Metlifecare Limited

Financial Statements

for the year ended 30 June 2015

Financial Statements

For the year ended 30 June 2015

Directors' Report

The directors have pleasure in presenting the Financial Statements of Metlifecare Limited, for the year ended 30 June 2015.

The Financial Statements presented are signed for and on behalf of the Board and were authorised for issue on 26 August 2015.

K. R. Ellis	**A. B. Ryan**
Chair	Director
26 August 2015	26 August 2015

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2015

$000	Note	30 June 2015	30 June 2014
Income			
Operating revenue	5	99,332	94,648
Other income	6	2,000	-
Interest income	7	151	130
Total income		101,483	94,778
Change in fair value of investment properties	9	121,152	65,720
Share of profit arising from joint venture, net of tax	10	1,015	477
Expenses			
Employee costs		(38,284)	(35,641)
Property costs	8	(25,370)	(21,668)
Other expenses	8	(24,327)	(21,844)
Depreciation	11	(1,775)	(1,340)
Amortisation		(215)	(392)
Finance costs	12	(171)	(1,659)
Total expenses		(90,142)	(82,544)
Profit before income tax		133,508	78,431
Income tax expense	13	(10,850)	(9,655)
Profit for the year		122,658	68,776
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income arising from joint venture, net of tax	10	21	21
Gain on revaluation of care facilities	11	178	290
Tax expense on revaluation of care facilities	13	(50)	(81)
Other comprehensive income, net of tax		149	230
Total comprehensive income		122,807	69,006
Profit attributable to shareholders of the parent company		122,658	68,776
Total comprehensive income attributable to shareholders of the parent company		122,807	69,006
Profit per share for profit attributable to the equity holders of the company during the period			
- Basic (cents)	21	57.9	32.7
- Diluted (cents)	21	57.9	32.7

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

Consolidated Statement of Movements in Equity

For the year ended 30 June 2015

$000	Note	Contributed Equity	Retained Earnings	Revaluation Reserve	Employee Share Scheme Reserve	Total Equity
Balance at 30 June 2013		287,142	422,713	7,859	82	717,796
Comprehensive income						
Profit for the year		-	68,776	-	-	68,776
Other comprehensive income		-	-	230	-	230
Total comprehensive income		-	68,776	230	-	69,006
Proceeds from shares issued	19	10,002	-	-	-	10,002
Dividend reinvestment plan - shares issued	19	1,622	-	-	-	1,622
Employee share scheme	25	-	-	-	218	218
Dividends paid to shareholders	20	-	(6,841)	-	-	(6,841)
Balance at 30 June 2014		298,766	484,648	8,089	300	791,803
Balance at 1 July 2014		**298,766**	**484,648**	**8,089**	**300**	**791,803**
Comprehensive income						
Profit for the year		-	122,658	-	-	122,658
Other comprehensive income		-	-	149	-	149
Total comprehensive income		-	122,658	149	-	122,807
Dividend reinvestment plan - shares issued	19	4,929	-	-	-	4,929
Employee share scheme	25	-	-	-	357	357
Dividends paid to shareholders	20	-	(8,456)	-	-	(8,456)
Balance at 30 June 2015		303,695	598,850	8,238	657	911,440

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

Consolidated Balance Sheet

As at 30 June 2015

$000	Note	30 June 2015	30 June 2014
Assets			
Cash and cash equivalents	14	1,194	839
Trade receivables and other assets	15	8,204	7,138
Property, plant and equipment	11	33,375	27,866
Intangible assets		462	256
Investment properties	9	2,176,556	1,960,972
Investment in joint venture	10	7,632	7,045
Total assets		2,227,423	2,004,116
Liabilities			
Trade and other payables	16	26,909	18,196
Interest bearing liabilities	18	60,070	42,542
Deferred membership fees	9	84,223	77,854
Refundable occupation right agreements	17	1,066,141	1,005,943
Deferred tax liability	13	78,640	67,778
Total liabilities		1,315,983	1,212,313
Net assets		911,440	791,803
Equity			
Contributed equity	19	303,695	298,766
Revaluation reserve	19	8,238	8,089
Employee share scheme reserve	25	657	300
Retained earnings		598,850	484,648
Total equity		911,440	791,803

