Financial Statements
For the half year ended 31 December 2012

Directors' Report

The Directors have pleasure in presenting the Interim Financial Statements of Metlifecare Limited, for the half year ended 31 December 2012.

The Interim Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on 21 February 2013.

Chairman	Director
21 February 2013	21 February 2013

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2012

	NOTE	**Half year ended 31 December 2012 Unaudited $000**	Half year ended 31 December 2011 Unaudited $000
Income			
Operating revenue		**43,749**	30,948
Finance income		**795**	134
Total income		**44,544**	31,082
Change in fair value of investment properties	8	**28,311**	11,435
Gain on the acquisitions of Vision Senior Living Limited (VSL) and Private Life Care Holdings Limited (PLC)	10	**63,620**	-
Expenses			
Employee costs		**(18,213)**	(14,313)
Property costs	4	**(10,560)**	(8,618)
Depreciation	4	**(822)**	(605)
Amortisation	4	**(118)**	(149)
Finance costs	4	**(5,249)**	(4,506)
Other expenses	4	**(15,421)**	(6,921)
Total expenses		**(50,383)**	(35,112)
Profit before income tax		**86,092**	7,405
Income tax credit	6	**1,011**	-
Profit for the period		**87,103**	7,405
Other comprehensive income		**-**	-
Total comprehensive income		**87,103**	7,405
Attributable to:			
Shareholders of the parent company		**87,362**	7,405
Non-controlling interests		**(259)**	-
Total comprehensive income		**87,103**	7,405
Profit per share for profit attributable to the equity holders of the Company during the period			
- Basic (cents)		**48.86**	5.79
- Diluted (cents)		**48.51**	5.79

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

Consolidated Statement of Movements in Equity

For the half year ended 31 December 2012

	NOTE	Attributable to equity holders of the company: Contributed Equity Unaudited $000	Retained Earnings Unaudited $000	Revaluation Reserve Unaudited $000	Non-controlling interests $000	Total Equity Unaudited $000
Balance at 1 July 2011		**81,958**	**444,208**	**-**	**-**	**526,166**
Comprehensive income						
Profit for the period		-	7,405	-	-	7,405
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	7,405	-	-	7,405
Proceeds from shares issued	15	44,759	-	-	-	44,759
Balance at 31 December 2011		**126,717**	**451,613**	**-**	**-**	**578,330**
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	15	**91,388**	**-**	**-**	**-**	**91,388**
Non-controlling interest arising on business combination	10	**-**	**-**	**-**	**629**	**629**
Acquisition of non-controlling interest	10,15	**370**	**-**	**-**	**(370)**	**-**
Balance at 31 December 2012		**218,475**	**391,390**	**8,140**	**-**	**618,005**

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

Consolidated Balance Sheet

As at 31 December 2012

	NOTE	**As at 31 December 2012 Unaudited $000**	As at 31 December 2011 Unaudited $000	As at 30 June 2012 Audited $000
ASSETS				
Cash and cash equivalents		**2,315**	1,632	9,221
Trade receivables and other assets		**16,013**	13,489	15,058
Amount due from jointly controlled entity		**51**	66	52
Property, plant and equipment	7	**28,400**	20,457	33,056
Intangible assets		**349**	415	358
Investment properties	8	**1,816,114**	1,271,769	1,168,780
Total assets		**1,863,242**	1,307,828	1,226,525
LIABILITIES				
Trade and other payables		**14,404**	13,111	15,035
Derivative financial instruments		**492**	1,762	1,160
Bank loans	9	**148,987**	75,612	68,675
Finance leases	9	**96**	213	106
Deferred membership fees		**70,915**	40,796	42,586
Refundable occupation right agreements		**950,783**	598,004	618,814
Deferred tax liabilities	6	**59,560**	-	41,264
Total liabilities		**1,245,237**	729,498	787,640
Net assets		**618,005**	578,330	438,885
EQUITY				
Contributed equity	15	**218,475**	126,717	126,717
Revaluation reserve		**8,140**	-	9,611
Retained earnings		**391,390**	451,613	302,557
Total equity		**618,005**	578,330	438,885
Net tangible assets per share ($) basic		**3.36**	4.01	3.04

