METLIFECARE LIMITED
ANNUAL REPORT 2006

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 Wednesday, 25 October 2006, commencing at 11.00 am.

Business Highlights

- **Change of balance date to 30 June**
- **Total dividend for the 6 months ended 30 June 2006 of 9.0 cents per share without imputation credits (compared to 2.2 cents per share without imputation credits for the year ended 31 December 2005)**
- **Acquisition of two existing villages, one in Paraparaumu and one in Tauranga**
- **Completion of the development programme at Metlifecare 7 Saint Vincent**

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 six months ended 30 June 2006 of $12.8 million ($24.4 million for the twelve months ended 31 December 2005). Metlifecare has changed its balance date to 30 June to align with the financial year end of the new majority shareholder.

The net surplus (after minority interest) was $11.5 million ($21.7 million for the twelve months ended 31 December 2005).

$ Million	2002 Year	2003 Year	2004 Year	2005 Year	2006 6 months
Total revenue	100.7	110.1	108.9	127.6	**59.1**
Operating surplus (EBIT) [1]	13.1	14.3	19.4	24.4	**12.8**
Net surplus (after minority interest)	10.4	14.2	17.5	21.7	**11.5**

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

Total revenue for the period was $59.1 million compared with revenues of $127.6 million for the twelve months ended 31 December 2005.

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

Total liabilities were $103.3 million ($79.4 million at 31 December 2005) with the Group's bank debt at $74.3 million ($55 million at 31 December 2005).

The Group's operating cash flow for the six months was $17.9 million ($38.5 million for the twelve months ended 31 December 2005).

Operations

Metlifecare's core competency continues to be the day-to-day operational management of its retirement villages.

Resales

The average selling price for the period was $267,000 compared with $248,000 for the twelve months ended 31 December 2005.

Membership Fee

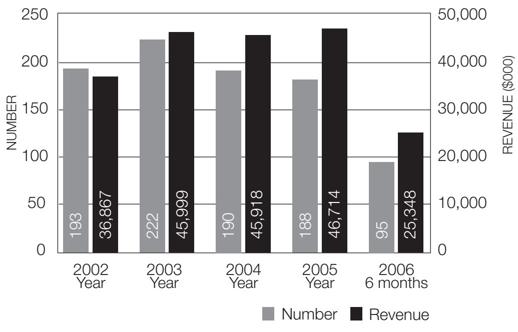
The revenue from Membership Fees for the period was $8.9 million ($13.5 million for the twelve months ended 31 December 2005).

Rest Homes and Hospitals (Care Facilities)

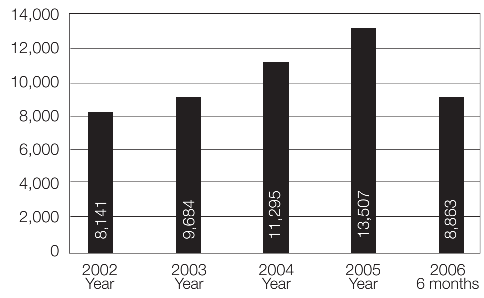
Occupancy levels for the period averaged 97.8% for hospitals (98.2% for the twelve months ended 31 December 2005) and 89.8% for rest homes (90.2% for the twelve months ended 31 December 2005).

In March, two resident-only care suites were commissioned at Metlifecare 7 Saint Vincent.

RESALES NUMBER AND REVENUE ($000)

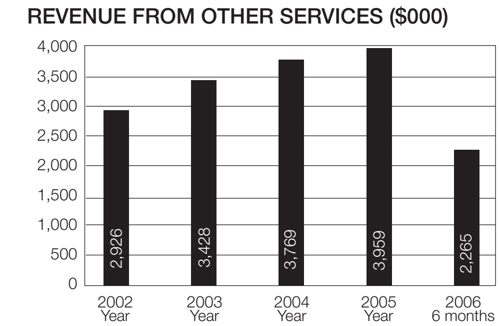


REVENUE FROM MEMBERSHIP FEES ($000)



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.



Development

As at 30 June 2006, Metlifecare's portfolio of villas and apartments totalled 2,172 comprising 1,395 villas and 777 apartments (1,842 villas and apartments as at 31 December 2005 comprising 1,167 villas and 675 apartments).

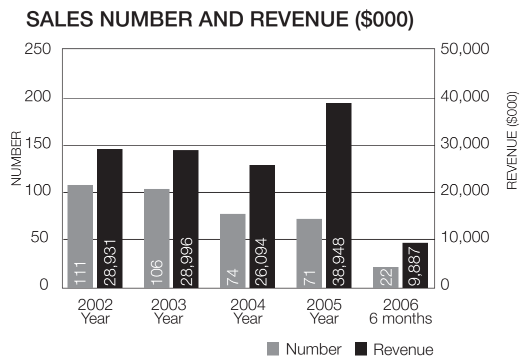
The increase was due to the construction of additional apartments and villas and the acquisition of two existing villages – Kapiti Village and The Avenues Retirement Resort.

Metlifecare Kapiti (formerly Kapiti Village), in Paraparaumu became part of the Metlifecare group on 1 May 2006. The village contains 225 villas and extensive resident amenities and facilities.

Metlifecare The Avenues (formerly The Avenues Retirement Resort), in Tauranga became part of the Metlifecare group on 1 June 2006. The village has extensive resident amenities and facilities, 81 lifestyle apartments and land for future development.

Metlifecare Kapiti and Metlifecare The Avenues are very successful villages and Metlifecare will continue to build on their success, ensuring that both current and prospective residents receive excellent customer service, backed by the proven quality and resources of New Zealand's premier lifestyle retirement village operator.

During the period, the construction programme at Metlifecare 7 Saint Vincent was completed. This saw the addition of 12 serviced apartments and 2 care suites to the existing 81 apartments, finalising the development of this village.



Sales

During the period, Metlifecare sold 22 new villas and apartments with an average selling price of $449,000 ($549,000 for the twelve months ended 31 December 2005).

Metlifecare Takapuna

Metlifecare expects to finalise detailed design work with the view to commencing site and civil works early 2007. Construction of the apartments and community facilities is expected to commence in 2007 with apartments completed and available for sale on a staged basis.

Dividend

The Directors declared a final dividend of 9.0 cents per share, without imputation credits, being the total dividend paid for the period.

The date of record for the final dividend entitlement is 4 September 2006 and the date of payment is 8 September 2006.

Chairman's and Chief Executive Officer's Report

continued

Staff

The financial performance of the Company reflects the on-going commitment, hard work and dedication of Metlifecare's employees. The Directors and Executive would like to acknowledge the contribution the Company's staff have made to the success of the business during this period.

Residents

The interests of Metlifecare's residents remain a key focus for the Company's Board and Management. Our objective of not only meeting but improving actual and expected service levels remains a priority. The Directors and Executive would like to extend their thanks and appreciation to Metlifecare's residents and families for their continued support.

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

During the period, the Company appointed Lynne Abercrombie to the vacant position of General Manager Operations and Colleen Tang was appointed to the newly created position of General Manager Human Resources.

On 11 July 2006, Metlifecare received the resignation of Neil MacCulloch, Chief Financial Officer. The Company has commenced a recruitment process to appoint a new Chief Financial Officer.

Regulatory Environment

The Retirement Villages Act 2003

Currently only certain provisions of the Retirement Villages Act 2003 ("Act") are in force with a significant proportion of the provisions still to be finalised before the Act will be in force in its entirety. A draft Code of Practice and draft Regulations have been released for comment. The dispute resolution provisions in Part 4 of the Act come into force from 1 October 2006.

Metlifecare looks forward to the coming into force of the Code of Practice and Regulations and is well positioned to comply, in all respects, with the requirements of the new regulatory regime.