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

Consolidated Cash Flow Statement

For the year ended 30 June 2015

$000	Note	30 June 2015	30 June 2014
Cash flows from operating activities			
Receipts from residents for membership fees, village and care fees		81,098	75,663
Other income	6	2,000	-
Receipts from residents for refundable occupation right agreements		196,209	174,692
Payments to suppliers and employees		(79,411)	(73,648)
Payments to residents for refundable occupation right agreements		(116,109)	(114,288)
Net GST paid		(614)	(1,237)
Interest received		100	69
Interest paid		-	(1,756)
Net cash inflow from operating activities	27	83,273	59,495
Cash flows from investing activities			
Payments for property, plant and equipment		(8,460)	(1,811)
Payments for intangibles		(439)	(232)
Net advances to/(from) joint-venture entity		227	(252)
Dividends received from joint venture		450	600
Payments for investment properties		(84,525)	(47,149)
Capitalised interest paid		(4,182)	(2,371)
Net cash outflow from investing activities		(96,929)	(51,215)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	19	4,929	11,623
Net proceeds from/(repayment of) borrowings		17,538	(13,519)
Dividends paid	20	(8,456)	(6,841)
Net cash inflow/(outflow) from financing activities		14,011	(8,737)
Net decrease in cash and cash equivalents		355	(457)
Cash and cash equivalents at the beginning of the financial year		839	1,296
Cash and cash equivalents at the end of the financial year	14	1,194	839

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

Notes to the Financial Statements

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.

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 Financial Statements

2. Summary of Significant Accounting Policies

(a) Basis of preparation

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

Entity reporting

The consolidated financial statements presented are for Metlifecare Limited ("the Company") and its subsidiaries (together "the Group") as at 30 June 2015.

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 a 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. In accordance with the Financial Markets Conduct Act 2013, separate financial statements for Metlifecare Limited are no longer required to be prepared and presented, because Group financial statements are prepared and presented for Metlifecare Limited and its subsidiaries.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities. They comply with International Financial Reporting Standards (IFRS). The Group is a Tier 1 for profit entity in accordance with XRB A1.

The 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 land & buildings.

Critical accounting estimates and judgements

The preparation of financial statements in line 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 3.

(b) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of Metlifecare Limited and its subsidiaries is New Zealand dollars ($).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income of each Group entity.

(c) Segment reporting

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

Notes to the Financial Statements

(d) Principles of consolidation

Subsidiaries

Subsidiaries are those entities (including special purpose entities) controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control potential voting rights that are substantive are taken into account.

The financial results of subsidiaries included in the consolidated financial statements from the date on which control commences until the date that control ceases.

Joint venture entities

Joint venture entities are accounted for using the equity method. Under the equity method of accounting, interests in joint venture entities are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Unrealised gains on transactions between the Group and its joint venture entities are eliminated to the extent of the Group's interest in the joint venture entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Acquisition accounting

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary or joint venture entity acquired, the difference is recognised directly in the statement of comprehensive income.

Intercompany

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

(e) 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 right agreement amount and accrues monthly, for a set period, based on the terms of the individual contracts. The current disclosure statement and occupation right agreement accrues membership fees at the rate of 10% per annum for a maximum of three years.

The membership fee is recognised in the statement of comprehensive income 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 right agreement amount due. The Group has the right of set-off of the refundable occupation right agreement amount and the membership fee receivable.

Notes to the Financial Statements

(e) Revenue recognition (continued)

At year end, the membership fee receivable that has yet to be recognised in the statement of comprehensive income 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 accrual basis.

Interest income

Interest income is recognised on an accrual basis using the effective interest rate method.

(f) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable 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 at balance date. 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The Group recognises tax losses in the balance sheet to the extent that tax losses offset deferred income tax liabilities arising from temporary differences and the requirements of income tax legislation can be satisfied.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. The associated current or deferred tax balances are recognised in these accounts as usual.

(g) Goods and Services Tax (GST)

All amounts are shown exclusive of goods and services tax ("GST"), other than trade receivables and trade payables, except where the amount of GST incurred is not recoverable from the taxation authority. When this occurs the GST is recognised as part of the cost of the asset or as an expense, as applicable.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

(i) 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).

Notes to the Financial Statements

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Cash flow statements

The following are definitions of the terms used in the cash flow statements:

- cash comprises cash at bank, bank overdraft, cash on hand and call deposit facilities;
- operating activities include all transactions and other events that are not investing or financing activities;
- investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, investment properties and other investments. Investments can include securities not falling within the definition of cash; and
- financing activities are those activities which result in changes in the size and composition of the capital and funding structure of the Group.

(l) Trade receivables

Trade receivables are recognised initially at fair value plus transaction costs.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is recognised in the statement of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against the trade receivable. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the statement of comprehensive income.