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

Consolidated Cash Flow Statement

For the half year ended 31 December 2012

	NOTE	**Half year ended 31 December 2012 Unaudited $000**	Half year ended 31 December 2011 Unaudited $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from residents for village fees, care fees and other income		**38,151**	28,138
Receipts from residents for refundable occupation right agreements		**93,547**	54,294
Payments to suppliers and employees		**(42,347)**	(29,090)
Payments to residents for refundable occupation right agreements		**(59,400)**	(40,684)
Net GST paid		**(868)**	(673)
Interest received		**84**	50
Interest paid		**(5,734)**	(4,760)
Acquisition and integration costs		**(3,959)**	-
Net cash inflow from operating activities	5	**19,474**	7,275
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of business		**28,156**	-
Payments for property, plant and equipment		**(139)**	(300)
Payments for intangibles		**(117)**	(172)
Net repayments from advances to jointly controlled entity		**1**	20
Payments for investment properties		**(23,259)**	(1,525)
Disposal of investment properties		**9,400**	-
Capitalised interest paid		**(311)**	(253)
Cash acquired on acquisitions of VSL and PLC		**7,694**	-
Net cash inflow/(outflow) from investing activities		**21,425**	(2,230)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		**-**	44,759
Net repayments from borrowings		**(47,805)**	(48,688)
Net cash outflow from financing activities		**(47,805)**	(3,929)
Net (decrease)/increase in cash and cash equivalents		**(6,906)**	1,116
Cash and cash equivalents at the beginning of the financial period		**9,221**	516
Cash and cash equivalents at end of period		**2,315**	1,632

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

Notes to the Interim Financial Statements

For the half year ended 31 December 2012

1. GENERAL INFORMATION

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

These financial statements have been approved for issue by the Board of Directors on 21 February 2013.

The Company's acquisitions of PLC and VSL was completed on 23 July 2012. The financial statements presented here are for:

- 31 December 2012 : Metlifecare Limited and subsidiaries incorporating the results of PLC and VSL from the date of acquisitions, 23 July 2012 through to the reporting date. Further details on the acquisitions is disclosed in Note 10 to the financial statements

- 31 December 2011 and 30 June 2012 (as applicable) : Metlifecare Limited and subsidiaries excluding the impact of the acquisitions of PLC and VSL which was completed on 23 July 2012.

The Group’s owners do not have the power to amend these financial statements once issued. In approving these financial statements for issue the Directors have considered and concluded that the Group will continue to meet all funding requirements.

The Directors, in so concluding, considered the following:

- the Group’s forecast to 31 March 2014
- recent past performance, in light of the underlying economic environment
- consensus opinion on the expected economic environment for the forecast period
- forecast covenant compliance
- available undrawn limits under the Core and Development Facilities.

In the absence of an unanticipated deterioration in the Group’s operating performance, the Directors consider the business can meet its obligations under the funding facilities, including compliance with financial covenants and sufficient levels of liquidity. The forecast by its very nature is uncertain and based on best estimate assumptions of events and transactions that may or may not occur as expected.

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 (continued)

For the half year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entities reporting

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

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

Statutory base

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

These consolidated interim financial statements for the half year reporting period ended 31 December 2012 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

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

The 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 2012.

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 2012, 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 2012 are unaudited. The interim financial statements are presented in New Zealand Dollars ($), which is the Company'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 financial report:

• NZ IAS 1 Presentation of financial statements (revised) is effective for annual periods beginning on or after 1 July 2012. The Amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the statement of financial position or the statement of comprehensive income in the current period.

• The amendment Deferred tax: Recovery of Underlying Assets (Amendments to NZ IAS 12) is effective for annual reporting periods beginning on or after 1 January 2012. The revised standard introduces an assumption that an investment property is recovered entirely through sale. The presumption can be rebutted if the investment property is held within a business model whose objective is to realise substantially all of the economic benefits embodied in the investment property over time rather than through sale. The directors of the Company do rebut the presumption of recovery through sale as it is expected that the company will recover the value of the investment property over that property's life.

