Financial Statements

For the half year ended 31 December 2013

Metlifecare Limited Directors' Report

The directors have pleasure in presenting the Interim Financial Statements of Metlifecare Limited, for the half year ended 31 December 2013.

The Interim Financial Statements presented are signed for and on behalf of the Board and were authorised for issue on 27 February 2014.

The Interim Financial Statements are unaudited, refer to note 2 for further explanation.

P. R. Brown	**A. B. Ryan**
Chairman	Director
27 February 2014	27 February 2014

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2013

$000	Note	Half year ended 31 December 2013	Half year ended 31 December 2012 Restated[1]
Income			
Operating revenue		**46,099**	42,711
Finance income		**57**	793
Total income		**46,156**	43,504
Change in fair value of investment properties	7	**25,503**	28,272
Gain on the acquisitions of Vision Senior Living Limited (VSL) and Private Life Care Holdings Limited (PLC)		**-**	63,620
Share of profit arising from joint venture, net of tax		**275**	205
Expenses			
Employee costs		**(17,793)**	(17,669)
Property costs	4	**(10,800)**	(10,419)
Depreciation	4	**(652)**	(791)
Amortisation		**(207)**	(118)
Finance costs	4	**(960)**	(5,248)
Other expenses	4	**(10,458)**	(15,221)
Total expenses		**(40,870)**	(49,466)
Profit before income tax		**31,064**	86,135
Income tax (expense) / benefit	6	**(4,232)**	968
Profit for the period		**26,832**	87,103
Other comprehensive income		**-**	-
Total comprehensive income, net of tax		**26,832**	87,103
Profit attributable to:			
Shareholders of the parent company		**26,832**	87,362
Non-controlling interests		**-**	(259)
		26,832	87,103
Total comprehensive income attributable to:			
Shareholders of the parent company		**26,832**	87,362
Non-controlling interests		**-**	(259)
		26,832	87,103
Profit per share for profit attributable to the equity holders of the Company during the period			
- Basic (cents)		**12.76**	48.86
- Diluted (cents)		**12.76**	48.51

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

[1] Restated to the extent required to reflect the adoption of NZ IFRS 11 as explained in notes 2 and 12.

Consolidated Statement of Movements in Equity

For the half year ended 31 December 2013

$000	Note	Contributed Equity	Retained Earnings	Revaluation Reserve	Option Reserve	Non-controlling interests	Total Equity
Six months to 31 December 2012 Restated[1]							
Balance at 1 July 2012		**126,717**	**302,557**	**9,611**	**-**	**-**	**438,885**
Comprehensive income							
Profit for the period		-	87,362	-	-	(259)	87,103
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	87,362	-	-	(259)	87,103
Transfer to retained earnings on disposal of village		-	1,471	(1,471)	-	-	-
Proceeds from shares issued	9	91,758	-	-	-	(370)	91,388
Non-controlling interest arising on business combination		-	-	-	-	629	629
Balance at 31 December 2012		**218,475**	**391,390**	**8,140**	**-**	**-**	**618,005**
Six months to 31 December 2013							
Balance at 1 July 2013		**287,142**	**422,713**	**7,859**	**82**	**-**	**717,796**
Comprehensive income							
Profit for the period		-	26,832	-	-	-	26,832
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	26,832	-	-	-	26,832
Proceeds from shares issued	9	10,378	-	-	-	-	10,378
Share option scheme		-	-	-	73	-	73
Dividends paid to shareholders		-	(4,209)	-	-	-	(4,209)
Balance at 31 December 2013		**297,520**	**445,336**	**7,859**	**155**	**-**	**750,870**

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

[1] Restated to the extent required to reflect the adoption of NZ IFRS 11 as explained in notes 2 and 12.

Consolidated Balance Sheet
As at 31 December 2013

$000	Note	31 December 2013	31 December 2012 Restated[1]	30 June 2013 Restated[1]
Assets				
Cash and cash equivalents		**1,087**	2,175	1,296
Trade receivables and other assets		**16,387**	15,705	12,706
Amounts due from related parties		**123**	102	-
Property, plant and equipment		**26,508**	26,623	26,765
Intangible assets		**224**	349	267
Investment properties	7	**1,893,148**	1,800,354	1,845,138
Investment in joint venture	11	**7,123**	6,895	7,148
Total assets		**1,944,600**	1,852,203	1,893,320
Liabilities				
Trade and other payables		**15,979**	14,028	16,819
Amounts due to related parties		**-**	-	16
Derivative financial instruments		**-**	492	-
Interest bearing liabilities	8	**60,315**	149,083	55,476
Deferred membership fees		**75,197**	70,239	72,686
Refundable occupation right agreements		**979,921**	941,864	972,441
Deferred tax liabilities	6	**62,318**	58,492	58,086
Total liabilities		**1,193,730**	1,234,198	1,175,524
Net assets		**750,870**	618,005	717,796
Equity				
Contributed equity	9	**297,520**	218,475	287,142
Revaluation reserve		**7,859**	8,140	7,859
Option reserve		**155**	-	82
Retained earnings		**445,336**	391,390	422,713
Total equity		**750,870**	618,005	717,796

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

[1] Restated to the extent required to reflect the adoption of NZ IFRS 11 as explained in notes 2 and 12.