(m) Financial assets

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade receivables and other assets, amounts due from joint venture entities and cash and cash equivalents in the balance sheet. Loans and receivables are recognised at fair value on trade date plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(n) Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes material and direct labour, and any other costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent to initial recognition, land and buildings for care facilities are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses, if any, since the assets were last revalued. Plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses, if any. Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is recognised in other comprehensive income unless it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income. Any revaluation deficit is recognised in the statement of comprehensive income unless it

Notes to the Financial Statements

(n) Property, plant and equipment (continued)

directly offsets a previous surplus in the same asset in other comprehensive income. Any accumulated depreciation at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Independent valuations are performed annually at the balance sheet date.

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.

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

(o) Intangible assets

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 on a straight line basis over their estimated useful lives (3 years). Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

(p) Investment properties

Investment properties include completed freehold land and buildings, freehold development land and buildings under development comprising of independent living units, serviced apartments and common facilities, provided for use by residents under the terms of the occupation right agreement. Investment properties are held for long-term yields.

The fair values of completed investment properties and development land are determined by a qualified independent external valuer. As required by *NZ IAS 40 'Investment Property'*, the fair value as determined by the independent valuer is adjusted for assets and liabilities already recognised in the balance sheet which are also reflected in the discounted cash flow model. These adjustments to derive the carrying value of investment properties are disclosed in note 9.

The movement in the carrying value of completed investment properties and development land, net of additions to completed investment properties and development land are recognised as a fair value movement in the statement of comprehensive income.

If the fair value of investment property under construction cannot be reliably determined, but it is expected the fair value of the property can be reliably determined when construction is complete, then investment property under construction will be measured at cost until either its fair value can be reliably determined or construction is complete.

(q) 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. Trade payables are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

(r) 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

Notes to the Financial Statements

(r) Borrowings (continued)

recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

(s) Refundable occupation right agreements

Occupation right agreements confer the right of occupancy of the unit or serviced apartment until such time as the right is effectively terminated. Amounts payable under occupation right agreement repurchase arrangements, which are firm monetary obligations, are shown in the balance sheet as liabilities.

At Greenwood Park, The Avenues, Powley, Kapiti Village and Dannemora Gardens villages, certain occupation right 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.

(t) 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.

(u) Contributed equity

Ordinary shares are classified as equity net of incremental costs directly attributable to the issue of new shares.

(v) Fair value hierarchy

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest input to the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the measurement is a Level 3 measurement.

(w) Dividends

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

(y) Share-based payments

The Group operates an equity-settled share based compensation plan for senior executives. The fair value of the in-substance options granted is recognised as an employee expense in the profit or loss component of the statement of comprehensive income with a corresponding entry in the option reserve. The total amount to be expensed over the vesting period is determined by reference to the fair value of the in-substance options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of in-substance options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of in-substance options that are expected to become

Notes to the Financial Statements

(y) Share based payments (continued)

exercisable. It recognises the impact of the revision of original estimates, if any, in the profit or loss component of the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. As part of this scheme, interest-free loans are provided to the executives at grant dates which will be settled for in-substance options that vest, by a cash bonus (forfeited in-substance options offset the remaining loan balance). The PAYE element of this bonus will be treated as a cash-settled share based payment transaction with a liability for PAYE accruing over the vesting period. After vesting, to the date of exercise, this liability is adjusted by reference to the market value of the shares. Changes in the fair value of this liability will be recognised in profit or loss.

(z) Comparative information

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

In the prior year the dividend paid was presented net of the amounts received under the dividend reinvestment plan. The comparatives have been presented to conform to the current year's presentation of the dividend on a gross basis with amounts received under the dividend reinvestment plan shown separately.

In the prior year the Consolidated Balance Sheet at 30 June 2014 included unconditional occupation right agreements of $5.6m recognised as a receivable within "Trade and other receivables", and the corresponding liability within "Refundable occupation right agreements". The comparatives have been presented to conform to the current year's presentation which excludes amounts receivable under unconditional occupation right agreements and the corresponding liability where occupation of the unit or apartment has yet to occur. These amendments do not impact on the reported profit.

(aa) Standards, interpretations and amendments to published standards that are not yet effective

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2017). NZ IFRS 15 addresses recognition of revenue from contracts with customers. It 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 or services. The Group has yet to assess NZ IFRS 15's full impact. The Group will apply this standard from 1 July 2017.

