Metlifecare Limited

Interim Report

for the half year ended 31 December 2007

Metlifecare Limited
Interim Report
For the half year ended 31 December 2007

Directors' Report

The Directors have pleasure in presenting the Interim Financial Statements of Metlifecare Limited, for the half year ended 31 December 2007.

The Interim Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on 28 February 2008.

Director

Director

Metlifecare Limited
Consolidated Income Statement
For the half year ended 31 December 2007

	Notes	**Half year ended 31 December 2007 Unaudited**	Half year ended 31 December 2006 Unaudited
		$000	$000
Revenue			
Operating revenue		**28,294**	23,465
Change in fair value of investment properties		**(10,719)**	117,182
Finance income		**96**	50
Total income		**17,671**	140,697
Expenses	6		
Employee costs		**(12,485)**	(10,861)
Depreciation		**(796)**	(717)
Finance costs		**(3,913)**	(1,692)
Other expenses		**(12,824)**	(11,323)
Total expenses		**(30,018)**	(24,593)
Profit/(Loss) before income tax		**(12,347)**	116,104
Income tax expense		**-**	-
Profit/(Loss) for the period		**(12,347)**	116,104
Attributable to:			
Shareholders of the parent company		**(11,414)**	116,701
Minority interest		**(933)**	(597)
Earnings per share for profit attributable to the equity holders of the Company during the year			
- Basic (cents)		**(13.05)**	133.60
- Diluted (cents)		**(13.05)**	133.45

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

Metlifecare Limited
Consolidated Balance Sheet
As at 31 December 2007

	Notes	**As at 31 December 2007 Unaudited $000**	As at 31 December 2006 Unaudited $000	As at 30 June 2007 Unaudited $000
ASSETS				
Cash and cash equivalents		**-**	450	49
Trade and other receivables		**123,750**	99,649	111,638
Derivative financial instruments		**1,238**	784	1,222
Property, plant and equipment		**80,965**	71,304	68,531
Intangible assets	9	**5,627**	241	290
Investment properties	10	**1,232,383**	1,159,718	1,178,702
Total assets		**1,443,963**	1,332,146	1,360,432
LIABILITIES				
Bank overdraft		**400**	-	-
Trade and other payables		**12,844**	13,216	11,831
Bank loans		**142,000**	84,400	80,300
Other loans		**4,325**	4,325	4,325
Finance leases		**79**	104	92
Deferred membership fees		**32,222**	24,219	27,746
Refundable occupation rights agreements		**646,072**	560,242	606,776
Total liabilities		**837,942**	686,506	731,070
Net assets		**606,021**	645,640	629,362
EQUITY				
Contributed equity		**44,596**	44,470	44,596
Retained profits		**553,430**	591,123	575,338
Minority interest		**7,995**	10,047	9,428
Total equity		**606,021**	645,640	629,362

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

Metlifecare Limited
Consolidated Statement of Movements in Equity
For the half year ended 31 December 2007

	Contributed Equity Unaudited $000	Retained Earnings Unaudited $000	Minority Interest Unaudited $000	Total Equity Unaudited $000
Balance at 1 July 2006	**44,470**	**482,283**	**11,444**	**538,197**
Profit/(Loss) for the period	-	116,701	(597)	**116,104**
Total recognised income and expenses for the period	-	116,701	(597)	**116,104**
Dividends paid	-	(7,861)	(800)	**(8,661)**
Balance at 31 December 2006	**44,470**	**591,123**	**10,047**	**645,640**
Profit/(Loss) for the period	-	(7,050)	(619)	**(7,669)**
Total recognised income and expenses for the period	-	(7,050)	(619)	**(7,669)**
Dividends paid	-	(8,735)	-	**(8,735)**
Issue of shares	126	-	-	**126**
Balance at 30 June 2007	**44,596**	**575,338**	**9,428**	**629,362**
Profit/(Loss) for the period	-	(11,414)	(933)	**(12,347)**
Total recognised income and expenses for the period	-	(11,414)	(933)	**(12,347)**
Dividends paid	-	(10,494)	(500)	**(10,994)**
Balance at 31 December 2007	**44,596**	**553,430**	**7,995**	**606,021**

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

Metlifecare Limited
Consolidated Cash Flow Statement
For the half year ended 31 December 2007