Consolidated Cash Flow Statement

For the half year ended 31 December 2013

$000	Note	Half year ended 31 December 2013	Half year ended 31 December 2012 Restated[1]
Cash flows from operating activities			
Receipts from residents for membership fees, village fees, care fees and other income		34,832	37,081
Receipts from residents for refundable occupation right agreements		69,721	92,253
Payments to suppliers and employees		(37,848)	(41,405)
Payments to residents for refundable occupation right agreements		(53,298)	(58,332)
Net GST paid		(520)	(827)
Interest received		15	81
Interest paid		(1,083)	(5,734)
Acquisition and integration costs		-	(3,959)
Net cash inflow from operating activities	5	11,819	19,158
Cash flows from investing activities			
Disposal of business		-	28,156
Payments for property, plant and equipment		(285)	(123)
Payments for intangibles		(164)	(117)
(Advance to)/receipts from joint venture		(136)	2
Dividends received from joint venture		300	200
Payments for investment properties		(21,635)	(23,204)
Disposal of investment properties		-	9,400
Capitalised interest paid		(1,074)	(311)
Cash acquired on acquisitions of VSL and PLC		-	7,694
Net cash (outflow)/inflow from investing activities		(22,994)	21,697
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		10,378	-
Net proceeds from/(repayments of) borrowings		4,797	(47,805)
Dividends paid		(4,209)	-
Net cash inflow/(outflow) from financing activities		10,966	(47,805)
Net decrease in cash and cash equivalents		(209)	(6,950)
Cash and cash equivalents at beginning of the period		1,296	9,125
Cash and cash equivalents at end of period		1,087	2,175

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

[1] Restated to the extent required to reflect the adoption of NZ IFRS 11 as explained in notes 2 and 12.

Notes to the Interim Financial Statements
For the half year ended 31 December 2013

1. General Information

Metlifecare Limited ("the Company") and its subsidiaries (together "the Group") own and operate retirement villages in New Zealand. Metlifecare Limited is a limited liability company, incorporated and domiciled in New Zealand. The address of its registered office is Level 2, Metlifecare House, 302 Great South Road, Greenlane, Auckland 1051.

These financial statements have been approved for issue by the Board of Directors on 27 February 2014.

The Group's directors do not have the power to amend these financial statements once issued. In approving these financial statements for issue the directors have considered and concluded that in the absence of any unanticipated deterioration of the Group's operating performance the Group will continue to meet all obligations under the funding facilities, including compliance with financial covenants and maintaining sufficient levels of liquidity.

The directors, in concluding, considered the following:

- the Group's cash flow forecast for a period of 12 months from the date of signing the financial statements;
- recent past performance in light of the underlying economic environment;
- forecast covenant compliance; and
- available undrawn limits under the Core and Development Facilities.

Having regard to all the matters noted above, the directors believe it remains appropriate that the financial statements have been prepared under the going concern convention.

Notes to the Interim Financial Statements

2. Summary of Significant Accounting Policies

Entities reporting

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

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

Statutory base

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

These consolidated interim financial statements for the half year reporting period ended 31 December 2013 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

They comply with New Zealand Equivalent to International Accounting Standard 34 and International Accounting Standard 34, Interim Financial Reporting.

The interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these consolidated interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2013, prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The interim financial statements for the six months ended 31 December 2013 and comparatives for the six months ended 31 December 2012 are unaudited. The consolidated financial statements for the year ended 30 June 2013 were audited and form the basis for the comparative restated figures for that period in these accounts. The effects of the adoption of NZ IFRS 11 (as discussed below) have not been audited. The interim financial statements are presented in New Zealand Dollars ($), which is the Group's functional and presentation currency. All financial information has been presented in thousands, unless stated otherwise.

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

Changes in accounting policies

The following changes to accounting standards have been adopted in the preparation of the interim financial statements:

- NZ IFRS 10 'Consolidated financial statements'. NZ IFRS 10 introduces a new control model that is applicable to all investees, focussing on whether the Group has power over an investee, exposure to rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The adoption of NZ IFRS 10 from 1 July 2013 has had no significant impact on the consolidated financial statements of the Group.