Board of Directors

Mr Peter Fitzsimmons, Dr Hylton LeGrice and Mr Michael Stiassny resigned from the Board during the period.

Messrs John Loughlin and Brent Harman were appointed as Directors, by the Board, on 16 February 2006. Both were re-elected at the previous annual meeting held on 27 April 2006.

Pursuant to the Constitution of the Company, the Hon. Jim McLay and Mr Peter Brown retire by rotation and being eligible, offer themselves for re-election at the annual meeting.

International Financial Reporting Standards

The Accounting Standards Review Board announced in December 2002 that the International Financial Reporting Standards (IFRS) will apply to New Zealand reporting entities for periods commencing on or after 1 January 2007. Entities also have the option of adopting the New Zealand equivalents to IFRS (NZ IFRS) early (from 1 January 2005) in line with Australian and European requirements.

The Company has been reviewing and monitoring the likely impact of NZ IFRS since 2004, and has established a project team to prepare the group for transition to NZ IFRS. Further work is required in changing systems, training staff and managing the business impact of adopting NZ IFRS.

To comply with NZ IFRS for the first time, the Company will need to restate the comparative balances applying the new standards. This will affect the earnings and the statement of financial position.

As a result of the recent ownership changes, the adoption date for NZ IFRS is currently under review. Subject to the results of this review the Group will adopt NZ IFRS from 1 July 2007, publishing NZ IFRS compliant financial statements for the half year ending 31 December 2007 and the full year ending 30 June 2008.

The likely impacts are disclosed in note 25 to the financial statements.

The Future

Our focus continues on being the pre-eminent operator of lifestyle retirement villages in New Zealand, entering development and making acquisitions to deliver high quality villages for long term management by the Company. Hand in hand with our business strategy is an ongoing focus on providing a superior level of service for our residents as evidenced by our satisfaction surveys.

Acquisition opportunities, our target market demographics and the continued achievements of Metlifecare position the Company favourably to continue our trend of improved performance.

Hon. Jim McLay CNZM, QSO
Chairman
17 August 2006

Richard de Haast
Chief Executive Officer
17 August 2006

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.

Richard Davis

Dip Bus (Marketing)

General Manager Sales & Marketing

Richard manages Metlifecare's marketing and sales function. Richard's main responsibility is managing the growth of the business by realising the value from Metlifecare's land bank, increasing resident numbers and maximising the value of Metlifecare's brand. In this role Richard is also involved in researching current and potential markets and the development of Metlifecare's strategy.

Bill Ross

B.ARCH

General Manager Property Services

Bill is responsible for the development and maintenance of Metlifecare's property assets. In his current role, Bill manages practical issues relating to the procurement, development, effective running and refurbishment of all of Metlifecare's properties. With a background in hospitality, retail, design and development, he brings to his role over 21 years of property development and systems management experience gained in both the United Kingdom and New Zealand.

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.

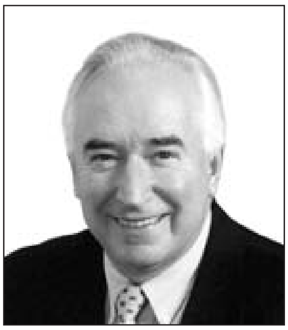
Lynne's career has been within the health services industry, initially as a clinician and more recently as a project and business manager within both the private and public sectors. Lynne joined Metlifecare in 2000 and has had a variety of roles within the Company before taking up the position of General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

Chairman

Jim McLay practised as a barrister before he was elected to the New Zealand Parliament in 1975. Until his retirement from politics in 1987 he held, at various times, the positions of Deputy Prime Minister, Attorney General, Minister of Justice and Leader of the Opposition.

Jim McLay is Executive Chairman of Macquarie New Zealand Limited (subsidiary of Macquarie Bank, Sydney); and Principal of JK McLay Limited. He is also Chairman of Pharmacybrands Limited (owner of the Unichem, AMCAL, Dispensary First and Smart Pharmacy retail pharmacy brands), Chairman of Macquarie Goodman (NZ) Limited (manager of publicly-listed Macquarie Goodman Property Trust), Chairman of publicly-listed Just Water International Limited, Chairman of Retirement Villages New Zealand Limited and related companies and director of several other companies.

He was founder Chairman of the New Zealand Council for Infrastructure Development (and remains its patron) and is Honorary New Zealand Chair of the Trans Tasman Business Circle. In 2004 - 2006, Jim McLay was one of thirty-five government appointed delegates to the Australia New Zealand Leadership Forum, established to progress dialogue on possible closer integration of the Australian and New Zealand economies. He has advised 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.

From 1993 to 2003, he was 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.

In 1987, Jim McLay was made a member of the Queen's Service Order (QSO) for public services; and, in 2003 was made a Companion of the Order of New Zealand (CNZM) for services to conservation.

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.

Clifford James Cook

Director

Cliff Cook has over 29 years experience in the private healthcare industry and is the founder of Metlifecare Limited. He is a founding member of The Retirement Villages Association of New Zealand Inc and served as its President for 11 years. For three years he has served as Immediate Past President. He was a founding member of New Zealand Licenced Rest Home Association (Inc.), subsequently Residential Care NZ Inc. and now HealthCare Providers New Zealand and has served on the Association's national executive. He has also worked in a number of industry advisory roles. He is a member of Metlifecare's Acquisition & Development and Remuneration Committees.

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.

Directors' Profiles

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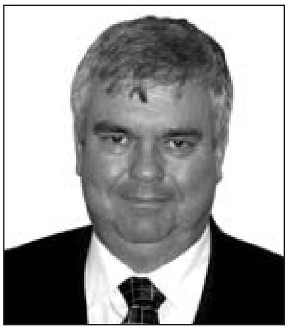


John James Loughlin[1]

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, MIT Development Limited and Centralines 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.

Patrick Desmond McCawe

BCA (Hons) - Victoria University, NZ;
MBA - University of Rochester, USA; CA (NZ)

Director

Patrick McCawe joined Macquarie Bank Ltd in 1996. He has 20 years' experience in investment banking in London, Sydney and Auckland, prior to which he spent 5 years in the corporate sector. In January 2002, Patrick moved to Auckland to head up Macquarie's investment banking business in New Zealand. On returning to Sydney in January 2006, he joined the Investment Banking Funds division of Macquarie's Investment Banking Group.

Note:

[1] Messrs PB Harman and JJ Loughlin were Independent Directors as at 30 June 2006. Hon. JK McLay, Messrs PR Brown, CJ Cook, DL Guihot and PD McCawe were not Independent Directors as at 30 June 2006.

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 the 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. Except for the Acquisition and Development Committee each committee is required to meet three times a year with additional meetings convened when 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 matters 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 and Patrick McCawe have waived their entitlement to Directors' fees. The Board decided that the annual fees for each of Messrs Cliff Cook, Brent Harman and John Loughlin is $60,000.

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.

The shareholders approved the revision of the arrangements relating to Director retirement allowances at the Annual Meeting held on 28 April 2005. The retirement allowances of all non-executive Directors in office at 1 May 2004 were maintained so that on the eventual retirement of any such non-executive Director a retirement allowance may be paid to that Director with the payment to not exceed the total remuneration of the Director in the three years preceding the date of retirement or cessation of office. Directors in office after that date are not entitled to such retirement benefits without shareholder approval. Two of the non-executive Directors in office at 1 May 2004, being Peter Fitzsimmons and Dr Hylton LeGrice, received ex gratia retirement payments following their respective retirements, as disclosed in this annual report on page 56.

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.

Corporate Governance Statement

continued

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.

