

# Financial Statements

For the half year ended 31 December 2014

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# Metlifecare Limited Directors' Report

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The directors have pleasure in presenting the Interim Financial Statements of Metlifecare Limited for the half year ended 31 December 2014.

The Interim Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on 25 February 2015.

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



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**K.R. Ellis**  
Chair  
25 February 2015



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**A.B. Ryan**  
Director  
25 February 2015

# Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2014

\$000	Note	Half year ended 31 December 2014	Half year ended 31 December 2013
<b>Income</b>			
Operating revenue		48,944	46,999
Other income	4	2,000	-
Finance income		73	57
<b>Total income</b>		<b>51,017</b>	<b>47,056</b>
Change in fair value of investment properties	8	32,256	25,503
Share of profit arising from joint venture, net of tax		791	275
<b>Expenses</b>			
Employee costs		(19,315)	(17,793)
Property costs	5	(10,007)	(10,800)
Depreciation	5	(840)	(652)
Amortisation		(101)	(207)
Finance costs	5	(561)	(960)
Other expenses	5	(10,419)	(11,358)
<b>Total expenses</b>		<b>(41,243)</b>	<b>(41,770)</b>
<b>Profit before income tax</b>		<b>42,821</b>	<b>31,064</b>
Income tax expense	7	(3,120)	(4,232)
<b>Profit for the period</b>		<b>39,701</b>	<b>26,832</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income, net of tax</b>		<b>39,701</b>	<b>26,832</b>
<b>Profit attributable to shareholders of the parent company</b>		<b>39,701</b>	<b>26,832</b>
<b>Total comprehensive income attributable to shareholders of the parent company</b>		<b>39,701</b>	<b>26,832</b>
<b>Profit per share for profit attributable to the equity holders of the Company during the period</b>			
- Basic (cents)		18.78	12.76
- Diluted (cents)		18.78	12.76

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 2014

\$000	Note	Contributed Equity	Retained Earnings	Revaluation Reserve	Option Reserve	Total Equity
<b>Six months to 31 December 2013</b>						
<b>Balance at 1 July 2013</b>		<b>287,142</b>	<b>422,713</b>	<b>7,859</b>	<b>82</b>	<b>717,796</b>
<b>Comprehensive income</b>						
Profit for the period		-	26,832	-	-	26,832
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>26,832</b>	<b>-</b>	<b>-</b>	<b>26,832</b>
Proceeds from shares issued	10	10,378	-	-	-	10,378
Employee share scheme		-	-	-	73	73
Dividends paid to shareholders		-	(4,209)	-	-	(4,209)
<b>Balance at 31 December 2013</b>		<b>297,520</b>	<b>445,336</b>	<b>7,859</b>	<b>155</b>	<b>750,870</b>
<b>Six months to 31 December 2014</b>						
<b>Balance at 1 July 2014</b>		<b>298,766</b>	<b>484,648</b>	<b>8,089</b>	<b>300</b>	<b>791,803</b>
<b>Comprehensive income</b>						
Profit for the period		-	39,701	-	-	39,701
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>39,701</b>	<b>-</b>	<b>-</b>	<b>39,701</b>
Proceeds from shares issued	10	3,428	-	-	-	3,428
Employee share scheme		-	-	-	406	406
Dividends paid to shareholders		-	(5,278)	-	-	(5,278)
<b>Balance at 31 December 2014</b>		<b>302,194</b>	<b>519,071</b>	<b>8,089</b>	<b>706</b>	<b>830,060</b>