- NZ IFRS 11 'Joint arrangements'. Under NZ IFRS 11 the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances. Previously the structure of the arrangement was the sole focus of classification.

Notes to the Interim Financial Statements

Prior to the adoption of NZ IFRS 11 on 1 July 2013, the Group's interest in Metlifecare Palmerston North Limited was accounted for using the proportionate consolidation method. Under NZ IFRS 11 Metlifecare Palmerston North Limited has been classified as a joint venture and has been accounted for using the equity accounting method, in that the Group recognises its share of assets and liabilities that it is jointly responsible for in the consolidated statement of financial position within investment in joint venture and the consolidated statement of comprehensive income of the Group includes its share of income and expenses of the jointly-controlled entity in share of profit arising from joint venture, net of tax and share of other comprehensive income arising from joint venture. Refer to note 12 for further details.

Due to the introduction of NZ IFRS 10 and NZ IFRS 11, amendments were made to NZ IAS 27 'Separate financial statements' and NZ IAS 28 'Investments in associates and joint ventures'. The Group has adopted these corresponding amendments from 1 July 2013 consistent with NZ IFRS 10 and NZ IFRS 11.

- NZ IFRS 13 'Fair value measurement'. NZ IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other NZ IFRSs.

In accordance with the transitional provisions of NZ IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the adoption of NZ IFRS 13 on 1 July 2013 has had no material impact on the measurement of the Group's assets and liabilities.

All other accounting policies that materially affect the measurement of the statement of comprehensive income, balance sheet and the cash flow statement have been applied on a basis consistent with those used in the audited financial statements for the year ended 30 June 2013.

Where necessary, certain comparative information has been reclassified in order to conform to changes in presentation in the current year.

3. Segment Information

The Group operates in one operating segment. The chief operating decision maker, the Board of Directors, reviews the operating results on a regular basis and makes decisions on resource allocation based on the review of Group results. The Board makes resource allocation decisions on the basis of expected cash flows and the results of the Group as a whole.

The nature of the products and services provided and the type and class of customers have similar characteristics within the operating segment.

Information about major customers

Included in total revenue are revenues which arose from sales to the Group's largest customers as follows:

The Group derives care fee revenue in respect of eligible Government subsidised aged care residents who receive rest home or hospital level care. Government aged care subsidies received from the Ministry of Health included in rest home, hospital and service fees, and villages fees amounted to $6.4m (2012: $7.7m).

Notes to the Interim Financial Statements

4. Expenses

$000	Half year ended 31 December 2013	Half year ended 31 December 2012 Restated[1]
Profit before income tax includes		
Property costs		
- Utilities and other property costs	5,308	5,413
- Repairs and maintenance on investment properties	5,193	4,698
- Repairs and maintenance on plant, furniture and equipment	299	308
Total property costs	10,800	10,419
Depreciation		
- Plant, furniture and equipment	399	418
- Motor vehicles	56	32
- Freehold buildings	197	341
Total depreciation	652	791
Finance costs		
- Interest and fees expense	2,034	5,491
- Less: Interest expense capitalised	(1,074)	(243)
Total finance costs	960	5,248
Other expenses		
- Resident costs	2,823	2,642
- Marketing and promotion	1,612	1,875
- Other employment costs	711	808
- Communication costs	765	905
- Rental and operating lease expenses	163	215
- (Gain)/Loss on disposal of property, plant and equipment	(18)	20
- Donations	6	3
- Residents' share of capital gain	1,245	1,259
- Loss on business disposal	-	1,559
- Costs associated with the acquisitions of VSL and PLC	-	3,206
- Integration costs	-	383
- Other (no items of individual significance)	2,782	2,133
Fees paid to PricewaterhouseCoopers New Zealand		
- Audit	50	38
- Taxation	30	13
- Other non-assurance	13	-
Total fees paid to PricewaterhouseCoopers New Zealand	93	51
Directors' fees	276	162
Total other expenses	10,458	15,221

[1] Restated to the extent required to reflect the adoption of NZ IFRS 11 as explained in notes 2 and 12.

Notes to the Interim Financial Statements

5. Reconciliation of Profit after Tax with Cash Inflow from Operating Activities

$000	Half year ended 31 December 2013	Half year ended 31 December 2012 Restated[1]
Profit for the period	**26,832**	87,103
Adjustments for:		
Change in fair value of investment properties	(25,503)	(28,272)
Change in fair value of residents' share of capital gains	1,245	1,259
Change in fair value of derivative financial instruments	-	(668)
Share option scheme	73	-
Gain on the acquisitions of VSL and PLC	-	(63,620)
Costs associated with the acquisitions of VSL and PLC	-	(370)
Depreciation	652	791
Amortisation	207	118
Movement in deferred tax expense	4,232	(968)
Loss on disposal of business	-	1,559
(Gain)/Loss on disposal of property, plant and equipment	(18)	20
Share of profit arising from joint venture, net of tax	(275)	(205)
Changes in working capital relating to operating activities:		
Trade receivables and other assets	(3,730)	(757)
Trade and other payables	(631)	(5,138)
Deferred membership fees	2,511	387
Refundable occupation right agreements	6,224	27,919
Net cash inflow from operating activities	**11,819**	19,158