Attendance at Board and Committee Meetings in the six months ended 30 June 2006

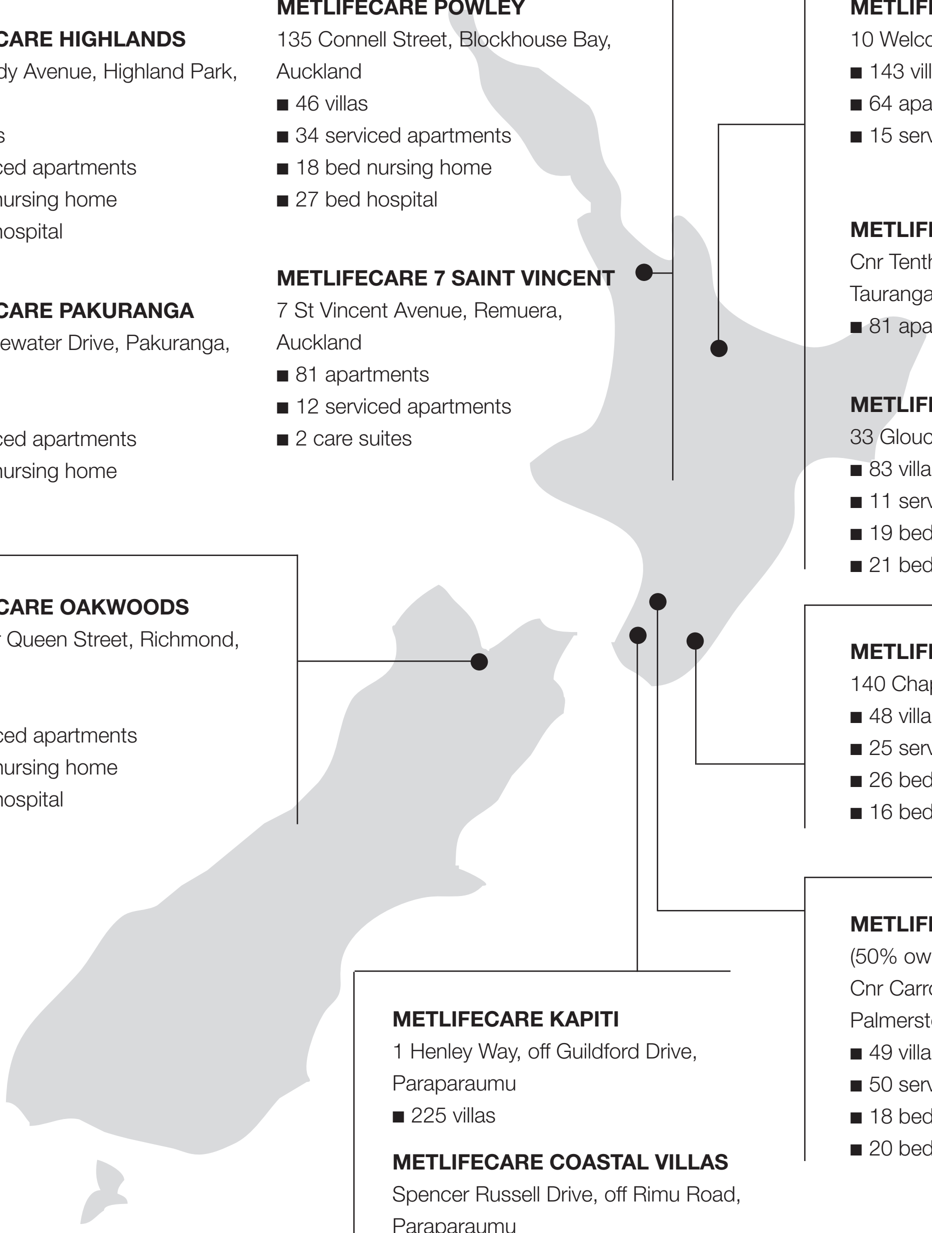
	Board Attendance	Committee Attendance		
Total number of meetings held	**6**	**3**	**3**	**2**
Director	**Board**	**Audit**	**Remuneration**	**Acquisition & Development**
Hon J.K. McLay	6	-	3	-
P.R. Brown	4	-	-	2
C.J. Cook	5	-	3	1
D.L. Guihot	6	3	-	-
P.B. Harman (Appointed 16 February 2006)	5	1	3	-
J.J. Loughlin (Appointed 16 February 2006)	6	3	3	2
P.D. McCawe	6	-	-	-
Former Director				
P.W. Fitzsimmons (Resigned 14 February 2006)	-	-	-	-
Dr H. LeGrice (Resigned 15 February 2006)	-	-	-	-
M.P. Stiassny (Resigned 14 March 2006)	3	2	-	-

Note:

[1] With the approval of the Board, no meeting of the Nominations & Corporate Governance Committee was convened during the period.

Villages and Care Facilities

30 June 2006



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

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

METLIFECARE PAKURANGA
12-30 Edgewater Drive, Pakuranga, Auckland
- 69 villas
- 18 serviced apartments
- 60 bed nursing home

METLIFECARE PINESONG
66 Avonleigh Road, Titirangi, Auckland
- 100 villas
- 147 apartments

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

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

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

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

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

METLIFECARE SOMERVALE
33 Gloucester Road, Mt Maunganui
- 83 villas
- 11 serviced apartments
- 19 bed nursing home
- 21 bed hospital

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

METLIFECARE WAIRARAPA
140 Chapel Street, Masterton
- 48 villas
- 25 serviced apartments
- 26 bed nursing home
- 16 bed hospital

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

Care facility bed numbers above include licensed nursing home and hospital beds available

Trend Statement

FINANCIAL HIGHLIGHTS ($m)

	Years ended 31 December										Six months ended 30 June
	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Gross revenues	34.7	46.8	63.3	69.2	86.0	82.2	100.7	110.1	108.9	127.6	**59.1**
Operating surplus[1] (EBIT)	5.0	8.1	9.9	6.4	8.1	10.7	13.1	14.3	19.4	24.4	**12.8**
Net surplus for the year	3.3	6.4	8.5	1.5	0.5	7.2	10.4	14.2	17.5	21.7	**11.5**
Cash flow from operations	6.6	9.5	15.2	12.5	25.3	22.5	27.6	35.8	27.8	38.5	**17.9**
Shareholders' equity (excluding minority interest)	42.4	59.4	73.2	73.6	69.5	94.3	112.0	148.8	192.6	224.2	**247.7**
Net debt[2]	24.3	29.8	57.1	81.7	72.4	50.7	50.3	32.8	63.2	59.7	**78.6**
Property revaluations (taken to reserves)	8.3	17.0	8.4	7.7	6.0	5.9	13.6	40.0	51.9	36.8	**24.9**
Total assets	82.6	105.8	152.2	179.8	161.2	166.2	184.6	200.6	277.4	309.1	**356.7**
FINANCIAL STATISTICS											
Return on average shareholders' equity	8.9%	12.5%	12.8%	2.1%	0.7%	8.8%	10.1%	10.9%	10.2%	10.4%	**4.9%**
Dividends per share	3.0c	5.0c	6.0c	1.5c	-	-	-	5.0c	5.5c	2.2c	**9.0c**
Gearing (debt / debt + equity)	36.5%	33.4%	43.8%	52.2%	50.6%	34.4%	30.6%	17.8%	24.2%	20.6%	**23.7%**
SALES AND RESALES[3]											
Number of sales	57	83	133	88	119	72	111	106	74	71	**22**
Number of resales	103	112	110	138	149	177	193	222	190	188	**95**
Total	160	195	243	226	268	249	304	328	264	259	**117**

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 six months ended 30 June 2006