	Notes	Half year ended 31 December 2007 Unaudited $000	Half year ended 31 December 2006 Unaudited $000
Cash flows from operating activities			
Receipts from customers		**68,653**	72,200
Payments to customers		**(27,107)**	(25,151)
Payments to suppliers and employees		**(25,131)**	(21,500)
Interest received		**46**	12
Interest paid		**(3,563)**	(2,157)
Net cash inflow from operating activities	7	**12,898**	23,404
Cash flows from investing activities			
Payments for property, plant and equipment		**(3,883)**	(1,323)
Payments for investment properties		**(14,256)**	(23,071)
Payments for acquired village assets	8	**(44,321)**	-
Capitalised interest paid		**(1,593)**	(1,625)
Net cash outflow from investing activities		**(64,053)**	(26,019)
Cash flows from financing activities			
Proceeds from borrowings		**61,700**	10,150
Dividends paid		**(10,994)**	(8,661)
Net cash inflow from financing activities		**50,706**	1,489
Net increase (decrease) in cash and cash equivalents		**(449)**	(1,126)
Cash and cash equivalents at the beginning of the financial year		**49**	1,576
Cash and cash equivalents at end of year		**(400)**	450

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

1 Summary of significant accounting policies

These interim financial statements have been prepared in accordance with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS).

(a) Basis of preparation

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

Entities reporting
Metlifecare Limited is referred to in these financial statements as the 'Company'.

Metlifecare Limited and its subsidiaries together are referred to as the 'Group'. The Group is designated as a profit-oriented entity for financial reporting purposes.

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

The consolidated interim financial statements of the Group have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). These are the Group's first interim financial statements prepared in accordance with *NZ IAS 34* and *IAS 34 Interim Financial Reporting.*

First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards was applied in preparing the 31 December 2007 interim financial statements.

Financial statements of Metlifecare Limited until 30 June 2007 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing Metlifecare Limited 31 December 2007 interim financial statements, management has amended certain accounting, valuation and consolidation methods applied in the NZ FRS financial statements to comply with NZ IFRS. The comparative figures in respect of 2006 were restated to reflect these adjustments. Further details are given in Note 13.

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.

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

Critical accounting estimates and judgements
The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of the Group is New Zealand Dollars.

(b) Segment reporting

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

(c) Revenue recognition

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

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

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

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

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

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

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method.

(d) Income tax

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

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

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

(e) Goods and Services Tax (GST)

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

(f) Leases

Finance leases
Assets under finance leases are recognised as assets in the balance sheet. 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.

(g) Impairment of non-financial assets

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

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

The collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and estimated future cash flows. The amount of the provision is recognised in the income statement.

(j) Occupation rights agreement receivables

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

(k) Other financial assets: loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(l) Fair value estimation

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

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

(m) Property, plant and equipment

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

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

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

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

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

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

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

(n) Intangible Assets

Goodwill

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

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

Computer Software

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

(o) Investment properties

Investment properties include freehold land and buildings, comprising of: independent units, serviced apartments and common facilities, provided for use by residents under the terms of the occupation rights agreement. Investment properties are held for long-term yields, and are not occupied by the Group. Investment properties are carried at fair value as determined by an external valuer. Changes in fair values are recorded in the income statement.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Borrowings

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

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

(r) Refundable occupation rights agreements

Occupation rights agreements 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 rights agreement repurchase arrangements, which are firm monetary obligations, are shown in the balance sheet as liabilities.

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

(s) Employee benefits

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

(t) Contributed Equity

Ordinary shares are classified as equity.

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

(u) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(v) Earnings per share

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

(w) Dividends

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

(x) New international financial reporting standards

The Group has elected to early adopt NZ IFRS 8 Operating Segments. NZ IFRS 8 requires qualitative and quantitative disclosures regarding the Group's operating segments and replaces NZ IAS 14 Segment Reporting. Mandatory adoption of NZ IFRS 8 is required for periods commencing on or after 1 January 2009.

2 Transition to IFRS

Application of NZ IFRS 1

The Group's interim financial statements for the six months ended 31 December 2007 are the first financial statements that are prepared under NZ IFRS. These financial statements have been prepared as described in Note 1(a). The Group has applied NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* in preparing these consolidated interim financial statements.