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

## Consolidated Balance Sheet

As at 31 December 2014

\$000	Note	31 December 2014	31 December 2013	30 June 2014
<b>Assets</b>				
Cash and cash equivalents		927	1,087	839
Trade receivables and other assets		13,936	16,387	12,470
Amounts due from related parties		29	123	236
Property, plant and equipment		28,460	26,508	27,866
Intangible assets		232	224	256
Investment properties	8	2,035,632	1,893,148	1,960,972
Investment in joint venture		7,612	7,123	7,045
<b>Total assets</b>		<b>2,086,828</b>	1,944,600	2,009,684
<b>Liabilities</b>				
Trade and other payables		21,594	15,979	18,196
Interest bearing liabilities	9	51,642	60,315	42,542
Deferred membership fees		81,224	75,197	77,854
Refundable occupation right agreements		1,031,450	979,921	1,011,511
Deferred tax liabilities	7	70,858	62,318	67,778
<b>Total liabilities</b>		<b>1,256,768</b>	1,193,730	1,217,881
<b>Net assets</b>		<b>830,060</b>	750,870	791,803
<b>Equity</b>				
Contributed equity	10	302,194	297,520	298,766
Revaluation reserve		8,089	7,859	8,089
Employee share scheme reserve		706	155	300
Retained earnings		519,071	445,336	484,648
<b>Total equity</b>		<b>830,060</b>	750,870	791,803

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 2014

\$000	Note	Half year ended 31 December 2014	Half year ended 31 December 2013
<b>Cash flows from operating activities</b>			
Receipts from residents for membership fees, village fees and care fees		40,366	35,732
Other income	4	2,000	-
Receipts from residents for refundable occupation right agreements		89,092	69,721
Payments to suppliers and employees		(38,902)	(38,748)
Payments to residents for refundable occupation right agreements		(58,850)	(53,298)
Net GST paid		(299)	(520)
Interest received		53	15
Interest paid		(462)	(1,083)
<b>Net cash inflow from operating activities</b>	6	<b>32,998</b>	<b>11,819</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,542)	(285)
Payments for intangibles		(82)	(164)
Receipts from/(advances to) joint venture		207	(136)
Dividends received from joint venture		225	300
Payments for investment properties		(37,617)	(21,635)
Capitalised interest paid		(1,399)	(1,074)
<b>Net cash outflow from investing activities</b>		<b>(40,208)</b>	<b>(22,994)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares, net of issue costs		3,428	10,378
Net proceeds from borrowings		9,148	4,797
Dividends paid		(5,278)	(4,209)
<b>Net cash inflow from financing activities</b>		<b>7,298</b>	<b>10,966</b>
<b>Net decrease in cash and cash equivalents</b>		<b>88</b>	<b>(209)</b>
Cash and cash equivalents at beginning of the period		839	1,296
<b>Cash and cash equivalents at end of period</b>		<b>927</b>	<b>1,087</b>

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 2014

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## 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 4, 20 Kent Street, Newmarket, Auckland 1023.

These financial statements have been approved for issue by the Board of Directors on 25 February 2015.

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

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## 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 FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the NZX Main Board (NZX) and the Australian Securities Exchange (ASX). The financial statements have been prepared in accordance with the requirements of the NZX and ASX listing rules.

These consolidated interim financial statements for the half year reporting period ended 31 December 2014 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 2014, 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 2014 and comparatives for the six months ended 31 December 2013 are unaudited. The consolidated financial statements for the year ended 30 June 2014 were audited and form the basis for the comparative figures for that period in these accounts. 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.

### Standards, Interpretations and Amendments to Published Standards

There are no new standards or amendments to existing standards effective for the financial year ending 30 June 2015 which have a material impact on the Group.

The following accounting standard is not yet effective and has not been early adopted by the Group:

#### *NZ IFRS 15: 'Revenue from contracts with customers'*

Effective for periods beginning on or after 1 January 2017. NZ IFRS 15 addresses recognition of revenue from contracts with customers and replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Group is yet to assess the impact of NZ IFRS 15.



# Notes to the Interim Financial Statements

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## 2. Summary of Significant Accounting Policies (continued)

All 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 2014.

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 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 derived from 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 \$6.2m (2013: \$6.4m).

There are no other individually significant customers.