Statements of Financial Performance

For The Six Months Ended 30 June 2006

		GROUP		COMPANY	
		6 months ended 30 June 2006	12 months ended 31 December 2005	**6 months ended 30 June 2006**	12 months ended 31 December 2005
	NOTE	**$000**	$000	**$000**	$000
OPERATING REVENUES	2	**59,127**	127,596	**5,737**	11,361
NET SURPLUS/(DEFICIT) BEFORE TAXATION	3	**11,792**	22,472	**436**	(1,038)
Taxation Expense	4	**-**	-	**-**	-
NET SURPLUS/(DEFICIT) AFTER TAXATION		**11,792**	22,472	**436**	(1,038)
Minority Interest in Surplus	6	**(270)**	(737)	**-**	-
NET SURPLUS/(DEFICIT) ATTRIBUTABLE TO THE SHAREHOLDERS' OF THE PARENT COMPANY		**11,522**	21,735	**436**	(1,038)

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

Statements of Movements in Equity

For The Six Months Ended 30 June 2006

	NOTE	GROUP 6 months ended 30 June 2006 $000	GROUP 12 months ended 31 December 2005 $000	COMPANY 6 months ended 30 June 2006 $000	COMPANY 12 months ended 31 December 2005 $000
EQUITY AT BEGINNING OF THE PERIOD		**229,625**	198,005	**54,754**	59,805
Net Surplus/(Deficit)		**11,522**	21,735	**436**	(1,038)
Revaluation of Investment Properties	6	**24,868**	36,814	**-**	-
Realised Surplus transferred to Statement of Financial Performance	6	**(9,102)**	(21,801)	**-**	-
Revaluation of Amounts Payable to Residents under terms of Occupation Licences	6	**(3,831)**	(1,166)	**-**	-
Total Recognised Revenues and Expenses		**23,457**	35,582	**436**	(1,038)
Dividend Paid	6	**-**	(4,969)	**-**	(4,969)
Increase in Minority Interest	6	**280**	51	**-**	-
Increase in Share Capital	5	**-**	956	**-**	956
EQUITY AT END OF THE PERIOD		**253,362**	229,625	**55,190**	54,754

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

Statements of Financial Position

As At 30 June 2006

		GROUP		COMPANY	
		As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	NOTE	**$000**	$000	**$000**	$000
EQUITY					
Share Capital	5	**44,470**	44,470	**44,470**	44,470
Reserves	6	**112,590**	100,655	**-**	-
Accumulated Surplus	6	**90,590**	79,068	**10,720**	10,284
Parent Shareholders' Equity		**247,650**	224,193	**55,190**	54,754
Minority Interest	6	**5,712**	5,432	**-**	-
Total Equity		**253,362**	229,625	**55,190**	54,754
NON CURRENT LIABILITIES					
Bank Loans (Secured)	7	**74,250**	55,000	**74,000**	54,000
Other Loans	11	**4,325**	4,325	**-**	-
Refundable Occupation Licences	12	**1,692**	2,002	**-**	-
Amortising Liabilities to Residents	10	**132**	180	**-**	-
Finance Leases (Secured)	8	**92**	104	**-**	-
Total Non Current Liabilities		**80,491**	61,611	**74,000**	54,000
CURRENT LIABILITIES					
Creditors and Accruals	9	**12,718**	11,629	**2,277**	2,536
Bank Overdraft		**-**	395	**-**	1,452
Finance Leases (Secured)	8	**24**	23	**-**	-
Refundable Occupation Licences	12	**9,925**	5,584	**-**	-
Amortising Liabilities to Residents	10	**144**	195	**-**	-
Total Current Liabilities		**22,811**	17,826	**2,277**	3,988
Total Equity and Liabilities		**356,664**	309,062	**131,467**	112,742

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

		GROUP		COMPANY	
		As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	NOTE	**$000**	$000	**$000**	$000
NON CURRENT ASSETS					
Investment Properties	13	**195,540**	161,654	**-**	-
Property, Plant and Equipment	14	**33,461**	33,447	**715**	805
Investment in Subsidiaries	15	**-**	-	**32,705**	26,979
Amounts Due from Subsidiary Companies	16	**-**	-	**97,273**	84,306
Other Non Current Assets	17	**58,978**	48,634	**-**	-
Total Non Current Assets		**287,979**	243,735	**130,693**	112,090
CURRENT ASSETS					
Cash at Bank		**1,576**	-	**219**	-
Inventory	18	**39,399**	37,085	**-**	-
Debtors and Prepayments	19	**27,710**	28,242	**555**	652
Total Current Assets		**68,685**	65,327	**774**	652
Total Assets		**356,664**	309,062	**131,467**	112,742

Hon. Jim McLay CNZM, QSO
Chairman
17 August 2006

DL Guihot
Director
17 August 2006

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

Statements of Cash Flows

For The Six Months Ended 30 June 2006

		GROUP		COMPANY	
		6 months ended 30 June 2006	12 months ended 31 December 2005	**6 months ended 30 June 2006**	12 months ended 31 December 2005
	NOTE	**$000**	$000	**$000**	$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Residents		**52,465**	107,874	**-**	-
Interest Received		**41**	35	**3,355**	7,026
Management Fees Received		**-**	-	**2,382**	4,334
		52,506	107,909	**5,737**	11,360
Cash was applied to:					
Payments to Residents		**(15,147)**	(31,039)	**-**	-
Payments to Suppliers		**(8,975)**	(17,708)	**(1,182)**	(4,413)
Payments to Employees		**(9,770)**	(19,241)	**(2,092)**	(4,054)
Interest Paid		**(672)**	(1,449)	**(2,104)**	(4,332)
		(34,564)	(69,437)	**(5,378)**	(12,799)
Net cash flow from operating activities		**17,942**	38,472	**359**	(1,439)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Property, Plant and Equipment		**-**	8	**-**	-
Repayment of Advances made to Subsidiaries		**-**	-	**-**	10,091
		-	8	**-**	10,091
Cash was applied to:					
Purchase and Development of Property, Plant and Equipment		**(767)**	(2,436)	**(70)**	(459)
Capitalised Interest		**(1,426)**	(2,942)	**-**	-
Purchase and Development of Investment Properties		**(13,401)**	(25,209)	**-**	-
Acquisition of Village Trade and Assets	15	**(19,627)**	-	**-**	-
Increase in Subsidiaries Equity		**-**	-	**(5,000)**	(886)
Advances to Subsidiaries		**-**	-	**(13,618)**	-
		(35,221)	(30,587)	**(18,688)**	(1,345)
Net cash flow from investing activities		**(35,221)**	(30,579)	**(18,688)**	8,746

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

	NOTE	GROUP 6 months ended 30 June 2006 $000	GROUP 12 months ended 31 December 2005 $000	COMPANY 6 months ended 30 June 2006 $000	COMPANY 12 months ended 31 December 2005 $000
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Bank Loans		**19,250**	-	**20,000**	-
Other Loans		**-**	44	**-**	44
Issue of Shares	5	**-**	956	**-**	956
		19,250	1,000	**20,000**	1,000
Cash was applied to:					
Repayment of Bank Loans		**-**	(4,500)	**-**	(5,000)
Repayment of Advances from Shareholder		**-**	(465)	**-**	-
Dividend		**-**	(4,969)	**-**	(4,969)
		-	(9,934)	**-**	(9,969)
Net cash flow from financing activities		**19,250**	(8,934)	**20,000**	(8,969)
Net increase/(decrease) in cash held		**1,971**	(1,041)	**1,671**	(1,662)
Add cash at the beginning of the period		**(395)**	646	**(1,452)**	210
Cash at the end of the period		**1,576**	(395)	**219**	(1,452)
Cash comprises cash balances held with banks in New Zealand:					
Cash at Bank		**1,576**	1,057	**219**	1
Bank Overdraft		**-**	(1,452)	**-**	(1,453)
		1,576	(395)	**219**	(1,452)