Notes to the Financial Statements

3. 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 and care facilities

The fair value of completed investment properties, development land and care facilities land and buildings have been determined by an independent qualified valuer. Notes 9 and 11 set out the valuation processes, key assumptions and sensitivity analysis. The fair value of investment properties and care facilities is subjective and changes to the assumptions can have a significant impact on profit and the fair value.

Revenue recognition

Membership fees are recognised as revenue on a straight-line basis over the expected period of occupancy. This requires management to estimate the period of occupancy for units and serviced apartments. Management estimates are based on experience of occupancy periods and are detailed in note 2 (e).

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

Income taxes

Deferred tax - recognition based on contractual cash flows

NZ IAS 12 requires deferred tax to be recognised in respect of taxable temporary differences. The carrying value of the Group's investment properties is determined on a discounted cash flow basis and includes cash flows that are both taxable and non taxable in the future. Only those cash flows with a future tax consequence, primarily in respect of membership fees, result in a taxable temporary difference. In determining the taxable temporary difference, the directors have used the contractual cash flows on the basis that the contractual arrangements for an occupation right agreement comprise two gross cash flows (being an occupation right agreement deposit upon entering the unit and the refund of this deposit upon exit) that are non-taxable and need to be excluded to determine the taxable temporary differences arising on investment properties. Contractually, membership fees are received upon refund of the occupation right agreement deposit by way of set off on exit of a unit by a resident and this is the basis for the recognition and measurement of deferred tax in the Group's financial statements.

In determining the basis for the recognition and measurement of deferred tax, the directors considered the alternative timing of the membership receipt and whether it is received at the time of the receipt of the occupation right agreement deposit due to the right of set off of the fees. If this alternative timing was used, an additional deferred tax liability of $37.2m (2014: $32.5m) would be recognised on the balance sheet. An additional current year tax expense of $37.2m (2014: $32.5m) and a corresponding reduction in net profit after tax of $37.2m (2014: $32.5m) would also be recognised. The directors, in determining the appropriate treatment, have carefully evaluated all the available information and consider the adopted policy to be appropriate.

Deferred tax - recognition based on 'value-in-use"

Deferred tax in respect of investment properties has been assessed on the basis of the asset value being realised through use. If the asset value was realised by sale, the sale would trigger a $94.4m (2014: $90.0m) tax liability in relation to tax depreciation recovered prior to the utilisation of any available tax losses at the time. This compares to the "in use" deferred tax net liability of $92.2m (2014: $83.2m) included in the adopted treatment prior to the utilisation of any available tax losses at the time.

Notes to the Financial Statements

4. Segment Information

The Group operates in one operating segment. The chief operating decision maker, the Board of Directors, reviews the operating results on a regular basis and makes decisions on resource allocation based on the review of Group results and cash flows 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 Government, being the Group's largest customer.

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 $12.3m (2014: $12.3m).

5. Operating Revenue

$000	30 June 2015	30 June 2014
Membership fees (refer to note 2 (e))	40,591	38,612
Rest home, hospital and service fees and village fees	54,656	52,244
Other revenue	4,085	3,792
	99,332	94,648

Other revenue for the Group includes resident refurbishment recoveries and administration fees collected on occupation right agreement contracts issued prior to 2006.

6. Other Income - Settlement Receipt

On 24 October 2014 a full and final settlement 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 year ended 30 June 2015, various third parties agreed to contribute at their expense to certain remedial work required.

The remedial work is fully complete and associated costs incurred in the year ended 30 June 2015 of $1.1m (2014: $0.9m) are recognised within repairs and maintenance on investment properties disclosed in note 8.

7. Interest Income

$000	30 June 2015	30 June 2014
Interest income	151	130
	151	130

Notes to the Financial Statements

8. Expenses

$000	30 June 2015	30 June 2014
Profit before income tax includes the following expenses:		
Property costs		
- Utilities and other property costs	10,937	10,586
- Repairs and maintenance on investment properties	13,826	10,530
- Repairs and maintenance on property, plant, furniture and equipment	607	552
Total property costs	25,370	21,668
Other expenses		
- Resident costs	5,556	5,359
- Marketing and promotion	4,014	3,955
- Other employment costs	2,600	2,113
- Communication costs	1,677	1,567
- Rental and operating lease expenses	373	306
- Loss on disposal of property, plant and equipment	190	15
- Donations	41	39
- Bad debts	6	9
- Doubtful debts	20	9
- Residents' share of capital gain	3,187	2,730
- Impairment of property, plant and equipment (refer to note 11)	1,284	-
- Other (no items of individual significance)	4,166	4,680
Fees paid to PricewaterhouseCoopers New Zealand		
- Audit and review of financial statements	441	395
- Other assurance related services	28	25
- Tax compliance services	47	59
- Advisory services on executive remuneration	78	20
Total fees paid to PricewaterhouseCoopers New Zealand	594	499
Directors' fees	619	563
Total other expenses	24,327	21,844

Fees paid to PricewaterhouseCoopers New Zealand by the Group for other assurance related services totalled $28,000 (2014: $25,000). These services included work performed at shareholder meetings, on the financial covenants of the bank facilities, the interim testing of internal controls, compliance with treasury policy and, in the prior year, the ASX prospectus.