All other accounting policies have been applied on a basis consistent with the prior annual financial statements.

Restated Balances

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") 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 Group derives care fee revenue in respect of eligible Government subsidised aged care residents who receive Resthome 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 $7.7m (2011: $8.2m).

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

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

4. EXPENSES

	Half year ended 31 December 2012 Unaudited $000	Half year ended 31 December 2011 Unaudited $000
Profit before income tax includes the following specific expenses:		
Property Costs		
- Utilities and other property costs	**5,498**	3,716
- Repairs and maintenance on investment properties	**4,745**	4,677
- Repairs and maintenance on plant, furniture and equipment	**317**	225
Total property costs	**10,560**	8,618
Depreciation		
- Plant, furniture and equipment	**427**	389
- Motor vehicles	**32**	36
- Freehold buildings	**363**	180
Total depreciation	**822**	605
Amortisation of software	**118**	149
Finance Costs		
- Interest expense	**4,330**	3,275
- Facility costs	**1,162**	1,484
- Less: Interest expense capitalised	**(243)**	(253)
Total finance costs	**5,249**	**4,506**
Other Expenses		
- Resident costs	**2,739**	2,306
- Marketing and promotion	**1,896**	1,547
- Other employment costs	**820**	586
- Communication costs	**918**	727
- Rental and operating lease expenses	**215**	107
- Loss on disposal of property, plant and equipment	**20**	48
- Donations	**3**	3
- Residents' share of capital gain	**1,259**	39
- Loss on business disposal (note 11)	**1,559**	-
- Costs associated with the acquisitions of VSL and PLC	**3,206**	-
- Integration costs	**383**	-
- Other (no items of individual significance)	**2,173**	1,420
Fees paid to PricewaterhouseCoopers New Zealand		
- Audit	**30**	35
- Taxation	**13**	11
- Other non-assurance services	**-**	-
- Other assurance services	**8**	7
Total fees paid to PricewaterhouseCoopers New Zealand	**51**	**53**
Director's fees		
- Parent	**162**	79
- Jointly controlled entity	**17**	6
Total other expenses	**15,421**	6,921

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

5. RECONCILIATION OF PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

	Half year ended 31 December 2012 Unaudited $000	Half year ended 31 December 2011 Unaudited $000
Profit for the period	**87,103**	7,405
Adjustments for:		
Change in fair value of investment properties	**(28,311)**	(11,435)
Change in fair value of residents' share of capital gains	**1,259**	(39)
Change in fair value of derivative financial instruments	**(668)**	(50)
Gain on the acquisition	**(63,620)**	-
Costs associated with the acquisitions of VSL and PLC	**(370)**	-
Depreciation	**822**	605
Amortisation	**118**	149
Deferred taxation	**(1,011)**	-
Loss on disposal of business	**1,559**	-
Loss on disposal of property, plant and equipment	**20**	48
Changes in working capital relating to operating activities:		
Trade receivables and other assets	**(664)**	536
Trade and other payables	**(5,228)**	(18)
Deferred membership fees	**454**	1,720
Refundable occupation right agreements	**28,011**	8,354
Net cash inflow from operating activities	**19,474**	7,275

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

6. INCOME TAX EXPENSE

	Half year ended 31 December 2012 Unaudited	Half year ended 31 December 2011 Unaudited	Year ended 30 June 2012 Audited
	$000	$000	$000
(a) Income tax expense / (credit)			
Current tax	**-**	-	-
Deferred tax	**(1,011)**	-	37,968
	(1,011)	-	37,968