## 4. Other Income - Settlement Receipt

On 24 October 2014 a full and final settlement favourable to the Group was reached with various third parties in relation to previously identified building issues at the Links Apartments at Hibiscus Coast Village. In addition to the cash settlement amount of \$2.0m recognised in the period ended 31 December 2014, various third parties have agreed to contribute at their expense to certain remedial work required (refer also to note 8).

## Notes to the Interim Financial Statements

### 5. Expenses

\$000	Half year ended 31 December 2014	Half year ended 31 December 2013
<b>Profit before income tax includes</b>		
<b>Property costs</b>		
- Utilities and other property costs	5,447	5,308
- Repairs and maintenance on investment properties	4,239	5,193
- Repairs and maintenance on plant, furniture and equipment	321	299
<b>Total property costs</b>	<b>10,007</b>	<b>10,800</b>
<b>Depreciation</b>		
- Plant, furniture and equipment	562	399
- Motor vehicles	82	56
- Freehold buildings	196	197
<b>Total depreciation</b>	<b>840</b>	<b>652</b>
<b>Finance costs</b>		
- Interest and fees expense	1,960	2,034
- Less: Interest expense capitalised	(1,399)	(1,074)
<b>Total finance costs</b>	<b>561</b>	<b>960</b>
<b>Other expenses</b>		
- Resident costs	2,908	2,823
- Marketing and promotion	1,805	1,612
- Other employment costs	1,080	711
- Communication costs	798	765
- Rental and operating lease expenses	142	163
- Gain on disposal of property, plant and equipment	(44)	(18)
- Donations	3	6
- Residents' share of capital gain	1,214	1,245
- Other (no items of individual significance)	2,084	3,682
<b>Fees paid to PricewaterhouseCoopers New Zealand</b>		
- Audit and review	56	50
- Other assurance	3	-
- Tax compliance	43	30
- Other non-assurance	15	13
<b>Total fees paid to PricewaterhouseCoopers New Zealand</b>	<b>117</b>	<b>93</b>
<b>Directors' fees</b>	<b>312</b>	<b>276</b>
<b>Total other expenses</b>	<b>10,419</b>	<b>11,358</b>

# Notes to the Interim Financial Statements

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

\$000	Half year ended 31 December 2014	Half year ended 31 December 2013
<b>Profit for the period</b>	<b>39,701</b>	26,832
Adjustments for:		
Change in fair value of investment properties	<b>(32,256)</b>	(25,503)
Change in fair value of residents' share of capital gains	<b>1,214</b>	1,245
Employee share scheme	<b>406</b>	73
Depreciation	<b>840</b>	652
Amortisation	<b>101</b>	207
Movement in deferred tax expense	<b>3,080</b>	4,232
Gain on disposal of property, plant and equipment	<b>(44)</b>	(18)
Share of profit arising from joint venture, net of tax	<b>(791)</b>	(275)
Changes in working capital relating to operating activities:		
Trade receivables and other assets	<b>(1,357)</b>	(3,730)
Trade and other payables	<b>9</b>	(631)
Deferred membership fees	<b>3,370</b>	2,511
Refundable occupation right agreements	<b>18,725</b>	6,224
<b>Net cash inflow from operating activities</b>	<b>32,998</b>	11,819