Metlifecare Limited's transition date is 1 July 2006. The Group prepared its opening NZ IFRS balance sheet at that date. The reporting date of these half year financial statements is 31 December 2007. The Group's NZ IFRS adoption date is 1 July 2007.

In preparing these consolidated financial statements in accordance with NZ IFRS 1, the Group has applied all the applicable mandatory exceptions, being the retrospective restatement of estimates. The Group has applied certain of the optional exemptions from full retrospective application of NZ IFRS. The applicable exemptions taken are business combinations, where the Group has not restated business combinations that took place prior to 1 July 2006, the transition date.

3 Financial risk management

The Group's activities expose it to a variety of financial risks.

(a) Credit risk

The Group has no significant concentrations of credit risk. The Group policy is to require a deposit from new residents before they are granted the right to occupy a unit. Therefore, the Group does not face significant credit risk.

(b) Liquidity risk

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

(c) Cash flow and fair value interest rate risk

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

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

4 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

Fair value of investment properties
The fair value of investment properties has been determined by an independent qualified valuer using assumptions relating to future cash-flows arising from the investment properties and assumptions relating to future growth rates of retirement village occupation rights agreement amounts, the average duration of residency of occupants and appropriate discount rates. Refer to note 10 for key assumptions made. The fair value of investment properties is subjective and changes to the assumptions have a significant impact on profit and the fair value.

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

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

Revenue recognition
Membership fees are recognised as revenue on a straight-line basis. This requires management to estimate the period of occupancy for units and serviced apartments. Management estimates are based on past experience of occupancy periods and are detailed in Note 1 (c).

5 Segment information

The Group operates in one business segment, which is the operation of retirement villages. The Group also operates in one geographical segment. All operations are carried out in New Zealand.

6 Expenses

		Half year ended 31 December 2007 Unaudited $000	Half year ended 31 December 2006 Unaudited $000
Profit before income tax includes the following specific expenses:			
Depreciation			
Plant, furniture and equipment		**509**	476
Motor vehicles		**45**	4
Freehold buildings		**242**	237
Total depreciation		**796**	717
Amortisation of intangible assets		**91**	65
(Gain)/Loss on disposal of property, plant and equipment		**5**	(3)
Rental and operating lease expenses		**198**	179
Changes in fair value of derivatives		**(16)**	(290)
Repairs and maintenance		**4,289**	3,215
Directors fees	- Parent	**63**	94
	- 50% subsidiary	**13**	19
Fees paid to Auditors	- Audit	**76**	81
	- Other services	**14**	18

7 Cash generated from operations

	Half year ended 31 December 2007 Unaudited $000	Half year ended 31 December 2006 Unaudited $000
Net surplus/(loss) after tax	**(12,347)**	116,104
Adjustments for:		
Change in fair value of investment property	**10,719**	(117,182)
Change in fair value of derivative financial instruments	**(16)**	(290)
Depreciation	**796**	717
Amortisation	**91**	65
(Gain)/Loss of disposal of property, plant and equipment	**5**	(3)
Changes in working capital:		
Debtors and prepayments	**(9,915)**	(13,317)
Creditors and accruals	**914**	497
Deferred membership fees	**3,227**	2,624
Refundable occupation rights agreements	**19,429**	33,396
Working capital relating to Investing or Financing activities	**(5)**	793
Net cash flow from operating activities	**12,898**	23,404

8 Business combinations

On 3 September 2007, the group acquired the assets of Merivale Retirement Village and Care Facility located in the suburb of Merivale in Christchurch. The acquired business contributed revenues of $1.7m for the four months to 31 December 2007. Since the fair value of the investment properties and other assets and liabilities acquired are provisional it is impracticable to disclose the acquiree's profit or loss since the acquisition date.

The business combination accounting is provisional and will be completed once the fair value of the assets and liabilities are finalised.

Details of net assets acquired and goodwill are as follows:

Purchase Consideration	$000
Cash paid	43,659
Direct costs relating to the acquisition	662
Total Consideration	**44,321**
Fair value of assets acquired	38,908
Goodwill	**5,413**

The goodwill is attributable to the fair value of the Care Facilities and potential for future development.