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Half year ended 31 December 2012 Unaudited $000	Half year ended 31 December 2011 Unaudited $000	Year ended 30 June 2012 Audited $000
Profit/(loss) before income tax expense	**86,092**	7,405	(103,683)
Tax at the New Zealand tax rate of 28%	**24,106**	2,074	(29,032)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Temporary differences not previously brought to account	**128**	909	(4,275)
Non taxable impact of investment property revaluation	**(3,648)**	(3,272)	27,069
Reversal of deferred tax on disposal business	**(3,206)**	-	-
Non taxable bargain gain on acquisition (net of costs)	**(18,216)**	-	-
Other	**(98)**	-	(106)
Tax impact of change in depreciable tax base	**-**	-	19,997
Repurchase obligation deductible	**-**	(341)	-
Tax losses generated during the year	**-**	630	-
Write off of previously recognised tax losses	**-**	-	22,684
Recognition of previously unrecognised tax losses	**(77)**	-	-
Tax losses not recognised	**-**	-	1,673
Prior period adjustment	**-**	-	(42)
Income tax expense/(credit)	**(1,011)**	-	37,968

The weighted average applicable tax rate was 28%

(c) Recognised deferred tax liability

	Provisions and Deferred Membership Fees	Unused Tax Losses	Investment Properties and Care Facilities	Total
	$000	$000	$000	$000
As at 30 June 2011	-	-	-	-
Credit/(charged) to income statement	-	-	-	-
As at 31 December 2011	-	-	-	-
Credit/(charged) to income statement	12,352	-	(50,320)	(37,968)
Credit/(charged) to other comprehensive income	-	-	(3,296)	(3,296)
As at 30 June 2012	12,352	-	(53,616)	(41,264)
As at 30 June 2012	12,352	-	(53,616)	(41,264)
Amount recognised as a result of the acquisitions of VSL and PLC	7,456	-	(26,763)	(19,307)
Credit/(charged) to income statement	591	77	343	1,011
Credit/(charged) to other comprehensive income	-	-	-	-
As at 31 December 2012	20,399	77	(80,036)	(59,560)

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

	Half year ended 31 December 2012 Unaudited	Half year ended 31 December 2011 Unaudited	Year ended 30 June 2012 Audited
	$000	$000	$000
Expected maturity of deferred tax liability:			
Deferred tax liability to be recovered within 12 months	**351**	-	470
Deferred tax liability to be recovered after more than 12 months	**(59,911)**	-	(41,734)
	(59,560)	-	(41,264)

	Half year ended 31 December 2012 Unaudited	Half year ended 31 December 2011 Unaudited	Year ended 30 June 2012 Audited
	$000	$000	$000
(d) Unrecognised deferred tax asset:			
Temporary differences arising from normal operations	**-**	44,392	-
Unused tax losses	**86,712**	84,607	86,986
Investment properties and care facilities	**-**	(126,480)	-
Unrecognised deferred tax balances	**86,712**	2,519	86,986
Unrecognised deferred tax balance @ 28%	**24,279**	705	24,356

No income tax was paid or payable during the year. Unrecognised tax losses for the Group at 31 December 2012 were $86.7m (December 2011: $84.6m, June 2012: $87.0m). The availability of the unrecognised tax losses is dependent on the Company meeting the requirements of the income tax legislation, including maintaining sufficient shareholder continuity levels.

In the period ended 31 December 2011, the Group did not recognise a deferred tax asset where it exceeded the deferred tax liability.

(e) Imputation Credits

The imputation credit balance for the Company and Parent at 31 December 2012 is nil (December 2011: nil, June 2012: nil). No tax payments were made during the year.

7. PROPERTY, PLANT AND EQUIPMENT

During the period $4.3m of property, plant and equipment has been sold as set out in note 11. There have been no other material movements in plant, property and equipment during the period (December 2011: no material movements, June 2012: no material movements).