## 7. Income Tax Expense

\$000	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014
<b>(a) Income tax expense</b>			
Current tax	<b>40</b>	-	44
Deferred tax	<b>3,080</b>	4,232	9,611
	<b>3,120</b>	4,232	9,655
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>			
Profit before income tax expense	<b>42,821</b>	31,064	78,431
Tax at the New Zealand tax rate of 28%	<b>11,990</b>	8,698	21,961
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Non taxable income and non deductible expenditure	<b>(371)</b>	(235)	(469)
Non taxable impact of investment property revaluation	<b>(9,032)</b>	(7,141)	(18,402)
Movement in property valuations for deferred tax	<b>3,206</b>	2,926	6,283
Tax impact of change in investment property depreciable tax base	<b>279</b>	179	470
Share of profit arising from joint venture	<b>(221)</b>	(77)	(134)
Other	<b>(823)</b>	(22)	394
Prior period adjustment	<b>(1,528)</b>	-	-
Tax losses arising in the current period and previously unrecognised tax losses	<b>(380)</b>	(96)	(448)
Income tax expense	<b>3,120</b>	4,232	9,655
The weighted average applicable tax rate was 28% (2013: 28%).			
<b>(c) Recognised deferred tax liability</b>			
The deferred tax balance comprises:			
Property, plant and equipment	<b>5,095</b>	4,534	4,661
Investment property	<b>(100,475)</b>	(93,912)	(97,269)
Deferred membership fees	<b>14,993</b>	21,056	16,716
Recognised tax losses	<b>5,184</b>	1,021	3,276
Other items	<b>4,345</b>	4,983	4,838
Net deferred tax liability	<b>(70,858)</b>	(62,318)	(67,778)

## Notes to the Interim Financial Statements

### 7. Income Tax Expense (continued)

Movement in the deferred tax balance comprises:

\$000	Balance 1 July 2014	Recognised in income	Recognised in OCI	Balance 31 December 2014
Property, plant and equipment	4,661	434	-	5,095
Investment property	(97,269)	(3,206)	-	(100,475)
Deferred membership fees	16,716	(1,723)	-	14,993
Recognised tax losses	3,276	1,908	-	5,184
Other items	4,838	(493)	-	4,345
Net deferred tax liability	<b>(67,778)</b>	<b>(3,080)</b>	-	<b>(70,858)</b>

\$000	Balance 1 July 2013	Recognised in income	Recognised in OCI	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	<b>(58,086)</b>	<b>(4,232)</b>	-	<b>(62,318)</b>

\$000	Balance 1 July 2013	Recognised in income	Recognised in OCI	Balance 30 June 2014
Property, plant and equipment	4,468	274	(81)	4,661
Investment property	(90,986)	(6,283)	-	(97,269)
Deferred membership fees	20,681	(3,965)	-	16,716
Recognised tax losses	2,512	764	-	3,276
Other items	5,239	(401)	-	4,838
Net deferred tax liability	<b>(58,086)</b>	<b>(9,611)</b>	<b>(81)</b>	<b>(67,778)</b>

Expected maturity of deferred tax liability:

\$000	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014
Deferred tax liability to be recovered within 12 months	807	610	906
Deferred tax liability to be recovered after more than 12 months	<b>(71,665)</b>	<b>(62,928)</b>	<b>(68,684)</b>
	<b>(70,858)</b>	<b>(62,318)</b>	<b>(67,778)</b>

No income tax was paid or payable during the period. There are no unrecognised tax losses for the Group at 31 December 2014 (December 2013: nil, June 2014: nil). The sell down 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 held from the period prior to 23 July 2012 were forfeited.

#### (d) Imputation credits

The imputation credit balance for the Company and Parent at 31 December 2014 is nil (December 2013: nil, June 2014: nil). No tax payments were made during the periods and any dividends paid were unimputed.

## Notes to the Interim Financial Statements

### 8. Investment Properties

\$000	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014
<b>Development land</b>			
Opening balance	37,949	41,238	41,238
Capitalised subsequent expenditure	760	978	1,393
Land transferred to completed investment properties	(259)	(166)	(4,818)
Change in fair value recognised during the period	(371)	552	136
Closing balance	38,079	42,602	37,949
<b>Investment properties under development</b>			
Opening balance	18,544	10,800	10,800
Capitalised subsequent expenditure	41,388	20,298	47,374
Completed developments transferred to completed investment properties	(8,231)	(3,638)	(39,630)
Change in fair value recognised during the period	-	-	-
Closing balance	51,701	27,460	18,544
<b>Completed investment properties</b>			
Opening balance	1,904,479	1,793,100	1,793,100
Capitalised subsequent expenditure	256	1,231	1,347
Land transferred from development land	259	166	4,818
Completed developments transferred from investment properties under development	8,231	3,638	39,630
Change in fair value during the period	32,627	24,951	65,584
Closing balance	1,945,852	1,823,086	1,904,479
<b>Total investment properties</b>	<b>2,035,632</b>	<b>1,893,148</b>	<b>1,960,972</b>

