - $230,000 | 1 |
| $230,000 - $240,000 | 1 |
| $370,000 - $380,000 | 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.

# Shareholder Information

As at 3 August 2007

**TWENTY LARGEST SHAREHOLDERS**

| Shareholders | Number of Fully Paid Ordinary Shares | Percentage of Issued and Paid Up Share Capital |
|---|---|---|
| Retirement Villages New Zealand Limited | 71,687,111 | 81.98 |
| TEA Custodians Limited (O/A Teac 40) | 7,721,773* | 8.83 |
| NZ Superannuation Fund Nominees Limited | 3,683,034* | 4.21 |
| MFL Mutual Fund Limited | 1,878,427* | 2.15 |
| Premier Nominees Limited – Armstrong Jones Property Securities Fund | 467,301* | 0.53 |
| Apollo Holdings Limited | 215,000 | 0.25 |
| National Nominees New Zealand Limited | 112,500* | 0.13 |
| HSBC Nominees (New Zealand) Limited | 103,204* | 0.12 |
| NZ Guardian Trust Investment Nominees Limited | 101,554* | 0.12 |
| Custodial Services Limited (A/C 3) | 46,816 | 0.05 |
| FNZ Custodians Limited | 39,194 | 0.04 |
| Forsyth Barr Custodians Limited (Account 1 L) | 35,858 | 0.04 |
| ASB Nominees Limited (484542 MI A/C) | 35,000 | 0.04 |
| Colin Alfred Carran & Patricia Anne Carran (Joint Tic A/C) | 34,500 | 0.04 |
| Hubbard Churcher Trust Management Limited | 30,165 | 0.03 |
| Julie Ann Komen | 30,000 | 0.03 |
| Massey Pharmacy Limited | 30,000 | 0.03 |
| FNZ Custodians Limited (Non Dta Non Resident A/C) | 25,000 | 0.03 |
| Carey-Anne Louise Inns | 22,750 | 0.03 |
| Kevin John Murphy | 22,750 | 0.03 |
| TOTAL | 86,321,937 | 98.71 |

* Shareholdings held in New Zealand Central Securities Depository Limited. Total holdings in New Zealand Central Securities Depository Limited were 14,105,757 (16.13 %).

**SPREAD OF HOLDINGS**

| Size of Holdings | Number of Shareholders | % | Number of Shares held | % |
|---|---|---|---|---|
| 1 - 999 | 76 | 22.35 | 34,909 | 0.04 |
| 1,000 - 4,999 | 169 | 49.71 | 363,558 | 0.42 |
| 5,000 - 9,999 | 42 | 12.35 | 274,737 | 0.31 |
| 10,000 - 99,999 | 44 | 12.94 | 805,433 | 0.92 |
| 100,000 - 999,999 | 5 | 1.47 | 999,559 | 1.14 |
| 1,000,000 + | 4 | 1.18 | 84,970,345 | 97.17 |
| TOTAL | 340 | 100.00 | 87,448,541 | 100.00 |

# Shareholder Information continued

As at 3 August 2007

**SUBSTANTIAL SECURITY HOLDERS**

The following information is given pursuant to section 26 of the Securities Markets Act 1988.

The persons who, according to the file kept by the Company pursuant to section 25 of the Securities Markets Act 1988, are substantial security holders in the Company as at 3 August 2007 are as follows:

| Substantial Security Holders | Number of Shares | Percentage of Shares |
|---|---|---|
| Retirement Villages New Zealand Limited | 71,687,111 | 81.98 |
| FKP Limited | 71,687,111 | 81.98 |
| Macquarie Bank Limited | 71,687,111 | 81.98 |
| BWA Custodians Limited | 71,687,111 | 81.98 |
| RVNZ Investments Limited | 71,687,111 | 81.98 |
| Fisher Funds Management Limited | 10,897,307 | 12.46 |

**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 2007 was 87,448,541 ordinary fully paid shares.

# Directory

**DIRECTORS**
As at 30 June 2007

Hon. James Kenneth McLay, CNZM, QSO
*Chairman*

Peter Ross Brown

Darryl Leonard Guihot

Phillip Brent Harman

John James Loughlin

Patrick Joseph McClure, AO

**AUDIT COMMITTEE**

Darryl Leonard Guihot
*Chairman*

Phillip Brent Harman

John James Loughlin

**REMUNERATION COMMITTEE**

Hon. James Kenneth McLay, CNZM, QSO
*Chairman*

Phillip Brent Harman

John James Loughlin

**NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE**

Hon. James Kenneth McLay, CNZM, QSO
*Chairman*

Phillip Brent Harman

John James Loughlin

**ACQUISITION AND DEVELOPMENT COMMITTEE**

Peter Ross Brown
*Chairman*

John James Loughlin

Patrick Joseph McClure, AO
(Appointed 3 July 2007)

**CHIEF EXECUTIVE OFFICER**

Richard Jan Anthony de Haast

**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*
P O Box 37463
Parnell
Auckland

Telephone: 09 379 8070
Facsimile: 09 377 2471
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:

Hon. JK McLay, CNZM, QSO
Chairman
20 August 2007

JJ Loughlin
Director
20 August 2007

www.metlifecare.co.nz