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

8. INVESTMENT PROPERTIES

	Half year ended 31 December 2012 Unaudited $000	Half year ended 31 December 2011 Unaudited $000	Year ended 30 June 2012 Audited $000
Investment Properties Under Development at Fair Value			
Opening balance	**23,297**	18,749	18,749
Acquired through the acquisitions of VSL and PLC (note 10)	**26,017**	-	-
Business disposal (note 11)	**-**	-	-
Sale of development land	**(9,400)**	-	-
Capitalised subsequent expenditure	**23,624**	1,766	9,849
Completed developments transferred to completed investment properties	**(17,872)**	(1,513)	(3,192)
Change in fair value recognised during the period	**-**	(402)	(2,109)
Closing balance	**45,666**	18,600	23,297
Completed Investment Properties at Fair Value			
Opening balance Investment Properties	**1,145,483**	1,239,774	1,239,774
Acquired through the acquisitions of VSL and PLC (note 10)	**634,606**	-	-
Business disposal (note 11)	**(56,846)**	-	-
Capitalised subsequent expenditure	**1,022**	45	216
Completed developments transferred from completed investment properties under development	**17,872**	1,513	3,192
Change in fair value during the period	**28,311**	11,837	(97,699)
Closing balance	**1,770,448**	1,253,169	1,145,483
Total Investment Properties	**1,816,114**	1,271,769	1,168,780

Investment properties were valued at 31 December 2012 by CBRE Limited (CBRE) (June 2012: CBRE Limited) who are independent registered valuers and associates of the New Zealand Institute of Valuers, at a total of $801.5m (June 2012: $514.1m). CBRE are 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 2012 for the period from 1 July 2012 to 31 December 2012. 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 2013 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 (2012: 20 years), based on occupancy turnover of 10.7% - 14.2% pa (2012: 11.1% - 14.5% pa) for units and 21.3% - 26.4% pa (2012: 20.8% - 26.3% pa) for serviced apartments which is extrapolated at a compound growth rate of 1.8% - 3.4% (2012: 2.7% - 3.2%) and discounted to present value at pre-tax discount rates of 12.5% - 15.0% (2012: 12.5% - 15.0%).

Borrowing costs of $0.2m (June 2012: $0.5m) arising from financing specifically entered into for the construction of investment properties under development were capitalised during the year. Capitalisation rates of 3.92% - 4.03% (2012: 3.82% - 4.69%) were used, representing the borrowing costs of the loans used to finance the projects.

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

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:

	As at 31 December 2012 Unaudited $000	As at 31 December 2011 Unaudited $000	As at 30 June 2012 Audited $000
Investment Properties under Development at fair value	**45,666**	18,600	23,297
Completed Investment Properties at fair value	**755,865**	618,598	490,785
Total Valuation	**801,531**	637,198	514,082
Plus: Refundable occupation right agreement amounts	**1,149,662**	704,638	733,893
Plus: Residents' share of capital gains	**32,038**	31,881	29,044
Plus: Deferred membership fee	**70,915**	40,796	42,586
Less: Membership fee receivables	**(226,950)**	(134,455)	(140,515)
Less: Occupation right agreement receivables	**(11,082)**	(8,289)	(10,310)
Total investment properties	**1,816,114**	1,271,769	1,168,780

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

Metlifecare Limited, Private Life Care Holdings Limited and Vision Senior Living Investments Limited hold second registered mortgages and second registered general security agreements over all its wholly owned subsidiaries to secure funding made available to each of these subsidiaries.

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

9. INTEREST BEARING LIABILITIES

	As at 31 December 2012 Unaudited	As at 31 December 2011 Unaudited	As at 30 June 2012 Audited
	$000	$000	$000
Bank loans	**149,647**	76,301	69,167
Capitalised debt costs	**(660)**	(689)	(492)
	148,987	75,612	68,675
Finance leases	**96**	213	106
Bank overdraft	**-**	-	-
Total interest bearing liabilities	**149,083**	75,825	68,781
Expected maturity			
Within one year	**4**	10,366	89
Later than one year	**149,739**	66,148	69,184
Total interest bearing liabilities excluding capitalised debt costs	**149,743**	76,514	69,273

Bank loans

The Bank loans comprise the Core Revolving Credit Facility and Development Facility, effective 8 March 2012 as amended and restated on 23 July 2012 as follows:

Core Revolving Credit Facility – a term loan facility of NZD$140.0m, expiring 30 September 2015.