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

Statements of Cash Flows continued

For The Six Months Ended 30 June 2006

	GROUP		COMPANY	
	6 months ended 30 June 2006	12 months ended 31 December 2005	**6 months ended 30 June 2006**	12 months ended 31 December 2005
	$000	$000	**$000**	$000
RECONCILIATION OF NET SURPLUS/ (DEFICIT) WITH NET CASH FLOW FROM OPERATING ACTIVITIES				
Net Surplus/(Deficit)	**11,522**	21,735	**436**	(1,038)
Add back development cost of sales included in Cash from Investing Activities	**7,731**	30,794	**-**	-
Repurchases	**3,351**	2,778	**-**	-
	22,604	55,307	**436**	(1,038)
Non-cash items				
Depreciation	**775**	1,511	**159**	288
Write down in Investment in Subsidiary	**-**	-	**-**	487
Goodwill Amortisation	**-**	140	**-**	-
Minority Interest	**270**	737	**-**	-
Net (Surplus) on Sale of Property, Plant and Equipment	**-**	(4)	**-**	-
	1,045	2,384	**159**	775
Movement in Balance Sheet Items relating to Operating Activities				
Debtors and Prepayments	**1,266**	(9,518)	**96**	(509)
Creditors and Accruals	**1,089**	3,598	**(259)**	(518)
Amortising Liabilities to Residents	**(99)**	(258)	**-**	-
Other Non Current Assets	**(11,077)**	(10,956)	**(73)**	-
Creditors and Accruals Movement Relating to Investing Activities	**3,114**	(2,085)	**-**	(149)
	(5,707)	(19,219)	**(236)**	(1,176)
Net cash flow from operating activities	**17,942**	38,472	**359**	(1,439)

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

Accounting Policies and Notes to the Financial Statements

For The Six Months Ended 30 June 2006

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.

During May 2006 the Group changed its balance date from 31 December to 30 June to align with its majority shareholder. As a result the Company has presented the financial statements for the six month period ending 30 June 2006 with the twelve month comparative period to 31 December 2005 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 six months to 30 June 2006 or comparatives.

The non-current and current portions of the liability are stated as determined by an independent actuary.

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 Company 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 determined by an independent actuary.

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. Development Properties expected to be developed during the next 12 months are included in Inventory. Comparative balances have been restated to conform to the current year disclosure outlined above.

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 or 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 and certain other minor items, 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

No depreciation is provided for in respect of items such as linen, soft furnishing and cutlery, in respect of which the cost of renewal is charged against earnings when incurred.

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 determined by an independent actuary. 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 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 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 determined by an independent actuary. 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) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets at the time of acquisition of a business.

Goodwill is amortised by the straight line method over the period of 8 years during which the expected benefits will be received.

p) 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.

q) Share Issue Costs

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

r) 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.

s) 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 is 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.

t) Changes in Accounting Policies

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

2. OPERATING REVENUES	GROUP		COMPANY	
	6 months ended 30 June 2006	12 months ended 31 December 2005	**6 months ended 30 June 2006**	12 months ended 31 December 2005
	$000	$000	**$000**	$000
Sales Revenue	**9,887**	38,948	**-**	-
Resales Revenue	**25,348**	46,714	**-**	-
Amenities Revenue	**8,863**	13,507	**-**	-
Village Operating and Other Revenue	**15,029**	28,427	**5,737**	11,361
	59,127	127,596	**5,737**	11,361

3. OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION	GROUP		COMPANY	
	6 months ended 30 June 2006	12 months ended 31 December 2005	**6 months ended 30 June 2006**	12 months ended 31 December 2005
	$000	$000	**$000**	$000
Net Surplus/(Deficit) attributable to Shareholders is stated:	**11,522**	21,735	**436**	(1,038)
After Charging/(Crediting):				
Continuing Activities				
Depreciation				
- Buildings	**233**	460	**-**	-
- Plant, Furniture & Equipment	**509**	990	**159**	288
- Motor Vehicles	**33**	61	**-**	-
Total depreciation	**775**	1,511	**159**	288
Fees Paid to Auditors				
- Audit fees	**166**	182	**76**	61
- Taxation Compliance Services	**34**	113	**34**	113
Change in doubtful debts provision				
- (released)/provided	**(37)**	70	**-**	-
Directors' fees				
- parent	**106**	353	**106**	353
- 50% subsidiary	**13**	25	**-**	-
- Provision for ex gratia Retirement Payments	**-**	260	**-**	260
Goodwill amortisation	**-**	140	**-**	-
Rent and operating lease costs	**176**	267	**176**	267
Realised Surplus transferred from Investment Property Revaluation Reserve	**(9,102)**	(21,801)	**-**	-
Interest				
- bank loans	**2,295**	4,565	**2,136**	4,045
- bank and other short term borrowings	**1**	56	**-**	58
- finance leases	**5**	12	**-**	-
- advances to subsidiaries	**-**	-	**(3,354)**	(7,020)

- capitalised	**(1,426)**	(2,942)	**-**	-
- received	**(52)**	(102)	**(1)**	(6)
- facility fees	**148**	320	**178**	300
Management fees	**-**	-	**(2,371)**	(3,550)
(Gain) on sale of property, plant and equipment	**-**	(4)	**-**	-
Settlement of Pinesong Dispute (refer note 22)	**-**	750	**-**	750

4. TAXATION

	GROUP		COMPANY	
	6 months ended 30 June 2006	12 months ended 31 December 2005	**6 months ended 30 June 2006**	12 months ended 31 December 2005
	$000	$000	**$000**	$000
a) Taxation Expense is calculated as follows:				
Operating Surplus/(Deficit) before Taxation	**11,792**	22,472	**436**	(1,038)
Taxation at 33%	**3,891**	7,416	**144**	(342)
Adjusted by the taxation effect of:				
Timing differences not previously brought to account	**(1,556)**	(2,184)	**5**	95
Expenditure not deductible for taxation	**511**	46	**69**	-
Construction costs not deductible for taxation	**2,551**	9,797	**-**	-
Repurchase costs not deductible for taxation	**5,272**	9,900	**-**	-
Repurchase obligations deductible	**(11,628)**	(28,269)	**-**	-
Prior year tax adjustment	**(332)**	-	**(14)**	-
Taxation losses generated during the period	**1,291**	3,294	**-**	247
Company tax losses brought forward available for offset	**-**	-	**(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	**5,061**	1,147	**-**	518
Taxation Effect at 33%	**1,670**	379	**-**	171

The future benefit of taxation losses not recognised is subject to the requirements of Income Tax Legislation being met. With changes in the shareholding, gross unrecognised taxation losses brought forward and available to be offset by the Group against future accessible income of $64.1 million were forfeited in the twelve month period ended 31 December 2005 as a result of the loss of shareholder continuity through the period in which the losses arose and remained unutilised.

	GROUP		COMPANY	
	As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$millions	$millions	**$millions**	$millions
c) Unrecognised Deferred Taxation Liability:				
Timing differences arising from normal operations	**37.7**	38.8	**-**	0.1
Freehold land and buildings	**36.2**	53.4	**-**	-
Occupation Licenses	**209.9**	200.6	**-**	-
Gross Unrecognised Taxation Liability	**283.8**	292.8	**-**	0.1
Taxation at 33%	**93.7**	96.6	**-**	-

The deferred taxation liability in relation to Occupation Licenses 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 2006	As at 31 December 2005
	$000	$000
Issued and Fully Paid Capital		
Balance at beginning of period	**44,470**	43,514
Shares issued on exercise of options	**-**	956
Balance at end of period	**44,470**	44,470

There were 87,348,541 shares on issue at balance date (31 December 2005: 87,348,541). During the six month period to 30 June 2006 there were no options exercised under the Executive Share Option (twelve months to 31 December 2005: 800,000) resulting in an increase in Issued and Fully paid Capital of $Nil (31 December 2005: $956,000).

Under the Executive Share Option Plan the following options to subscribe to the Company's ordinary shares are outstanding.