#### Valuation processes

Development land and completed investment properties are held at fair value and were valued by CBRE Limited ('CBRE') for all the reporting periods presented. CBRE is an independent registered valuer and associate of the New Zealand Institute of Valuers and 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 2014 for the period from 1 July 2014 to 31 December 2014. 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 2015 which will be assessed and subject to audit.

#### Development land

The fair value of development land at 31 December 2014 determined by CBRE was \$38.1m (June 2014: \$38.0m, December 2013: \$42.6m).

CBRE determines that surplus land can be comprised of a standalone title and/or part of the principal site. Where standalone CBRE has ascribed a value which can be captured independently, if desired, from the overall village. Where part of the principal site CBRE has identified if there is potential, be it town planning or economic, to expand the village and has assessed a value accordingly. This latter value, whilst identified as surplus land value, cannot be independently captured.

As a general rule, CBRE have treated units in the early stages of construction, land with approvals and other vacant land clearly identified for future development as land for development in its highest and best use.

## Notes to the Interim Financial Statements

### 8. Investment Properties (continued)

#### Investment properties under development

The Group has determined that the fair value of investment properties under development cannot be reliably determined at this point in time and is therefore carried at cost less any impairment. The cost of investment properties under development at 31 December 2014 is \$51.7m (June 2014: \$18.5m, December 2013: \$27.5m). No impairment losses have been recognised on development land.

#### Completed investment properties

The fair value of completed investment properties at 30 June 2014 as determined by CBRE is \$836.1m (June 2014: \$817.5m, December 2013: \$774.0m). The fair values are based on a discounted cash flow model applied to the expected future cash flows generated over a 20 year period by the investment properties.

The occupancy period is a significant component of the CBRE valuation and is driven from a Monte Carlo simulation. The simulations are dependent upon the demographic profile of the village (age and gender of residents) and a death and non-death probability as the reason for departing a unit. The resulting stabilised departing occupancy period is an estimate of the long run occupancy term for residents. An increase in the stabilised departing occupancy period will have a negative impact on the valuation and a decrease in the stabilised departing occupancy would have a positive impact on the valuation. Additional variables which will influence the stabilised occupancy period outputs (and recycle profile) by village will include:

- Resident densities where a high proportion of couples will logically extend/prolong the recycle profile;
- Occupancy periods for existing residents and current absolute age levels; and
- Care or lifestyle orientated village.

The following significant assumptions have been used to determine the fair value:

	31 December 2014	31 December 2013	30 June 2014
Nominal growth rate (anticipated annual property price growth over the cash flow period)	1.8% - 3.4%	1.8% - 3.4%	1.8% - 3.4%
Pre-tax discount rate	12.3% - 16.5%	12.3% - 16.5%	12.3% - 16.5%
Stabilised departing occupancy - service apartments (per annum)	21.3% - 24.4%	21.1% - 25.2%	20.9% - 24.9%
Stabilised departing occupancy - units (per annum)	11.4% - 14.5%	11.3% - 14.2%	11.2% - 14.5%

The CBRE valuation also includes within the forecast cash flows the Group's expected costs relating to any known or anticipated remediation works (refer also to note 4).