Development Facility – a term loan facility of NZD$100.0m, expiring 30 September 2016.

In addition, there is a Working Capital Facility of NZD$10m (the **Overdraft**).

At 31 December 2012, the Group had $250.0m (June 2012: $170.0m) of committed bank facilities, including overdraft, of which $100.4m was undrawn (June 2012: $100.8m). The amount drawn under the facility at 31 December 2012 comprised $101.8m (June 2012: $39.7m) under the Core Revolving Credit Facility, $38.3m (June 2012: $19.7m) under the Development Facility, and $9.5m (June 2012: $9.8m) under the Working Capital Facility.

Interest

Interest on the overdraft, loans and advances is charged using the BKBM Bill Rate plus a margin.

Interest rates applicable in the period to 31 December 2012 ranged from 3.50% to 4.03% per annum (December 2011: 4.41% to 4.60%).

Security

Bank loans are secured as set in note 8.

A Negative Pledge Deed has been entered into by Metlifecare's 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.

The bank overdraft is secured in the same manner as the bank loans.

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 2012, Metlifecare Palmerston North Limited had an overdraft facility of $650,000, of which $650,000 was undrawn.
(June 2012: $650,000 overdraft, $650,000 undrawn).

Financial Covenants

The financial covenants that the Group must comply with requires a certificate to be provided on a quarterly basis and includes:

Financial Covenant - Interest Cover Ratio of not less than 1.75:1

Financial Covenant - Loan to Value Ratio less than or equal to 45%

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

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

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

An un-remedied breach of the Interest Cover Ratio or the Loan to Value Ratio are events of default. Following an event of default the Banks may do any of the following:

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

During the period to 31 December 2012 the Company did not breach any of its financial covenants.

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

10. BUSINESS COMBINATIONS

Acquisition of Vision Senior Living Limited and Private Life Care Holdings Limited

On 23 July 2012 (the date of acquisitions), Metlifecare Limited acquired 100% of the issued ordinary share capital in Vision Senior Living Limited (VSL) and Private Life Care Holdings Limited (PLC) (collectively referred to as the "Acquisitions").

In consideration for the Acquisitions, Metlifecare issued 29,730,000 ordinary shares to Retirement Village Investments Limited (the PLC Vendor), and 9,831,906 ordinary shares to the VSL Vendors. Retirement Village Investments Limited is a related party to the Company through common ownership. The issue price for the issued ordinary shares at the date of acquisitions was $2.31 resulting in a total consideration value of $91,388,003.

The primary reasons for the merger were as follows:

- Enhanced platform for Metlifecare to drive growth and shareholder value - the merger resulted in Metlifecare's Total Assets increasing to approximately $1.9 billion, with an improved portfolio balance between mature villages, developing villages and growth opportunities.
- Complementary village portfolios in premium locations, as well as a strengthened presence in the important Auckland market - Metlifecare's portfolio increased from 16 to 24 villages (from seven to 12 villages in Auckland), with the number of units increasing from 2,460 to 3,902.
- Access to strong development expertise and property suitable for development – Metlifecare's development pipeline expanded to three greenfield village developments and a number of brownfield opportunities. The merger also brings on board an experienced, in-house development team from VSL. Metlifecare's experience in providing a continuum of care will be extended to VSL and PLC villages.

Following the completion of the Acquisitions, and the acquisition of the non-controlling interest in the Vision Forrest Lake village, the number of ordinary shares in the Company increased from 144,115,209 to 183,845,209.

All shares issued are on the same terms, and will rank equally with; the existing ordinary shares in the Company, except that the PLC and the VSL Vendors have agreed to escrow periods as detailed below.