Number of Options June 2006	Number of Options December 2005	Exercise Price	Expiry Date
100,000 (1)	100,000 (1)	$1.04	1 January 2007

(1) As a result of the takeover offer made to the Company by Retirement Villages New Zealand Limited these Executive Share Options were acquired by Retirement Villages New Zealand Limited for $2.64 per option.

6. RESERVES

	GROUP		COMPANY	
	6 months ended 30 June 2006	12 months ended 31 December 2005	**6 months ended 30 June 2006**	12 months ended 31 December 2005
	$000	$000	**$000**	$000
Investment Property Revaluation Reserve				
Balance at beginning of the period	**98,583**	84,736	**-**	-
Revaluations during the period	**24,868**	36,814	**-**	-
Realised Surplus transferred to Statement of Financial Performance	**(9,102)**	(21,801)	**-**	-
Revaluation of Amounts Payable to Residents under terms of Licences to Occupy	**(3,831)**	(1,166)	**-**	-
Balance at end of the period	**110,518**	98,583	**-**	-
Property, Plant and Equipment Revaluation Reserve				
Balance at beginning and end of the period	**2,072**	2,072	**-**	-
Total Reserves	**112,590**	100,655	**-**	-
Accumulated Surplus				
Balance at beginning of the period	**79,068**	62,302	**10,284**	16,291
Net surplus/(deficit)	**11,522**	21,735	**436**	(1,038)
Dividend Paid	**-**	(4,969)	**-**	(4,969)
Balance at end of the period	**90,590**	79,068	**10,720**	10,284
Minority Interests				
Balance at beginning of the period	**5,432**	5,381		
Share of surplus in subsidiary	**270**	737		
Share of movement in Investment Property during the period	**10**	(686)		
Balance at end of the period	**5,712**	5,432		

7. BANK LOANS	GROUP		COMPANY	
	As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$000	$000	**$000**	$000
Total Bank Loans – Floating Rate	**74,250**	55,000	**74,000**	54,000
Non Current Portion	**74,250**	55,000	**74,000**	54,000
The Non Current Portion falls due for repayment as follows:				
- One to Two Years	**-**	-	**-**	-
- Two to Five Years	**74,250**	55,000	**74,000**	54,000
Total Non Current Portion	**74,250**	55,000	**74,000**	54,000

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 $0.25m (31 December 2005: $1.0m).

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 six month period to 30 June 2006 ranged from 7.61% to 8.18% per annum (twelve month period to 31 December 2005: 7.1% 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 2006, the Company had $82m of committed bank facilities of which $7.75m was undrawn (31 December 2005: $82m; $27m). The bank facilities mature 30 June 2009.

8. LEASE COMMITMENTS

	GROUP		COMPANY	
	As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$000	$000	**$000**	$000
a) Finance Leases				
Finance Lease commitments are payable as follows:				
- Within One Year	**24**	23	**-**	-
- One to Two Years	**24**	23	**-**	-
- Two to Five Years	**68**	81	**-**	-
	116	127	**-**	-

Finance leases are secured over the assets to which they relate (refer Note 14). The finance rate for the six month period to 30 June 2006 is 8.03% to 8.08% (twelve month period to 31 December 2005: 8.03% to 8.08%).

b) Non Cancellable Operating Leases

	GROUP		COMPANY	
Non cancellable operating lease commitments are payable as follows:				
- Within One Year	**274**	262	**274**	262
- One to Two Years	**253**	255	**253**	255
- Two to Five Years	**289**	374	**289**	374
	816	891	**816**	891

9. CREDITORS AND ACCRUALS

	GROUP		COMPANY	
	As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$000	$000	**$000**	$000
Trade Creditors	**880**	2,089	**212**	186
Sundry Creditors and Accruals	**10,144**	7,994	**1,773**	2,090
Employee Entitlements	**1,694**	1,546	**292**	260
	12,718	11,629	**2,277**	2,536

10. AMORTISING LIABILITIES TO RESIDENTS	GROUP		COMPANY	
	As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$000	$000	**$000**	$000
The liabilities amortise as follows: (refer Notes 1 (b) (iv) and (vi))				
Current	**144**	195	**-**	-
Non Current	**132**	180	**-**	-
	276	375	**-**	-

The non current and current portions of the significant Amortising Liabilities to Residents balances are stated as determined by an independent actuary, Mr P. Davies, of Davies Financial & Actuarial Limited.

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 31 December 2005: 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 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$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	**510,387**	411,000	**-**	-
Repayable under options to repurchase	**7,992**	8,451	**-**	-
	518,379	419,451	**-**	-

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 determined by an independent actuary, Mr P. Davies, of Davies Financial & Actuarial Limited as follows:

Current	**9,925**	5,584	**-**	-
Non Current	**1,692**	2,002	**-**	-
	11,617	7,586	**-**	-

At balance date the Group had 2,114 allotted securities (31 December 2005: 1,786) with a carrying value of $530m (31 December 2005: $427m).

13. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$000	$000	**$000**	$000
Completed Facilities at net current values	**692,588**	562,840	**-**	-
Development Properties	**21,331**	18,265	**-**	-
Less: Refundable Occupation Licences (Refer Note 12)	**(518,379)**	(419,451)	**-**	-
	195,540	161,654	**-**	-

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 2006.

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 six month period to 30 June 2006 amounted to $1.3m (twelve month period to 31 December 2005: $2.8m).

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 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**
As at 31 December 2005				
Group				
Freehold Land	9,795	3,570	-	13,365
Freehold Buildings	3,318	15,313	(1,891)	16,740
Plant, Furniture and Equipment	15,465	-	(12,306)	3,159
Motor Vehicles	1,036	-	(853)	183
	29,614	18,883	(15,050)	33,447
Company				
Plant, Furniture and Equipment	2,113	-	(1,308)	805
	2,113	-	(1,308)	805

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 $394m (31 December 2005: $311m)

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

As at 30 June 2006				
Motor Vehicles	**177**	**-**	**(101)**	**76**
	177	**-**	**(101)**	**76**
As at 31 December 2005				
Motor Vehicles	177	-	(83)	94
	177	-	(83)	94

During the six month period to 30 June 2006 external finance costs of $0.1m (twelve month period to 31 December 2005: $0.2m) 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 Wairarapa Limited
Metlifecare Takapuna Limited
Metlifecare The Avenues 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 fair value of the identifiable assets and liabilities acquired at this village have been determined on a provisional basis.

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 six month period to 30 June 2006 ranged from 7.20% to 7.47% per annum (twelve month period to 31 December 2005: 6.90% to 7.25% 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 CURRENTS ASSETS

	GROUP		COMPANY	
	As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$000	$000	**$000**	$000
Loans to Residents	**2,817**	2,579	**-**	-
Amenities Contribution Receivable (Refer Note 1(b)(v))	**56,161**	46,055	**-**	-
	58,978	48,634	**-**	-

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 31% (31 December 2005: 50%) 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 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$000	$000	**$000**	$000
Repurchased Occupation Licences held for resale	**2,034**	2,416	**-**	-
Occupation Licences for completed Units and Serviced Apartments available for sale	**15,422**	19,085	**-**	-
Total Unallotted Securities	**17,456**	21,501	**-**	-
Construction Work in progress - Unit and Serviced Apartment	**21,943**	15,584	**-**	-
	39,399	37,085	**-**	-

At balance date the Group had 58 unallotted securities (31 December 2005: 56).