6. Income Tax Expense

$000	Half year ended 31 December 2013	Half year ended 31 December 2012 Restated[1]	Year ended 30 June 2013 Restated[1]
(a) Income tax expense/(benefit)			
Current tax	-	-	-
Deferred tax	4,232	(968)	(1,257)
	4,232	(968)	(1,257)
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense	31,064	86,135	119,014
Tax at the New Zealand tax rate of 28%	8,698	24,118	33,324
Tax effect of amounts which are not deductible (taxable) in			
Temporary differences not previously brought to account	-	128	-
Non taxable gain on acquisitions (net of costs)	-	(18,216)	(16,752)
Non taxable income and non deductible expenditure	(235)	-	448
Non taxable impact of investment property revaluation	(7,141)	(6,854)	(16,542)
Movement in property valuations for deferred tax	2,926	-	2,584
Tax impact of change in investment property depreciable tax base	179	-	176
Other	(99)	(67)	(992)
Movement in unrecognised tax losses	(96)	(77)	(3,503)
Prior period adjustment	-	-	-
Income tax expense / (benefit)	4,232	(968)	(1,257)

The weighted average applicable tax rate was 28% (2012: 29%).

(c) Recognised deferred tax liability			
The deferred tax balance comprises:			
Property, plant and equipment	4,534	4,401	4,468
Investment property	(93,912)	(88,253)	(90,986)
Deferred membership fees	21,056	19,878	20,681
Recognised tax losses	1,021	76	2,512
Other items	4,983	5,406	5,239
Net deferred tax liability	(62,318)	(58,492)	(58,086)

[1] Restated to the extent required to reflect the adoption of NZ IFRS 11 as explained in notes 2 and 12.

Notes to the Interim Financial Statements

Movement in the deferred tax balance comprises:

Unaudited	Balance 1 July 2013	Recognised in income	Recognised in OCI	Acquired on merger	Balance 31 December 2013
Property, plant and equipment	4,468	66	-	-	4,534
Investment property	(90,986)	(2,926)	-	-	(93,912)
Deferred membership fees	20,681	375	-	-	21,056
Recognised tax losses	2,512	(1,491)	-	-	1,021
Other items	5,239	(256)	-	-	4,983
Net deferred tax liability	(58,086)	(4,232)	-	-	(62,318)

Unaudited	Balance 1 July 2012 Restated(1)	Recognised in income Restated(1)	Recognised in OCI Restated(1)	Acquired on merger Restated(1)	Balance 31 December 2012 Restated(1)
Property, plant and equipment	573	920	-	2,908	4,401
Investment property	(58,696)	118	-	(29,675)	(88,253)
Deferred membership fees	11,753	911	-	7,214	19,878
Recognised tax losses	-	76	-	-	76
Other items	6,217	(1,057)	-	246	5,406
Net deferred tax liability	(40,153)	968	-	(19,307)	(58,492)

Audited	Balance 1 July 2012 Restated(1)	Recognised in income Restated(1)	Recognised in OCI Restated(1)	Acquired on merger Restated(1)	Balance 30 June 2013 Restated(1)
Property, plant and equipment	573	870	117	2,908	4,468
Investment property	(58,696)	(2,615)	-	(29,675)	(90,986)
Deferred membership fees	11,753	1,714	-	7,214	20,681
Recognised tax losses	-	2,512	-	-	2,512
Other items	6,217	(1,224)	-	246	5,239
Net deferred tax liability	(40,153)	1,257	117	(19,307)	(58,086)

Expected maturity of deferred tax liability:

$000	**Half year ended 31 December 2013**	Half year ended 31 December 2012 Restated(1)	Year ended 30 June 2013 Restated(1)
Deferred tax liability to be recovered within 12 months	**610**	334	624
Deferred tax liability to be recovered after more than 12 months	**(62,928)**	(58,826)	(58,710)
	(62,318)	(58,492)	(58,086)

(d) Unrecognised deferred tax asset:

$000	**31 December 2013**	31 December 2012 Restated(1)	30 June 2013 Restated(1)
Temporary differences arising from normal operations	**-**	-	-
Unused tax losses	**-**	84,748	73,081
Unrecognised deferred tax balances	**-**	84,748	73,081
Unrecognised deferred tax balance @ 28% (2012: 28%)	**-**	23,729	20,463

No income tax was paid or payable during the period. There are no unrecognised tax losses for the Group at 31 December 2013 (December 2012: $84.7m, June 2013: $74.8m). The selldown in November 2013 by Retirement Villages New Zealand Limited of its shareholding in the Company meant the Company did not maintain sufficient shareholder continuity levels and therefore the losses prior to 23 July 2012 have been forfeited.