The consideration paid, the fair value of assets acquired and liabilities assumed as a result of the Acquisitions, are as follows:

	Half year ended 31 December 2012 Unaudited
	$000
CONSIDERATION	
Fair value of shares issued	**91,388**
Total consideration paid	**91,388**
ASSETS - ACQUIRED	
Cash and cash equivalents	**7,694**
Property, plant and equipment	**381**
Other assets	**840**
Investment properties	**660,623**
Total assets	**669,538**
LIABILITIES - ASSUMED	
Other payables	**4,992**
Bank loans	**127,502**
Deferred membership fees	**25,800**
Refundable occupation right agreements	**336,300**
Deferred tax liabilities	**19,307**
Total liabilities	**513,901**
Net assets	**155,637**
Non-controlling interest	**(629)**
Net assets excluding Minority Interest	**155,008**
Gain on Acquisitions	**63,620**
Total	**91,388**

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

The gain that has been recognised from the Acquisitions in the financial statements for the period ended 31 December 2012 of $63.6m is pending completion of the work to finalise the fair value of the assets and liabilities acquired as part of the Acquisitions.

The reason why the Acquisitions resulted in a gain is due to the differences between the fair value of the ordinary shares issued as consideration for the transaction relative to the fair value of the assets of PLC and VSL. The gain is the result of a bargain purchase negotiated by the Company.

Any costs associated with the acquisitions of VSL and PLC incurred prior to 31 December 2012 have been expensed to the Statement of Comprehensive Income (refer Note 4).

Following completion of the Acquisitions, RVNZ's majority shareholding in the Company reduced to 43.2% through the disposal of 22.5 million shares on 23 July 2012.

The Vision Forest Lake village was owned and operated by an unincorporated joint venture between VSL (Forest Lake Gardens No.2) Limited (a subsidiary of VSL) and Te Rapa Racing Limited (TRR). TRR has received 168,094 ordinary Metlifecare shares in consideration for its share in the Vision Forest Lake village.

The PLC and the VSL Vendors have agreed to certain restrictions on the sale of the Metlifecare ordinary shares issued to them as follows:

- PLC Vendor and its related companies and nominees must not sell any ordinary shares in the Company at any time during the period beginning on 23 July 2012 and ending 16 months thereafter (this excludes shares sold on the sell-down completed on 23 July 2012); and
- The VSL Vendors and its related companies and nominees must not sell any ordinary shares in the Company issued in consideration for the acquisition of VSL within 16 months from 23 July 2012, subject in each case to certain exceptions, as follows: (1) if a Metlifecare corporate reorganisation becomes unconditional, (2) to accept a full or partial takeover offer made under the Takeovers Code to the maximum extent permitted by the Code, or (3) for an acquisition or allotment of Metlifecare shares approved under rules 7(c) or 7(d) of the Takeovers Code.

The Acquisitions have contributed the following amounts included in the consolidated statement of comprehensive income since 23 July 2012:

	Half year ended 31 December 2012 Unaudited
	$000
Operating Revenue	**11,022**
Finance Income	**89**
Change in fair value of investment properties	**20,405**
Profit for the period	**16,594**

Had the acquisitions been consolidated from 1 July 2012, the consolidated statement of comprehensive income for the Group would show the following:

	$000
Operating Revenue	**45,175**
Finance Income	**811**
Change in fair value of investment properties	**28,311**
Profit for the period excluding gain on the acquisition of VSL and PLC	**21,297**

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

11. BUSINESS DISPOSAL

Disposal of Metlifecare Oakwoods Limited

During October 2012 the Group announced its intention to sell its Nelson retirement village. The assets and liabilities related to Metlifecare Oakwoods Limited, a subsidiary company, were disposed on 30 November 2012. The net assets were sold for $29.0m (less adjustments) to Oakwoods Lifecare (2012) Limited.

Allocation of proceeds from sale:

	Half year ended 31 December 2012 Unaudited
	$000
Sale price	29,000
less ORA adjustments on disposal	(437)
Net sale price prior to disposal costs	28,563
less assets and liabilities disposed:	
Investment properties	56,846
Deferred membership fees	(1,924)
Refundable occupational right agreements	(29,543)
Property, plant and equipment	4,336
Total assets and liabilities disposed	29,715
Loss from business disposal	(1,152)
Costs associated with business disposal	(407)
Total loss on business disposal	(1,559)

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

12. CONTINGENCIES

Contingent liabilities

There are no material contingent liabilities as at 31 December 2012 (December 2011: nil, June 2012: nil).