19. DEBTORS AND PREPAYMENTS

	GROUP		COMPANY	
	As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$000	$000	**$000**	$000
Trade Debtors	**2,629**	2,249	**-**	-
Less: Provision for Doubtful Debts	**(84)**	(121)	**-**	-
Sundry Debtors and Prepayments	**1,674**	2,081	**552**	648
Unconditional Sale and Resale Receivables	**17,650**	18,923	**-**	-
Amenities Contribution Receivable (Refer Note 1(b)(v))	**5,824**	5,090	**-**	-
Taxation Receivable	**17**	20	**3**	4
	27,710	28,242	**555**	652

20. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	As at 30 June 2006	As at 31 December 2005	**As at 30 June 2006**	As at 31 December 2005
	$000	$000	**$000**	$000
Estimated capital commitments contracted for at balance date but not provided for	**16,682**	21,691	**-**	-

21. RELATED PARTY TRANSACTIONS

Retirement Villages New Zealand Limited owns at 11 August 2006 81.96% of Metlifecare Limited and the Hon. J K McLay, Messrs P R Brown and D L Guihot are directors of Retirement Villages New Zealand Limited.

Metlifecare Limited paid $3,416 (twelve month period to 31 December 2005: $305,497) to Ferrier Hodgson & Co. of which Mr M P Stiassny, a former director, is a Partner. The fees paid in 2006 were subsequently on-charged to Private Health Care (NZ) Limited of which Mr C J Cook is a director.

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 (31 December 2005: $277,441). Retirement Villages New Zealand Limited have undertaken to repay this amount by 30 September 2006.

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 (31 December 2005: $129,550).

Metlifecare Limited paid nil (twelve month period to 31 December 2005: $72,384) to Myriad Limited, of which Mr P W Fitzsimmons, a former director of the Company, is a director.

Metlifecare Limited paid $11,423 (twelve month period to 31 December 2005: $1,691) to Pharmacybrands Ltd, of which the Hon. J K McLay is a director.

22. SETTLEMENT OF DISPUTE

A claim was lodged against the principal consultant in respect of a development site for failure to properly administer the remediation requirements relating to the site. In response to this claim a full and final settlement payment of $750,000 was received in the financial year ended 31 December 2005 and recognised as income in the Statement of Financial Performance of the Group and Parent (Refer Note 3).

23. 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.

24. 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 2006**		As at 31 December 2005	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Interest Rate Swaps	**$494,120**	**-**	$448,827	-

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 Company 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 Company had the following interest rate swap and option agreements outstanding:

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

As at 31 December 2005

Group and Company

Notional Principle Amount	Bank	Effective Interest Rate	Maturity	Type
$16 million	BNZ	6.60%	February 2006	Swap
$4 million	BNZ	6.46%	July 2006	Swap
$5 million	BNZ	6.43%	September 2007	Swap
$10 million	BNZ	6.37%	April 2009	Swap
$5 million	BNZ	6.29%	July 2009	Swap
$10 million	ANZ National	6.64%	October 2007	Swap

25. ADOPTING NZ EQUIVALENTS TO IFRS ("NZ IFRS")

The Group is continuing to progress the NZ IFRS Conversion Project. The Group previously anticipated adopting NZ IFRS effective from 1 January 2007 however as a result of the recent ownership changes the adoption date for NZ IFRS is currently under review. Subject to the results of this review the Group will adopt NZ IFRS from 1 July 2007, 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 2006 the Group has identified the following standards that are likely to have significant impact on the financial statements presented by the Group.

NZ IAS 18 Revenue – sales and resales revenue will no longer meet the definition of revenue under NZ IFRS. 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.

NZ IAS 40 Investment Properties – the fair value of Investment Properties will be measured using discounted cash flow techniques less cash flows already recognised as a separate asset or liability in the Statement of Financial Position, 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 Statement of Financial Performance. Under NZ FRS, these are currently recorded in reserves with only the sale or resale margin being recorded in the Statement of Financial Performance.

NZ IAS 12 Income Taxes - this standard will require recognition of deferred tax using the comprehensive basis applied to temporary differences together with a different test associated with recognition of deferred tax assets. This will result in the Group potentially recognising deferred tax balances in relation to Investment Properties and certain other balances in the Statement of Financial Position.

NZ IAS 2 Inventories - certain items currently recognised as inventory will no longer meet the definition of inventory under this standard and will be reclassified as investment properties and property, plant and equipment.

NZ IAS 32 Financial Instrument Disclosure and Presentation - The application of this standard may result in financial assets and financial liabilities being reclassified in the Statement of Financial Position, for example where right of set off exists, and in the recognition of interest rate swaps in the Statement of Financial Position at fair values.

Due to the anticipated year of adoption being 30 June 2008, the pending review as a result of the ownership changes and the evolving application of NZ IFRS standards to the retirement industry, the Group has not been able to reliably estimate the impacts of these differences on the financial statements.

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

26. PROSPECTIVE FINANCIAL INFORMATION

On 15 November 2005 the Company issued a Target Company Statement together with an Independent Advisors report which contained prospective financial information for the year ended 31 December 2006. During the period the Group changed its balance date to 30 June to align with the change of majority ownership of the Group. As a result the Group is unable to provide a comparison of the forecast financial results to the actual financial results for this prospective financial information, as the reporting periods now differ.

27. SUBSEQUENT EVENT

The Directors have declared a final dividend of 9.0 cents per share, without imputation credits, being the total dividend paid for the period ended 30 June 2006 (compared to 2.2 cents per share without imputation credits for the year ended 31 December 2005).

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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 period ended 30 June 2006 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 2006 and their financial performance and cash flows for the period ended on that date.

Auditors' Responsibilities

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

Basis of Opinion

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

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

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

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

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

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 2006 and their financial performance and cash flows for the period ended on that date.

Our audit was completed on 17 August 2006 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
C.J. Cook	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
	* Takrouna Nursing Home 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
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

Interests Register

continued

Director	Entity	Nature of Interest
D.L. Guihot	Publishing & Broadcasting Limited	Shareholder
	Mulpha FKP Limited	Director
	Retirement Villages New Zealand Limited and subsidiaries	Director
P.B. Harman	Becker Group Limited	Director
(Appointed 16 February 2006)	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
	PB & BJ Harman Pty Limited	Director
J.J. Loughlin	Toll NZ Limited and Subsidiary Companies	Director
(Appointed 16 February 2006)	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
	MIT Development Limited	Director
	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
	+Prime Finance Limited	Chairman
	Hawkes Bay Inc	Trustee
	* Hawkes Bay Economic Development Agency	Director
	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.D. McCawe	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

Director	Entity	Nature of Interest
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
	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		
P.W. Fitzsimmons	ING Life Limited	Chairman
(Resigned 14 February 2006)	* Metlifecare Palmerston North Limited	Director
	* All wholly owned subsidiary companies of Metlifecare Limited	Director
	Myriad Limited	Director
	LSC Group Limited	Director
	Instant Finance Limited	Director
	Counties Power Limited	Director
	North Shore Hospice Trust	Trustee
Dr H. LeGrice	Resolution Investments Limited	Director
(Resigned 15 February 2006)	Thode Knife and Saw Limited	Director
	Bankside Investments Limited	Director
	Moorfields Trust	Trustee
	Bankside Trust	Trustee
M.P. Stiassny	NGC Holdings Limited	Chairman/Shareholder
(Resigned 14 March 2006)	Vector Limited	Chairman/Shareholder
	Metrowater Limited	Chairman
	Wanganui Gas Limited	Director
	Ferrier Hodgson & Co	Partner

Notes:

* Interest ceased during the period
+ New

Interests Register

continued

(b) SPECIFIC DISCLOSURES

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

(e) DIRECTORS' SHARE DEALINGS & RELEVANT INTERESTS

During the period 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 2006, 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 period.