(e) Imputation credits

The imputation credit balance for the Company and Parent at 31 December 2013 is nil (December 2012: nil, June 2013: nil). No tax payments were made during the year and any dividends paid were unimputed.

(1) Restated to the extent required to reflect the adoption of NZ IFRS 11 as explained in notes 2 and 12.

Notes to the Interim Financial Statements

7. Investment Properties

$000	Half year ended 31 December 2013	Half year ended 31 December 2012 Restated[1]	Year ended 30 June 2013 Restated[1]
Investment properties under development			
Opening balance	**52,037**	23,271	23,271
Acquired through the acquisitions of VSL and PLC	**-**	26,017	26,017
Sale of development land	**-**	(9,400)	(9,400)
Capitalised subsequent expenditure	**21,277**	23,570	38,064
Completed developments transferred to completed investment properties	**(3,804)**	(17,815)	(25,716)
Change in fair value recognised during the period	**552**	-	(199)
Closing balance	**70,062**	45,643	52,037
Completed investment properties			
Opening balance	**1,793,101**	1,129,842	1,129,842
Acquired through the acquisitions of VSL and PLC (note 10)	**-**	634,606	634,606
Sale of investment property	**-**	-	(540)
Business disposal	**-**	(56,846)	(56,846)
Capitalised subsequent expenditure	**1,230**	1,022	1,210
Completed developments transferred from investment properties under development	**3,804**	17,815	25,716
Change in fair value during the period	**24,951**	28,272	59,113
Closing balance	**1,823,086**	1,754,711	1,793,101
Total investment properties	**1,893,148**	1,800,354	1,845,138

Investment properties were valued at 31 December 2013 by CBRE Limited (CBRE) (December 2012: CBRE Limited, June 2013: CBRE Limited) who are an independent registered valuer and associate of the New Zealand Institute of Valuers, at a total of $844.1m (December 2012: $795.2m, June 2013: $804.1m). CBRE is appropriately qualified and experienced in valuing retirement village properties in New Zealand. CBRE performed a "roll forward" of the valuation that was completed at 30 June 2013 for the period from 1 July 2013 to 31 December 2013. This involved the Company confirming the movements in the sales, resales and repurchases of occupation right agreements during the period, an assessment by the valuer of the general market conditions and the provisions of the impact of the changes where appropriate on the completed value of investment properties. The "roll forward" provides an assessment by the valuer of the financial impact of the changes for the six month period since the most recent valuation. CBRE will perform the valuation for the year ending 30 June 2014 which will be assessed and subject to audit. The fair values are based on a discounted cash flow model applied to the expected future cash flows generated by the investment properties. The valuation calculates the expected cash flows for a 20 year period (December 2012: 20 years, June 2013: 20 years), based on occupancy turnover of 11.3% - 14.2% pa (December 2012: 10.7% - 14.2%, June 2013: 11.3% - 14.2% pa) for units and 21.1% - 25.2% pa (December 2012: 21.3% - 26.4%, June 2013: 21.1% - 25.2% pa) for serviced apartments which is extrapolated at a nominal growth rate of 1.8% - 3.4% (December 2012: 1.8% - 3.4%, June 2013: 1.8% - 3.4% pa) and discounted to present value at pre-tax discount rates of 12.3% - 16.5% pa (December 2012: 12.5% - 15.0% pa, June 2013: 12.3% - 16.5% pa).

Borrowing costs of $1.1m (December 2012: $0.2m, June 2013: $1.5m) arising from financing specifically entered into for the construction of investment properties under development were capitalised during the year. Capitalisation rates of 4.80% - 5.44% (December 2012: 3.92% - 4.03%. June 2013: 3.92% - 5.25%) were used, representing the borrowing costs of the loans used to finance the projects.

[1] Restated to the extent required to reflect the adoption of NZ IFRS 11 as explained in notes 2 and 12.