#### Other relevant information

The valuation of investment properties is adjusted for cash flows relating to refundable occupation right agreements, residents' share of capital gains, deferred membership 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 2014	31 December 2013	30 June 2014
Development land	38,079	42,602	37,949
Investment properties under development	51,701	27,460	18,544
Completed investment properties	836,095	774,035	817,495
	<b>925,875</b>	844,097	873,988
Plus: Refundable occupation right agreement amounts	1,279,676	1,202,653	1,245,411
Plus: Residents' share of capital gains	28,723	29,780	29,503
Plus: Deferred membership fee	81,224	75,197	77,854
Less: Membership fee receivables	(271,017)	(247,606)	(258,162)
Less: Occupation right agreement receivables	(8,849)	(10,973)	(7,622)
Total investment properties	<b>2,035,632</b>	1,893,148	1,960,972

## Notes to the Interim Financial Statements

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### 8. Investment Properties (continued)

#### Other relevant information (continued)

Borrowing costs of \$1.4m (June 2014: \$2.4m, December 2013: \$1.1m) arising from financing specifically entered into for the construction of investment properties under development were capitalised during the period. Capitalisation rates of 5.68% - 6.28% pa (June 2014: 4.80% - 5.43% pa, December 2013: 4.80% - 5.44% pa) were used, representing the borrowing costs of the loans used to finance the projects.

Registered mortgages in favour of the statutory supervisors of the village-owning operating 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.

## Notes to the Interim Financial Statements

### 9. Interest Bearing Liabilities

\$000	31 December 2014	31 December 2013	30 June 2014
Bank loans	51,635	60,804	42,488
Capitalised debt costs	(358)	(600)	(467)
	51,277	60,204	42,021
Finance leases	365	111	521
Total interest bearing liabilities	51,642	60,315	42,542
<b>Expected maturity</b>			
Within one year	128	111	243
Later than one year	51,872	60,804	42,766
Total interest bearing liabilities excluding capitalised debt costs	52,000	60,915	43,009

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 detailed below.

On 18 December 2013 the bank facilities were renegotiated and extended. The maturity of the Core Revolving Credit Facility of \$50m was extended from 30 September 2015 to 31 October 2017 and the maturity of the Development Facility of \$120m was extended from 30 September 2016 to 31 October 2018.

The working capital facility of \$10.0m is repayable on demand (June 2014 & December 2013: \$10.0m, repayable on demand).

At 31 December 2014, the Group had \$180.0m (June 2014: \$180.0m, December 2013: \$180.0m) of committed bank facilities, including the overdraft, of which \$128.4m was undrawn (June 2014: \$137.5m, December 2013: \$119.2m). No amount was drawn under the Core Revolving Credit Facility at 31 December 2014 (June 2014: \$6.0m, December 2013: \$17.5m), \$47.2m (June 2013: \$28.3m, December 2013: \$35.4m) under the Development Facility, and \$4.4m (June 2014: \$8.4m, December 2013: \$7.9m) 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 2014 ranged from 4.75% to 4.92% pa (December 2013: 3.77% to 3.92% pa).

#### Bank undertakings

The Company's security arrangements in respect of its wholly owned operating subsidiaries are set out in note 8.

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 2014, Metlifecare Palmerston North Limited had an overdraft facility of \$650,000, of which \$650,000 was undrawn (December 2013: \$650,000 overdraft, \$650,000 undrawn).

#### Financial covenants

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

During the period ended 31 December 2014, the Company was in compliance with its financial covenants (June 2014, December 2013: in compliance).



# Notes to the Interim Financial Statements

## 10. Contributed Equity

	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014
<b>Shares</b>			
<b>Issued and fully paid up capital</b>			
Balance at beginning of the period	211,107,094	207,236,012	207,236,012
Shares issued	787,800	3,358,679	3,971,082
Shares cancelled	-	-	(100,000)
Balance at end of period	211,894,894	210,594,691	211,107,094

	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014
<b>\$000</b>			
<b>Issued and fully paid up capital</b>			
Balance at beginning of the period	298,766	287,142	287,142
Shares issued	3,458	10,410	11,683
Issue costs	(30)	(32)	(59)
Balance at end of period	302,194	297,520	298,766

	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014
<b>Shares</b>			
<b>Treasury shares</b>			
Balance at beginning of the period	796,919	610,000	610,000
Shares cancelled under the senior executive share plan	-	-	(100,000)
Shares issued under the senior executive share plan	-	-	286,919
Balance at end of period	796,919	610,000	796,919