Other employment costs include staff related costs such as staff training and uniforms, and commissions on sales.

Notes to the Financial Statements

9. Investment Properties

$000	30 June 2015	30 June 2014
Development land		
Opening balance	37,949	41,238
Capitalised subsequent expenditure	1,817	1,393
Land transferred to property, plant and equipment	(346)	-
Land transferred to investment properties under development	(4,898)	-
Land transferred to investment properties	(11,282)	(4,818)
Change in fair value recognised during the year	610	136
Closing balance	23,850	37,949
Investment properties under development		
Opening balance	18,544	10,800
Capitalised subsequent expenditure	93,278	47,374
Investment properties under development transferred to property, plant and equipment	(1,017)	-
Land transferred from development land	4,898	-
Completed developments transferred to completed investment properties	(73,355)	(39,630)
Closing balance	42,348	18,544
Completed investment properties		
Opening balance	1,904,479	1,793,100
Capitalised subsequent expenditure	700	1,347
Land transferred from development land	11,282	4,818
Completed developments transferred from investment properties under development	73,355	39,630
Change in fair value recognised during the year	120,542	65,584
Closing balance	2,110,358	1,904,479
Total investment properties	2,176,556	1,960,972

The change in fair value recognised during the year is set out below

Development land	610	136
Completed investment properties	120,542	65,584
Total change in fair value recognised during the year	121,152	65,720

Valuation processes

Completed investment properties and development land are held at fair value at 30 June 2015 and were valued by CBRE Limited (CBRE) for all the reporting periods presented. CBRE's principal valuer, Michael Gunn, 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 provides independent valuations at the half year and full year balance dates. The Group verifies all major inputs to the independent valuation reports, and assesses property valuation movements for financial reporting purposes at each financial year end.

As the fair value of investment property is determined using inputs that are unobservable, the Group has categorised investment property as Level 3 under the fair value hierarchy in accordance with *NZ IFRS 13 'Fair Value Measurement'*.

Notes to the Financial Statements

9. Investment Properties (continued)

Development land

The fair value of development land at 30 June 2015 determined by CBRE is $23.85m (2014: $37.95m).

Development 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 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.

The valuation of development land is based on recent comparable transactions. The Group's land values range between $45 per square metre (psm) and $837 psm (2014: $45 psm and $1,264 psm).

An increase (decrease) in the psm rate would result in a higher (lower) fair value of development land.

As a general rule, CBRE has 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.

Investment properties under development

To measure investment properties under development at 30 June 2015 the Group has applied the following methodology:

Practical completion not achieved

Where the staged development still requires substantial work such that practical completion is not going to be achieved at or close to balance date the Group 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. Impairment is determined having considered the value of work in progress and management's estimate of the asset value on completion. The value of investment properties under development 'measured at cost' at 30 June 2015 is $42.3m (2014: $18.5m).

Practical completion achieved

Where the staged development is practically complete at or close to balance date the investment property is transferred to completed investment property and measured at fair value. Accordingly, CBRE has undertaken the valuation on a complete basis consistent with the balance of completed investment properties described below.

Completed investment properties

The Group's completed investment properties at 30 June 2015 are held at fair value. CBRE valued completed investment properties at a total of $957.6m (2014: $817.5m).

To assess the market value of the Group's interest in the village, CBRE has undertaken a cash flow analysis to derive a net present value. This analysis includes unobservable inputs and the valuation is classified within Level 3 of the fair value hierarchy. The following assumptions have been used to determine the fair value:

Unobservable Input	Description	2015	2014
Nominal growth rate (anticipated annual property price growth over the cash flow period)		**1.8% - 3.4%**	1.8% - 3.4%
Pre-tax discount rate		**12.3% - 16.5%**	12.3% - 16.5%

Notes to the Financial Statements

9. Investment Properties (continued)

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 valuation calculates the expected cash flows for a 20 year period (2014: 20 years) with stabilised departing occupancy assumptions set out below.