Notes to the Interim Financial Statements

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

$000	**31 December 2013**	31 December 2012 Restated[1]	30 June 2013 Restated[1]
Investment properties under development	**70,062**	45,643	52,037
Completed investment properties	**774,035**	749,550	752,030
	844,097	795,193	804,067
Plus: Refundable occupation right agreement amounts	**1,202,653**	1,138,503	1,181,383
Plus: Residents' share of capital gains	**29,780**	32,038	29,822
Plus: Deferred membership fee	**75,197**	70,239	72,686
Less: Membership fee receivables	**(247,606)**	(224,711)	(234,589)
Less: Occupation right agreement receivables	**(10,973)**	(10,908)	(8,231)
Total investment properties	**1,893,148**	1,800,354	1,845,138

Registered mortgages in favour of the statutory supervisors of the village-owning subsidiary companies are recognised as first charges over the freehold land of those companies to protect the interests of the residents in the event of failure by the subsidiary companies as operators of the villages to observe obligations under the deeds of supervision, occupation right agreements and lifecare agreements.

Metlifecare Limited holds a second registered mortgage and second registered general security agreement over all its wholly-owned operating subsidiaries to secure funding made available to each of these subsidiaries.

[1] Restated to the extent required to reflect the adoption of NZ IFRS 11 as explained in notes 2 and 12.

Notes to the Interim Financial Statements

8. Interest Bearing Liabilities

$000	31 December 2013	31 December 2012	30 June 2013
Bank loans	**60,804**	149,647	56,006
Capitalised debt costs	**(600)**	(660)	(547)
	60,204	148,987	55,459
Finance leases	**111**	96	17
Total interest bearing liabilities	**60,315**	149,083	55,476
Expected maturity			
Within one year	**111**	4	4
Later than one year	**60,804**	149,739	56,019
Total interest bearing liabilities excluding capitalised debt costs	**60,915**	149,743	56,023

Bank loan

The bank loan comprises the Core Revolving Credit Facility, Development Facility and Working Capital Facility, effective 8 March 2012 as amended from time to time as follows:

During the period the bank facilities were renegotiated and extended. The Core Revolving Credit Facility was extended from 30 September 2015 to 31 October 2017 and the Development Facility was extended from 30 September 2016 to 31 October 2018.

Core Revolving Credit Facility – a term loan facility of $50.0m, expiring 31 October 2017 (December 2012: $140.0m, June 2013: $50.0m, expiring 30 September 2015).

Development Facility – a term loan facility of $120.0m, expiring 31 October 2018 (December 2012 & June 2013: $100.0m, expiring 30 September 2016).

Working Capital Facility – a working capital facility of $10.0m, repayable on demand (December 2012 & June 2013: $10.0m, repayable on demand).

At 31 December 2013, the Group had $180.0m (December 2012: $250.0m, June 2013: $160.0m) of committed bank facilities, including the overdraft, of which $119.2m was undrawn (December 2012: $100.4m, June 2013: $104.0m). The amount drawn under the facility at 31 December 2013 comprised $17.5m (December 2012: $101.8m, June 2013: $19.0m) under the Core Revolving Credit Facility, $35.4m (December 2012: $38.3m, June 2013: $28.3m) under the Development Facility, and $7.9m (December 2012: $9.5m, June 2013: $8.7m) under the Working Capital Facility.

Interest

Interest on the bank loan is charged using the BKBM Bill Rate plus a margin.
Interest rates applicable in the six month period to 31 December 2013 ranged from 3.77% to 3.92% pa (December 2012: 3.50% to 4.03% pa).

Security

Bank loans are secured as disclosed in note 7.

A Negative Pledge Deed has been entered into by the operating 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.

Metlifecare Limited has issued a letter of support for the bank borrowings of the 50% owned jointly-controlled entity Metlifecare Palmerston North Limited.
At 31 December 2013, Metlifecare Palmerston North Limited had an overdraft facility of $650,000, of which $650,000 was undrawn. (June 2013: $650,00 overdraft, $650,000 undrawn).

Financial covenants

The financial covenants that the Group must comply with include Interest Cover Ratio and Loan to Value Ratio.

During the period ended 31 December 2013, the Company was in compliance with its financial covenants (December 2012 & June 2013: in compliance).

Notes to the Interim Financial Statements

9. Contributed Equity

Shares	Half year ended 31 December 2013	Half year ended 31 December 2012	Year ended 30 June 2013
Issued and fully paid up capital	**210,594,691**	184,455,209	207,236,012
Balance at beginning of the period	**207,236,012**	144,115,209	144,115,209
Shares issued	**3,358,679**	40,340,000	63,120,803
Balance at end of period	**210,594,691**	184,455,209	207,236,012

$000	Half year ended 31 December 2013	Half year ended 31 December 2012	Year ended 30 June 2013
Issued and fully paid up capital	**297,520**	218,475	287,142
Balance at beginning of the period	**287,142**	126,717	126,717
Shares issued	**10,410**	91,758	162,380
Issue costs	**(32)**	-	(1,955)
Balance at end of period	**297,520**	218,475	287,142