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

	Acquiree's Carrying Amount	Fair Value
	$000	$000
Trade and other receivables	7	7
Membership fee receivables	939	939
Property, plant and equipment	6,922	10,005
Investment properties	24,259	47,923
Trade and other payables	(99)	(99)
Refundable occupation rights agreements	(19,867)	(19,867)
Net assets acquired	**12,161**	**38,908**

9 Intangible assets

	Half year ended 31 December 2007 Unaudited	Half year ended 31 December 2006 Unaudited	Year ended 30 June 2007 Unaudited
	$000	$000	$000
Goodwill			
Opening balance	**-**	-	-
Additions (Note 8)	**5,413**	-	-
Amortisation charge	**-**	-	-
Closing balance	**5,413**	-	-
Computer Software			
Opening balance	**290**	273	273
Additions	**15**	33	227
Amortisation charge	**(91)**	(65)	(210)
Closing balance	**214**	241	290
Total intangible assets	**5,627**	241	290

10 Investment properties

	Half year ended 31 December 2007 Unaudited $000	Half year ended 31 December 2006 Unaudited $000	Year ended 30 June 2007 Unaudited $000
Fair Value			
Opening balance	**1,178,702**	1,016,009	1,016,009
Capitalised subsequent expenditure	**64,400**	26,527	52,808
Change in fair value during the period	**(10,719)**	117,182	109,885
Closing balance	**1,232,383**	1,159,718	1,178,702

Investment properties were valued at 31 December 2007 by Colliers International Consultancy and Valuation Pty Limited (Colliers), independent registered valuers and associates of the New Zealand Institute of Valuers, at a total of $642.1m (2006: $643.9m). Colliers is appropriately qualified and experienced in valuing retirement village properties in New Zealand. The fair values are based on a discounted cash flow model applied to the expected future cash flows generated by the investment properties. The valuation calculates the expected cash flows for a 40 year period.

The valuation of investment properties by Colliers is grossed up for cash flows relating to refundable occupation rights agreements recognised separately on the balance sheet. Reconciliation between the Colliers valuation amount and the amount recognised on the balance sheet as investment properties is as follows:

	As at 31 December 2007 Unaudited $000	As at 31 December 2006 Unaudited $000	As at 30 June 2007 Unaudited $000
Independent valuation of investment properties	**642,108**	643,885	620,942
Plus: Refundable occupation rights agreement amounts	**613,031**	537,667	572,767
Residents' share of capital gains	**33,041**	22,575	34,009
Deferred membership fee	**32,222**	24,219	27,746
Less: Membership fee receivables	**(88,019)**	(68,628)	(76,762)
	1,232,383	1,159,718	1,178,702

Memoranda of encumbrance in favour of the scheme supervisors of the village owning subsidiary companies are recognised as a first charge over the freehold land of those companies to protect the interests of the residents in the event of failure by the subsidiary companies as managers of the village schemes to observe obligations under the deeds of participation, occupation rights agreements 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 rights agreements.

11 Contingencies

Contingent liabilities

There are no contingent liabilities as at 31 December 2007 (2006: nil).

12 Commitments

	As at 31 December 2007 Unaudited $000	As at 31 December 2006 Unaudited $000	As at 30 June 2007 Unaudited $000
Capital commitments			
Estimated capital commitments contracted for at balance date but not provided for	**49,186**	19,228	9,113
Operating lease commitments			
Non-cancellable			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows			
Within one year	**262**	255	255
Later than one year but not later than five years	**299**	543	404
Later than five years	**-**	-	-
	561	798	659

13 Explanation of transition to New Zealand equivalents to IFRS

(a) Reconciliation of profit for the 6 months ended 31 December 2006

	Note	NZ FRS $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Revenue				
Operating revenue	**13 (f) (i)(ii)(iii)**	84,517	(61,052)	23,465
Change in fair value of investment properties	**13 (f) (iv)**	-	117,182	117,182
Finance income	**13 (f) (iii)**	-	50	50
Total income		**84,517**	**56,180**	**140,697**
Expenses				
Employee costs		(10,861)	-	(10,861)
Depreciation	**13 (f) (ix)**	(782)	65	(717)
Finance costs	**13 (f) (v)**	(1,982)	290	(1,692)
Other expenses	**13 (f) (vi) (ix)**	(55,789)	44,466	(11,323)
Total expenses		**(69,414)**	**44,821**	**(24,593)**
Profit before income tax		**15,103**	**101,001**	**116,104**
Income tax expense		-	-	-
Profit for the period		**15,103**	**101,001**	**116,104**
Attributable to:				
- Shareholders of the parent company		14,567	102,134	116,701
- Minority interest	**13 (f) (vii)**	536	(1,133)	(597)