	2015	2014
Stabilised departing occupancy - service apartments (per annum)	**21.3% - 24.4%**	20.9% - 24.9%
Stabilised departing occupancy - units (per annum)	**11.4% - 14.5%**	11.2% - 14.5%

The CBRE valuation also includes within its forecast cash flows, the Group's expected costs relating to any known or anticipated remediation works. The estimate of the gross cash flows included for remediation works $21.85m over a ten year period (FY14: $7.5m of gross cash flows over a 2 year period). The estimates are based on currently available information.

Fair Value Sensitivity Analysis

The sensitivity of the fair value of investment property to changes in significant assumptions is set out in the table below.

30 June 2015	Adopted value (ILU, SA, ILA) *	Discount rate + 50 bp	Discount rate – 50 bp	Growth rate + 50 bp	Growth rate – 50 bp
Valuation ($000)	**908,700**				
Difference ($000)		**(37,110)**	**34,740**	**64,128**	**(57,932)**
Difference (%)		**(4%)**	**4%**	**7%**	**(6%)**

30 June 2014	Adopted value (ILU, SA, ILA) *	Discount rate + 50 bp	Discount rate – 50 bp	Growth rate + 50 bp	Growth rate – 50 bp
Valuation ($000)	781,060				
Difference ($000)		(30,080)	32,150	48,037	(49,038)
Difference (%)		(4%)	4%	6%	(6%)

* ILU (Independent Living Unit), SA (Serviced Apartment), ILA (Independent Living Apartment) excluding unsold stock. The completed investment property value on page 21 includes unsold stock.

Notes to the Financial Statements

9. Investment Properties (continued)

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	30 June 2015	30 June 2014
Development land	23,850	37,949
Investment properties under development	42,348	18,544
Completed investment properties	957,552	817,495
	1,023,750	873,988
Plus: Refundable occupation right agreement amounts	1,324,866	1,239,843
Plus: Residents' share of capital gains	29,625	29,503
Plus: Deferred membership fee	84,223	77,854
Less: Membership fee receivables	(282,645)	(258,162)
Less: Occupation right agreement receivables	(3,263)	(2,054)
Total investment properties	2,176,556	1,086,984

Borrowing costs of $4.2m (2014: $2.4m) arising from financing specifically entered into for the construction of investment properties under development were capitalised during the year. Average capitalisation rates of 5.95% pa (2014: 5.24% pa) were used, representing the borrowing costs of the loans used to finance the projects.

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

Metlifecare Limited holds a second registered mortgage and second registered general security agreement over all its wholly-owned operating subsidiaries not currently engaged in the development of retirement villages to secure funding made available to each of these subsidiaries (see note 28).

Notes to the Financial Statements

10. Investment in Joint Venture - Palmerston North

Joint Venture	Place of Business	Principal Activity	30 June 2015	30 June 2014
			Interest held by Group	
Metlifecare Palmerston North Limited	Palmerston North	Ownership and Management of a Retirement Village	50%	50%

The joint venture company is incorporated in New Zealand and has a balance date of 30 June.

Set out below is summarised financial information for Metlifecare Palmerston North Limited, which is accounted for using the equity method.

$000	30 June 2015	30 June 2014
Cash and cash equivalents	281	396
Trade receivables and other assets	281	574
Total current assets	562	970
Property, plant and equipment	3,696	3,689
Investment properties	33,279	32,267
Total non-current assets	36,975	35,956
Trade and other payables	834	879
Total current liabilities	834	879
Amount due to Metlifecare Limited	9	236
Deferred membership fees	1,297	1,266
Refundable occupation right agreements	18,230	18,102
Deferred tax liability	1,903	2,352
Total non-current liabilities	21,439	21,956
Net assets	15,264	14,091
Operating revenue	4,558	4,404
Finance income	18	20
Total revenue	4,576	4,424
Change in the fair value of investment properties	748	289
Employee costs	(2,257)	(2,194)
Property costs	(540)	(465)
Depreciation	(121)	(101)
Finance costs	(2)	(2)
Other expenses	(841)	(839)
Profit for the period before income tax	1,563	1,112
Income tax benefit/(expense)	467	(159)
Profit for the year after income tax	2,030	953
Other comprehensive income, net of tax	43	42
Total comprehensive income, net of tax	2,073	995
Metlifecare's 50% share of profit for the year after income tax	1,015	477
Metlifecare's 50% share of other comprehensive income, net of tax	21	21

Notes to the Financial Statements

10. Investment in Joint Venture - Palmerston North (continued)

A reconciliation of the summarised financial information presented to the carrying amount of the Group's investment in joint venture is set out below.