Treasury shares	Half year ended 31 December 2013	Half year ended 31 December 2012	Year ended 30 June 2013
Issued and fully paid up capital	**610,000**	610,000	610,000
Balance at beginning of the period	**610,000**	-	-
Shares issued under the Senior Executive Share Plan	**-**	610,000	610,000
Balance at end of period	**610,000**	610,000	610,000

$000 (Treasury shares)	Half year ended 31 December 2013	Half year ended 31 December 2012	Year ended 30 June 2013
Issued and fully paid up capital	**-**	-	-
Balance at beginning of the period	**-**	-	-
Shares issued under the Senior Executive Share Plan	**-**	-	-
Balance at end of period	**-**	-	-

Net tangible assets per share	31 December 2013	31 December 2012	30 June 2013
Net tangible assets per share ($) basic	**3.57**	3.36	3.46

On 12 July 2013 Metlifecare Limited issued 3,226,396 ordinary shares at $3.10 per share under a share purchase plan.

On 17 October 2013 Metlifecare Limited issued 132,283 ordinary shares at $3.10 per share under a dividend reinvestment plan.

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. The Treasury shares relate to shares issued under the Senior Executive Share Plan that are held on Trust by the Group. These shares are accounted for as Treasury Shares by the Group until such as time as they are cancelled or vest to members of the senior management team.

10. Contingencies

Contingent liabilities

There are no material contingent liabilities as at 31 December 2013 (December 2012: nil, June 2013: nil).

The Company has identified building issues at the Links Apartments at Hibiscus Coast Village. The Company has commissioned work to commence for the structural remediation of these issues for an amount of $480,000. There are additional works which are likely to be undertaken as a consequence of several building issues. These works are currently uncommitted and the Company is undertaking further investigations prior to commencing this work. An initial estimate indicates that any additional work may cost in the range of $2.4m to $2.8m. The Company has initiated litigation proceedings against various parties involved in the design and construction of the building and following the determination of all costs will seek full recovery.

Notes to the Interim Financial Statements

11. Investment in Joint Venture

Joint Venture	Place of Business	Principal Activity	Interest held by Group 31 December 2013	31 December 2012	30 June 2013
Metlifecare Palmerston North Limited	Palmerston North	Ownership and Management of a Retirement Village	**50%**	50%	50%

The jointly-controlled company is incorporated in New Zealand and has a balance date of 30 June.

Summarised financial information for joint venture

Set out below is summarised financial information for Metlifecare Palmerston North Limited, which is accounted for using the equity method (whilst they meet the definition of a joint venture as set out in note 2).

$000	31 December 2013	31 December 2012	30 June 2013
Total current assets	**836**	897	811
Total non-current assets	**35,556**	34,974	35,403
Total current liabilities	**695**	752	733
Total non-current liabilities	**21,451**	21,330	21,185
Net assets	14,246	13,789	14,296
Profit for the period before income tax	**556**	323	1,148
Income tax (expense)/benefit	**(6)**	86	61
Profit for the period after income tax	**550**	409	1,209
Other comprehensive income, net of tax	**-**	-	43
Total comprehensive income, net of tax	**550**	409	1,252

Investment in Joint Venture

$000	31 December 2013	31 December 2012	30 June 2013
Carrying value at beginning of the period	**7,148**	6,890	6,890
Share of profit, net of tax	**275**	205	605
Other comprehensive income, net of tax	**-**	-	22
Dividends declared	**(300)**	(200)	(369)
Carrying value at the end of the period	**7,123**	6,895	7,148

Reconciliation of the summarised financial information presented to the carrying amount of the Group's investment in Joint Venture

$000	31 December 2013	31 December 2012	30 June 2013
Carrying value at beginning of the period	**14,296**	13,780	13,780
Share of profit, net of tax	**550**	409	1,210
Other comprehensive income, net of tax	**-**	-	43
Dividends declared	**(600)**	(400)	(737)
Closing Net Assets	**14,246**	13,789	14,296
Interest in Joint Venture @ 50%	**7,123**	6,895	7,148
Carrying Value at the end of the period	**7,123**	6,895	7,148

Metlifecare Palmerston North Limited had no capital commitments at 31 December 2013 (December 2012: nil, June 2013: nil).

Notes to the Interim Financial Statements

12. Adoption of NZ IFRS 11 'Joint Arrangements'

As at 31 December 2013, the Group has a 50% interest in Metlifecare Palmerston North Limited. Under NZ IAS 31 'Investment in Joint Ventures' the Group's share of assets, liabilities, revenue, income and expenses of Metlifecare Palmerston North Limited were proportionately consolidated in the consolidated financial statements.