(b) Reconciliation of profit for the 12 months ended 30 June 2007

	Note	NZ FRS $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Revenue				
Operating revenue	**13 (f) (i)(ii)(iii)**	171,418	(123,581)	47,837
Change in fair value of investment properties	**13 (f) (iv)**	-	109,885	109,885
Finance income	**13 (f) (iii)**	-	92	92
Total income		**171,418**	**(13,604)**	**157,814**
Expenses				
Employee costs		(22,037)	-	(22,037)
Depreciation	**13 (f) (ix)**	(1,613)	210	(1,403)
Finance costs	**13 (f) (v)**	(4,477)	728	(3,749)
Other expenses	**13 (f) (vi) (ix)**	(111,815)	89,625	(22,190)
Total expenses		**(139,942)**	**90,563**	**(49,379)**
Profit before income tax		**31,476**	**76,959**	**108,435**
Income tax expense		-	-	-
Profit for the period		**31,476**	**76,959**	**108,435**
Attributable to:				
- Shareholders of the parent company		30,690	78,961	109,651
- Minority interest	**13 (f) (vii)**	786	(2,002)	(1,216)

(c) Reconciliation of equity at 1 July 2006 – Opening position

	Note	NZ FRS $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
ASSETS				
Cash and cash equivalents		1,576	-	1,576
Trade and other receivables		86,688	-	86,688
Inventories	13 (f) (viii)	39,399	(39,399)	-
Derivative financial instruments	13 (f) (v)	-	494	494
Property, plant and equipment	13 (f) (viii) (ix)	33,461	42,972	76,433
Intangible assets	13 (f) (ix)	-	273	273
Investment properties	13 (f) (iv) (viii)	195,540	820,469	1,016,009
Total assets		**356,664**	**824,809**	**1,181,473**
LIABILITIES				
Trade and other payables		12,718	-	12,718
Bank loans		74,250	-	74,250
Other loans		4,325	-	4,325
Finance leases		116	-	116
Deferred membership fees	13 (f) (ii)	-	21,595	21,595
Refundable occupation rights agreements	13 (f) (iv)	11,893	518,379	530,272
Total liabilities		**103,302**	**539,974**	**643,276**
Net assets		**253,362**	**284,835**	**538,197**
EQUITY				
Contributed equity		44,470	-	44,470
Reserves	13 (f) (x)	112,590	(112,590)	-
Retained profits	13 (f) (xi)	90,590	391,693	482,283
Minority interest	13 (f) (vii)	5,712	5,732	11,444
Total equity		**253,362**	**284,835**	**538,197**

(d) Reconciliation of equity at 31 December 2006

	Note	Previous NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
ASSETS				
Cash and cash equivalents		450	-	450
Trade and other receivables		99,649	-	99,649
Inventories	13 (f) (viii)	34,716	(34,716)	-
Derivative financial instruments	13 (f) (v)	-	784	784
Property, plant and equipment	13 (f) (viii) (ix)	34,229	37,075	71,304
Intangible assets	13 (f) (ix)	-	241	241
Investment properties	13 (f) (iv) (viii)	193,035	966,683	1,159,718
Total assets		**362,079**	**970,067**	**1,332,146**
LIABILITIES				
Trade and other payables		13,216	-	13,216
Bank loans		84,400	-	84,400
Other loans		4,325	-	4,325
Finance leases		104	-	104
Deferred membership fees	13 (f) (ii)	-	24,219	24,219
Refundable occupation rights agreements	13 (f) (iv)	10,696	549,546	560,242
Total liabilities		**112,741**	**573,765**	**686,506**
Net assets		**249,338**	**396,302**	**645,640**
EQUITY				
Contributed equity		44,470	-	44,470
Reserves	13 (f) (x)	102,523	(102,523)	-
Retained profits	13 (f) (xi)	97,296	493,827	591,123
Minority interest	13 (f) (vii)	5,049	4,998	10,047
Total equity		**249,338**	**396,302**	**645,640**