	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014
<b>\$000</b>			
<b>Treasury shares</b>			
Balance at beginning of the period	-	-	-
Shares cancelled under the senior executive share plan	-	-	-
Shares issued under the senior executive share plan	-	-	-
Balance at end of period	-	-	-

	31 December 2014	31 December 2013	30 June 2014
<b>Net tangible assets per share</b>			
Net tangible assets per share (\$) basic	3.92	3.57	3.75

On 17 October 2014 Metlifecare Limited issued 787,800 ordinary shares at \$4.39 per share under a dividend reinvestment plan.

On 17 April 2014 Metlifecare Limited issued 325,484 ordinary shares at \$3.91 per share under a dividend reinvestment plan.

On 8 April 2014 Metlifecare Limited issued 286,919 treasury shares under the senior executive share plan.

On 8 April 2014 Metlifecare Limited cancelled 100,000 treasury shares under the senior executive share plan.

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

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

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

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 time as they are cancelled or vest to members of the senior management team.

# Notes to the Interim Financial Statements

## 11. Contingencies

### Contingent liabilities

There are no material contingent liabilities as at 31 December 2014 (June 2014: nil, December 2013: nil).

## 12. Commitments

\$000	31 December 2014	31 December 2013	30 June 2014
<b>Capital commitments</b>			
Estimated commitments contracted for at balance date but not provided for to purchase, construct or develop investment properties	48,868	22,365	54,754
	<b>48,868</b>	22,365	54,754
<b>Operating lease commitments</b>			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	471	244	296
Later than one year but not later than five years	1,780	191	1,635
Later than five years	1,680	-	1,767
	<b>3,931</b>	435	3,698

The Group leases support 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.

## 13. Related Party Transactions

The names of persons who were directors of the Company at any time during the six months to 31 December 2014 are as follows: Kim Ellis (appointed 25 August 2014), Peter Brown (resigned 31 August 2014), Christopher Aiken, Alistair Ryan, Dr Noeline Whitehead, Kevin Baker, William Smales and Carolyn Steele.

At 30 June 2013, Retirement Villages New Zealand Limited owned 38.31% 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.

## 14. Subsequent Events

On 13 January 2015 the Company entered into a conditional agreement to acquire a prime five hectare site in Red Beach, Auckland, with plans to develop a significant retirement village. The land acquisition is part of a proposed \$150 million project and is subject to the following material conditions: the satisfactory completion of due diligence (including feasibility); resource consent of the site being obtained by the Company; and subdivision consent to be obtained by the vendor. Assuming satisfaction of these conditions as well as satisfaction of other related consents, development of the site is likely to commence in 2017.

On 25 February 2015, the directors approved a dividend of 1.5 cents per share amounting to \$3.18m. The dividend record date is 2 April 2015 with payment on 17 April 2015.

There are no further subsequent events that have had a material impact on the interim financial statements between 31 December 2014 and the date of signing.



## ***Independent Review Report***

to the shareholders of Metlifecare Limited

### ***Report on the Interim Financial Statements***

We have reviewed the accompanying consolidated financial statements of Metlifecare Limited, (the "Company") and its controlled entities (the "Group") which comprise the balance sheet as at 31 December 2014, and the statement of comprehensive income, the statement of movements in equity and the cash flow statement for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

### ***Directors' Responsibility for the Financial Statements***

The Directors of the Group are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* ("NZ IAS 34") and for such internal controls as the Directors determine are necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Our Responsibility***

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410"). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditor of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of other assurance, tax compliance and non-assurance services. The provision of these other services has not impaired our independence.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Group, do not present fairly, in all material respects the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the period ended on that date, in accordance with NZ IAS 34.

### ***Restriction on Use of our Report***

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 a review 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers".

Chartered Accountants  
25 February 2015

Auckland