13. COMMITMENTS

	As at 31 December 2012 Unaudited $000	As at 31 December 2011 Unaudited $000	As at 30 June 2012 Audited $000
Capital commitments			
Estimated commitments contracted for at balance date but not provided for to purchase, construct or develop investment properties	**26,998**	-	-
	26,998	-	-
Operating lease commitments			
Non-cancellable			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	**397**	197	304
Later than one year but not later than five years	**658**	596	495
Later than five years	**-**	-	-
	1,055	793	799

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 2012, Retirement Villages New Zealand Limited owned 50.07% (2011: 81.96%) of Metlifecare Limited. Retirement Villages New Zealand Limited is therefore a controlling shareholder. On 23 July 2012 Metlifecare completed the acquisition of Private Life Care Holdings Limited and Vision Senior Living Limited and their shareholding reduced to 43.2%. Refer Note 10 for further details.

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

The names of persons who were Directors of the Company at any time during the six months to 31 December 2012 are as follows: P R Brown, W A Edwards, M Tucker (resigned 14 September 2012), P B Harman (resigned 30 October 2012), D A Hunt (resigned 14 September 2012, appointed as an alternate to G E Grady 14 September 2012), J J Loughlin, A B Ryan (appointed 23 August 2012), C G Aiken (appointed 23 August 2012), and G E Grady (appointed 14 September 2012).

On 3 December 2012, Metlifecare Limited issued 610,000 shares under the Senior Executive Share Scheme. The consideration for the shares was satisfied by the executives borrowing the funds from Metlifecare Limited in an amount equal to the numbers of share issued multiplied by the issue price. The shares are held in trust and subject to meeting certain criteria in relation to total shareholder return and that the employee is employed by the company on the vesting date (3 December 2015) the shares will be issued to the employee with the loan being repaid by a one off bonus equal to the outstanding loan balance. To the extent the criteria are not met, the shares will be forfeited.

Notes to the Interim Financial Statements (continued)

For the half year ended 31 December 2012

15. CONTRIBUTED EQUITY

	As at 31 December 2012 Unaudited	As at 31 December 2011 Unaudited	As at 30 June 2012 Audited
	Shares	Shares	Shares
Issues and fully paid up capital	184,455,209	144,115,209	144,115,209
Balance at beginning of the period	144,115,209	122,448,541	122,448,541
Shares issued	40,340,000	21,666,668	21,666,668
Balance at end of period	184,455,209	144,115,209	144,115,209

	As at 31 December 2012 Unaudited	As at 31 December 2011 Unaudited	As at 30 June 2012 Audited
	$000	$000	$000
Issues and fully paid up capital	357,913	126,717	126,717
Balance at beginning of the period	126,717	81,958	81,958
Shares issued	91,758	45,500	45,500
Issue costs	-	(741)	(741)
Balance at end of period	218,475	126,717	126,717

Metlifecare issued 29,730,000 ordinary shares to Retirement Village Investments Limited (the PLC Vendor), and 9,831,906 ordinary shares to the VSL Vendors. Retirement Village Investments Limited is a related party to the Company through common ownership. The issue price for the issued ordinary shares at the date of acquisitions was $2.31 resulting in a total consideration value of $91,388,002.

On 8 October 2012 Metlifecare Limited issued Te Rapa Racing Limited 168,094 ordinary Metlifecare shares in consideration for its share in the Vision Forest Lake village.

On 3 December 2012 Metlifecare Limited issued 610,000 shares under the Senior Executive Share Plan (refer note 14).

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

16. SUBSEQUENT EVENTS

On 21 February 2013 the Directors approved a dividend of 1 cent per share amounting to $1.845m, to be paid on 17 April 2013.

There are no further subsequent events between 31 December 2012 and the date that the financial statements were authorised for use.