(e) Reconciliation of equity at 30 June 2007

	Note	Previous NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
ASSETS				
Cash and cash equivalents		49	-	49
Trade and other receivables		111,638	-	111,638
Inventories	**13 (f) (viii)**	27,597	(27,597)	-
Derivative financial instruments	**13 (f) (v)**	-	1,222	1,222
Property, plant and equipment	**13 (f) (viii) (ix)**	34,649	33,882	68,531
Intangible assets	**13 (f) (ix)**	-	290	290
Investment properties	**13 (f) (iv) (viii)**	226,419	952,283	1,178,702
Total assets		**400,352**	**960,080**	**1,360,432**
LIABILITIES				
Trade and other payables		11,831	-	11,831
Bank loans		80,300	-	80,300
Other loans		4,325	-	4,325
Finance leases		92	-	92
Deferred membership fees	**13 (f) (ii)**	-	27,746	27,746
Refundable occupation rights agreements	**13 (f) (iv)**	17,182	589,594	606,776
Total liabilities		**113,730**	**617,340**	**731,070**
Net assets		**286,622**	**342,740**	**629,362**
EQUITY				
Contributed equity		44,596	-	44,596
Reserves	**13 (f) (x)**	132,364	(132,364)	-
Retained profits	**13 (f) (xi)**	104,684	470,654	575,338
Minority interest	**13 (f) (vii)**	4,978	4,450	9,428
Total equity		**286,622**	**342,740**	**629,362**

(f) NZ IFRS adjustments

(i) **Revenue** – 'sales' and 're-sales revenue' recognised under NZ FRS no longer meet the definition of revenue under NZ IFRS.

(ii) **Membership fee** – Membership fee revenue is recognised over the average period of occupancy of the resident, the legal entitlement to the revenue being the previous recognition basis under NZ FRS.

(iii) **Finance Income** – Interest revenue was not disclosed separately under NZ FRS, now it is separately disclosed under NZ IFRS.

(iv) **Investment properties** – Under NZ IFRS investment properties are measured using discounted cash flow techniques. Investment properties are shown gross of the refundable occupation rights agreements with the amount owing to residents being recorded as a separate liability, previously under NZ FRS investment properties were shown net of refundable occupation rights agreements. Changes in the fair values of investment properties are recorded in the Income Statement. Under NZ FRS, these were recorded in reserves.

(v) **Derivative financial instruments** – NZ IFRS requires recognition of the fair value of derivatives on the balance sheet. Changes in the fair value of derivatives are recognised in the Income Statement. Previously NZ FRS recognised the impact of derivative contracts at the time of settlement.

(vi) **Cost of sales / resales** – Costs associated with 'sales' and 're-sales revenue' no longer meet the definition of an expense under NZ IFRS. Cost of sales are capitalised into investment property and cost of re-sales are repayments of occupation rights agreement amounts.

(vii) **Minority Interest** – The impact of the transition to NZ IFRS has been reflected in the minority interest's share of the group.

(viii) **Inventories** – items previously recognised as inventories under NZ FRS no longer meet the definition of inventories under NZ IFRS and have been reclassified as investment properties and property, plant and equipment.

(ix) **Intangibles** – Software assets which are not an integral part of the computer hardware have been separated out and reclassified as an intangible asset along with the associated depreciation reclassified to amortisation.

(x) **Reserves** – Investment property revaluation reserves and property, plant and equipment revaluation reserves were disclosed as separate equity components under NZ FRS. These reserves are included in retained profits under NZ IFRS.

(xi) **The cumulative effect on retained profits of the above changes is as follows:**

	Half year ended 31 December 2006 Unaudited $000	Year ended 30 June 2007 Unaudited $000
Retained profits under NZ FRS	97,296	104,684
Revaluation reserves transferred	102,523	132,364
Deferred membership fee	(24,219)	(27,746)
Derivative financial instruments	784	1,222
Investment properties valuation	419,737	369,264
Minority Interest	(4,998)	(4,450)
Adjustment to retained profits	493,827	470,654
Retained profits under NZ IFRS	**591,123**	**575,338**

14 Subsequent event

The Directors have declared an interim dividend of 11.0 cents per share, without imputations credits (compared to 10.0 cents per share without imputation credits for the half year ended 31 December 2006).