$000	30 June 2015	30 June 2014
Net assets at beginning of the year	14,091	14,296
Share of profit, net of tax	2,030	953
Other comprehensive income, net of tax	43	42
Dividends declared	(900)	(1,200)
Net assets at the end of the year	15,264	14,091
Interest in joint venture @ 50% and carrying value at the end of the year	7,632	7,045

At 30 June 2015, Metlifecare Palmerston North Limited had an overdraft facility of $650,000, of which $650,000 was undrawn (2014: $650,000 overdraft, $650,000 undrawn).

Under the terms of the overdraft agreement entered into with the BNZ on 8 June 2012, Metlifecare Palmerston North Limited may not make any distribution, using the proceeds of the overdraft, for an amount exceeding the cash flow available for debt servicing (CFADS) achieved in the previous financial year. Metlifecare Palmerston North Limited has complied with this requirement.

Metlifecare Palmerston North Limited had no capital commitments or contingent liabilities at 30 June 2015 (2014: nil).

Notes to the Financial Statements

11. Property, Plant and Equipment

$000	Freehold Land	Freehold Buildings	Construction Work in Progress	Plant, Furniture & Equipment and Motor Vehicles	Total
At 30 June 2013					
Cost or valuation	3,765	19,728	-	19,744	43,237
Accumulated depreciation	-	-	-	(16,472)	(16,472)
Net book value	3,765	19,728	-	3,272	26,765
Year ended 30 June 2014					
Opening net book amount	3,765	19,728	-	3,272	26,765
Revaluation of care facilities	60	230	-	-	290
Additions	-	-	-	2,195	2,195
Depreciation	-	(388)	-	(952)	(1,340)
Disposals	-	-	-	(44)	(44)
Closing net book amount	3,825	19,570	-	4,471	27,866
At 30 June 2014					
Cost or valuation	3,825	19,570	-	19,920	43,315
Accumulated depreciation	-	-	-	(15,449)	(15,449)
Net book value	3,825	19,570	-	4,471	27,866
Year ended 30 June 2015					
Opening net book amount	**3,825**	**19,570**	**-**	**4,471**	**27,866**
Revaluation of care facilities	**440**	**(262)**	**-**	**-**	**178**
Additions	**-**	**23**	**4,269**	**2,980**	**7,272**
Transferred from Investment Properties	**346**	**-**	**1,017**	**-**	**1,363**
Impairment loss	**-**	**-**	**(1,284)**	**-**	**(1,284)**
Depreciation	**-**	**(391)**	**-**	**(1,384)**	**(1,775)**
Disposals	**-**	**-**	**-**	**(245)**	**(245)**
Closing net book amount	**4,611**	**18,940**	**4,002**	**5,822**	**33,375**
At 30 June 2015					
Cost or valuation	**4,611**	**18,940**	**5,286**	**20,324**	**49,161**
Accumulated depreciation and impairment losses	**-**	**-**	**(1,284)**	**(14,502)**	**(15,786)**
Net book value	**4,611**	**18,940**	**4,002**	**5,822**	**33,375**

The Group's care facilities encompassing freehold land and buildings were valued by independent registered valuer CBRE Limited (CBRE) for all reporting periods presented.

CBRE determined the fair value of all care facility assets using an earnings-based multiple approach where the lower of actual or projected earnings before interest, tax, depreciation, amortisation and rent is capitalised at rates of between 11% to 17% (2014: 11% to 16%). The valuation prepared has been split between land, improvements, chattels and plant and goodwill to determine the fair value of the assets. The revaluation, net of applicable deferred income taxes, was recognised in other comprehensive income and is shown in 'revaluation reserve' in shareholders equity.

In valuing the care facilities CBRE gave consideration to relevant general and economic factors, investigated recent comparable property transactions and reviewed the components that contribute to the value of the assets. CBRE consider the key influences fall into four major categories being; age and quality of the facility, government regulation and policy, and investor profile and demand to enter the sector. Once the outcome of this process is known, it is analysed on a per bed basis and allowances are made for any revenue that is derived from delivering services into the wider village if required.

Notes to the Financial Statements

11. Property, Plant and Equipment (continued)

In the year ended 30 June 2015 an impairment loss of $1.3m was recognised in respect of the construction of Metlifecare The Orchards Limited's care facility (2014: $nil).

As the fair value of freehold land and buildings is determined using inputs that are unobservable, the Group has categorised property, plant and equipment as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 'Fair Value Measurement'.