Director	Directors' Fees $	Ex Gratia Retirement Payments $
C.J. Cook	29,000	-
P.B. Harman	25,000	-
J.J. Loughlin	25,000	-
Former Director		
P.W. Fitzsimmons (Resigned 14 February 2006)	5,918	105,000
Dr H. LeGrice (Resigned 15 February 2006)	8,000	63,000
M.P. Stiassny (Resigned 14 March 2006)	9,600	-
	102,518	168,000

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

Director	Directors' Fees $
C.J. Cook	2,500
R.J.A de Haast	2,500 [1]
Dr C.M.A. Love	2,500
Dr R.H.N. Love	2,500
K.T. Hindle (Appointed 20 April 2006)	986
Former Director	
P.W. Fitzsimmons (Resigned 14 February 2006)	616
B.F. Mahoney (Resigned 1 April 2006)	1,250 [2]
	12,852

Notes:

[1] Director's fees paid to Metlifecare Limited.

[2] Director's fees paid to The New Zealand Guardian Trust Company Limited.

Other Director Information

COMPANY DIRECTORS

The Directors as at 30 June 2006 are set out in the directory on page 61. During the period three Directors resigned:

P.W. Fitzsimmons (14 February 2006), Dr H. LeGrice (15 February 2006) and M.P. Stiassny (14 March 2006).

SUBSIDIARY COMPANY DIRECTORS

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

C.J. Cook, R.J.A de Haast and N.S. MacCulloch.

The Hon. J.K. McLay held the office of Director of the Company's wholly owned subsidiaries during the period except Castleburgh Investments Limited (in liquidation), Metlifecare Beechworth Limited, Metlifecare Browns Bay Limited, Metlifecare Epsom Limited and Provider Care NZ Limited.

P.W. Fitzsimmons (resigned 14 February 2006) held the office of Director of the Company's wholly owned subsidiaries during the period except Metlifecare Kapiti Limited and Metlifecare The Avenues Limited.

SUBSIDIARIES (WHOLLY OWNED)

Bay of Plenty Retirement Village Limited
Castleburgh Investments Limited (in liquidation)[1]
Metlifecare Bayswater Limited
Metlifecare Beechworth Limited[2]
Metlifecare Browns Bay Limited[2]
Metlifecare Coastal Villas Limited
Metlifecare Crestwood Limited
Metlifecare Epsom Limited
Metlifecare Greenwood Park Limited
Metlifecare Highlands Limited
Metlifecare Kapiti Limited (formerly Neptune Enterprises Limited)
Metlifecare Oakwoods Limited
Metlifecare Pakuranga Limited
Metlifecare Pinesong Limited
Metlifecare Powley Limited
Metlifecare 7 Saint Vincent Limited
(formerly Metlifecare Remuera Limited)
Metlifecare Somervale Limited
Metlifecare Takapuna Limited
Metlifecare The Avenues Limited
Metlifecare Wairarapa Limited
Provider Care NZ Limited
Third Age Care Limited

Notes:

[1] Company struck off on 1 June 2006.

[2] Amalgamated with Metlifecare Limited on 11 April 2006.

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 (appointed 16 February 2006), C.J. Cook, R.J.A de Haast, Dr R.H.N. Love, Dr C.M.A. Love, K.T. Hindle (appointed 20 April 2006), B.F. Mahoney (resigned 1 April 2006), P.W. Fitzsimmons (resigned 14 February 2006) and N.S. MacCulloch (alternate Director).

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 accounting period, received remuneration and other benefits valued at or exceeding $100,000[1], are stated below.

Remuneration	Number of Employees
$130,000 - $140,000	1
$160,000 - $170,000	1
$300,000 - $310,000	1
$380,000 - $390,000	1

Note:

[1] The payments shown are actual payments for the six month accounting period, rather than on an annualised basis due to the uncertainties associated with accurately calculating those payments on an annualised basis.

OFFICERS' SHARE DEALINGS

During the period 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 11 August 2006

TWENTY LARGEST SHAREHOLDERS

Shareholders	Number of Fully Paid Ordinary Shares	Percentage of Issued and Paid Up Share Capital
Retirement Villages New Zealand Limited	71,587,111	81.96
TEA Custodians Limited (O/A Teac 40)	6,200,887*	7.10
NZ Superannuation Fund Nominees Limited	4,823,034*	5.52
MFL Mutual Fund Limited	1,883,427*	2.16
Premier Nominees Limited – Armstrong Jones Property Securities Fund	477,301*	0.55
Asteron Life Limited	298,483*	0.34
Apollo Holdings Limited	215,000	0.25
NZ Guardian Trust Investment Nominees Limited	188,573*	0.21
Westpac Banking Corporation – Client Assets No 2	103,204*	0.12
First NZ Capital Custodians Limited	64,791	0.07
Forbar Custodians Limited (Ppm Low A/C)	45,400	0.05
Custodial Services Limited (A/C 3)	44,016	0.05
Philip William Riley	42,715	0.05
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
Julie Ann Komen	30,000	0.03
Massey Pharmacy Limited	30,000	0.03
New Zealand Pension Plans (Life) Limited	25,800*	0.03
Carey-Anne Louise Inns	22,750	0.03
Kevin John Murphy	22,750	0.03
TOTAL	86,174,742	98.66

* Shareholdings held in New Zealand Central Securities Depository Limited. Total holdings in New Zealand Central Securities Depository Limited were 14,021,439 (16.05%).

SPREAD OF HOLDINGS

Size of Holdings	Number of Shareholders	%	Number of Shares held	%
1 - 999	66	19.94	31,803	0.04
1,000 - 4,999	170	51.36	390,017	0.45
5,000 - 9,999	40	12.08	265,519	0.30
10,000 - 99,999	46	13.90	884,182	1.01
100,000 - 999,999	5	1.51	1,282,561	1.47
1,000,000 +	4	1.21	84,494,459	96.73
TOTAL	331	100.00	87,348,541	100.00

Shareholder Information continued

As at 11 August 2006

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 11 August 2006 are as follows:

Substantial Security Holders	Number of Shares	Percentage of Shares
Retirement Villages New Zealand Limited	71,587,111	81.96
FKP Limited	71,587,111	81.96
Macquarie Bank Limited	71,587,111	81.96
BWA Custodians Limited	71,587,111	81.96
RVNZ Investments Limited	71,587,111	81.96
Fisher Funds Management Limited	10,403,921	11.91
New Zealand Superannuation Fund Nominees Limited	4,823,034	5.52

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 11 August 2006 was 87,448,541 comprising 87,348,541 ordinary fully paid shares and 100,000 share options.

Directory

DIRECTORS
As at 30 June 2006

Hon. James Kenneth McLay CNZM, QSO
Chairman

Peter Ross Brown

Clifford James Cook

Darryl Leonard Guihot

Phillip Brent Harman

John James Loughlin

Patrick Desmond McCawe

AUDIT COMMITTEE

Darryl Leonard Guihot
Chairman

Phillip Brent Harman

John James Loughlin

REMUNERATION COMMITTEE

Hon. James Kenneth McLay CNZM, QSO
Chairman

Clifford James Cook

Phillip Brent Harman

John James Loughlin

NOMINATIONS & CORPORATE GOVERNANCE COMMITTEE

Hon. James Kenneth McLay CNZM, QSO
Chairman

Phillip Brent Harman

John James Loughlin

ACQUISITION & DEVELOPMENT COMMITTEE

Peter Ross Brown
Chairman

Clifford James Cook

John James Loughlin

CHIEF EXECUTIVE OFFICER

Richard Jan Anthony de Haast

AUDITORS

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SOLICITORS

Hesketh Henry
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BANKERS

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SHARE REGISTRAR

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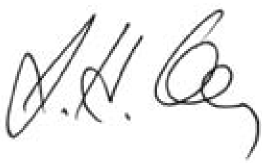
This Annual Report is signed for on behalf of the Board of the Company by:



Hon. Jim McLay CNZM, QSO
Chairman
17 August 2006

D L Guihot
Director
17 August 2006

Metlifecare

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