Upon adoption of NZ IFRS 11 on 1 July 2013, the Group has determined this interest to be a joint venture under NZ IFRS 11 and required to be accounted for using the equity method. The Group recognised its investment in joint venture at 1 July 2012, (being the earliest period presented) as the total carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's investment in joint ventures for applying equity accounting. NZ IFRS 11 has been applied retrospectively, with effect from 1 July 2012. The adoption of NZ IFRS 11 has not impacted total comprehensive income, net assets of the Group or earnings per share.

The resulting adjustments from applying NZ IFRS 11 to the prior periods are shown below as follows:

Impact on consolidated statement of comprehensive income items

Increase/(Decrease) $000	Half year ended 31 December 2012	Year ended 30 June 2013
Total income	(1,040)	(2,221)
Change in fair value of investment properties	(39)	(166)
Share of profit arising from joint venture, net of tax	205	605
Employee costs	(544)	(1,076)
Property costs	(141)	(274)
Depreciation	(31)	(49)
Amortisation	-	-
Finance costs	(1)	-
Other expenses	(200)	(414)
Profit before income tax	43	31
Income tax benefit	(43)	(31)
Profit for the period	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income, net of tax	-	-

Impact on consolidated balance sheet items

Increase/(Decrease) $000	31 December 2012	30 June 2013
Cash and cash equivalents	(140)	(259)
Trade receivables and other assets	(308)	(146)
Amounts due from related parties	51	-
Property, plant and equipment	(1,777)	(1,796)
Investment properties	(15,760)	(15,906)
Investment in joint venture	6,895	7,148
Trade and other payables	(375)	(367)
Amounts due to related parties	-	8
Deferred membership fees	(677)	(634)
Refundable occupation right agreements	(8,919)	(8,878)
Deferred tax liabilities	(1,068)	(1,088)
Contributed equity	-	-
Revaluation reserve	-	-
Option Reserve	-	-
Retained earnings	-	-

Impact on consolidated cash flow items

Increase/(Decrease) $000	Half year ended 31 December 2012	Year ended 30 June 2013
Net cash inflow from operating activities	(316)	(688)
Net cash inflow/(outflow) from investing activities	272	525
Net cash outflow from financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	(44)	(163)

Notes to the Interim Financial Statements

13. Commitments

$000	31 December 2013	31 December 2012	30 June 2013
Capital commitments			
Estimated commitments contracted for at balance date but not provided for to purchase, construct or develop investment properties	22,365	26,998	21,375
	22,365	26,998	21,375
Operating lease commitments			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	244	397	303
Later than one year but not later than five years	191	658	293
Later than five years	-	-	-
	435	1,055	596

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

14. Related Party Transactions

At 30 June 2013, Retirement Villages New Zealand Limited owned 38.31% (December 2012: 50.07%) of Metlifecare Limited. On 24 November 2013 Retirement Villages New Zealand Limited sold all of its shares in Metlifecare Limited, leaving it with no stake in Metlifecare Limited.

The names of persons who were directors of the Company at any time during the six months to 31 December 2013 are as follows: P. R. Brown, C. G. Aiken, G. E. Grady (resigned 28 November 2013), J. J. Loughlin (resigned 24 October 2013), A. B. Ryan, Dr N. B. Whitehead, W. A. Edwards (resigned 13 December 2013), K. M. Baker (appointed 13 December 2013), W. O. C. Smales (appointed 13 December 2013), C. M. Steele (appointed 13 December 2013) and D. A. Hunt (as an alternate for G. E. Grady, resigned 28 November 2013).

15. Subsequent Events

On 27 February 2014, the directors approved a dividend of 1.25 cents per share amounting to $2.63m. The dividend record date is 3 April 2014 with payment on 17 April 2014.

There are no further subsequent events that have had a material impact on the interim financial statements between 31 December 2013 and the date of signing.

Independent Accountant's Report

to the shareholders of Metlifecare Limited

Report on the Interim Financial Statements

We have reviewed the interim financial statements of Metlifecare Limited and its controlled entities ("the Group") on pages 3 to 19 which comprise the balance sheet at 31 December 2013 and the related statement of comprehensive income, cash flow statement, and statement of movements in equity for the period then ended, and the notes to the interim financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

The Directors are responsible for the preparation and presentation of the interim financial statements that present fairly the financial position of the Group as at 31 December 2013, and its financial performance and cash flows for the period ended on that date.

Accountant's Responsibility

We are responsible for reviewing the interim financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the interim financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the interim financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the interim financial statements of the Group for the period ended 31 December 2013 in accordance with the Review Engagement Standards issued in New Zealand.

We have no relationship with, or interests in, Metlifecare Limited or any of its subsidiaries other than in our capacities as accountant conducting this review and providers of tax, advisory and assurance (including audit) services. These services have not impaired our independence as accountant of the Group.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not present fairly the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the period ended on that date.

Restriction on Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountant's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our review procedures, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
27 February 2014

Auckland