The significant unobservable inputs used in the fair value measurement of the Group's portfolio of land and buildings are the capitalisation rates applied to individual unit earnings. A significant decrease (increase) in the capitalisation rate would result in a significantly higher (lower) fair value measurement.

If freehold land and buildings were stated on a historical cost basis, the amounts would be as follows:

$000	Freehold land	Freehold buildings
At 30 June 2015		
Cost	**2,905**	**15,119**
Accumulated depreciation	**-**	**(4,983)**
Net book value	**2,905**	**10,136**
At 30 June 2014		
Cost	2,905	15,096
Accumulated depreciation	-	(4,606)
Net book value	2,905	10,490

12. Finance Costs

$000	30 June 2015	30 June 2014
Interest expense	**2,712**	2,260
Facility costs	**1,641**	1,770
Less: interest expense and facility costs capitalised	**(4,182)**	(2,371)
	171	1,659

Notes to the Financial Statements

13. Income Tax Expense

$000	30 June 2015	30 June 2014
(a) Income tax expense		
Current tax	38	44
Deferred tax	10,812	9,611
	10,850	9,655
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	133,508	78,431
Tax at the New Zealand tax rate of 28%	37,382	21,961
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non taxable income and non deductible expenditure	(342)	(469)
Non taxable impact of investment property revaluation	(33,923)	(18,402)
Movement in property valuations for deferred tax	7,655	6,283
Tax impact of change in investment property depreciable tax base	(868)	470
Share of profit arising from joint venture	(284)	(134)
Other adjustments	2,326	394
Prior period adjustment	(1,096)	-
Tax losses arising in the current period and previously unrecognised tax losses	-	(448)
Income tax expense	10,850	9,655

The applicable tax rate was 28% (2014: 28%).

(c) Recognised deferred tax liability

The deferred tax balance comprises:

	30 June 2015	30 June 2014
Property, plant and equipment	116	4,661
Investment property	(104,924)	(97,269)
Deferred membership fees	12,692	16,716
Recognised tax losses	9,103	3,276
Other items	4,373	4,838
Net deferred tax liability	(78,640)	(67,778)

Movement in the deferred tax balance comprises:

$000	Balance 1 July 2014	Recognised in income	Recognised in OCI	Balance 30 June 2015
Property, plant and equipment	4,661	(4,495)	(50)	116
Investment property	(97,269)	(7,655)	-	(104,924)
Deferred membership fees	16,716	(4,024)	-	12,692
Recognised tax losses	3,276	5,827	-	9,103
Other items	4,838	(465)	-	4,373
Net deferred tax liability	(67,778)	(10,812)	(50)	(78,640)

$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	(58,086)	(9,611)	(81)	(67,778)

Notes to the Financial Statements

13. Income Tax Expense (continued)

Expected maturity of deferred tax liability:

$000	30 June 2015	30 June 2014
Within 12 months	975	906
After more than 12 months	(79,615)	(68,684)
	(78,640)	(67,778)

No income tax was paid or payable during the year. There are no unrecognised tax losses for the Group at 30 June 2015 (2014: nil).

Critical accounting judgements in respect of deferred tax are set out in note 3.

(d) Imputation credits

The imputation credit balance for the Group at 30 June 2015 is nil (2014: nil). No tax payments were made during the year and dividends paid were unimputed.

14. Cash and Cash Equivalents

$000	30 June 2015	30 June 2014
Cash at bank and in hand	1,194	839
Cash and cash equivalents per balance sheet	1,194	839
Less bank overdraft	-	-
Cash and cash equivalents per cash flow statement	1,194	839

15. Trade Receivables and Other Assets

$000	30 June 2015	30 June 2014
Trade receivables	4,229	3,853
Provision for doubtful receivables	(24)	(8)
	4,205	3,845
Occupation right agreement receivables	3,262	2,054
Prepayments	307	238
Amounts due from related parties	9	236
Other receivables	421	765
Total receivables and other assets	8,204	7,138
Past due but not impaired receivables		
1 to 3 months	129	116
Over 3 months	123	132
	252	248

All trade receivables and other assets are expected to mature within 12 months of balance date.

Notes to the Financial Statements

16. Trade and Other Payables

$000	30 June 2015	30 June 2014
Trade creditors	3,277	2,214
Sundry creditors and accruals	18,574	11,576
Employee entitlements	5,058	4,406
Total trade and other payables	26,909	18,196

All trade and other payables are expected to mature within 12 months of balance date.

17. Refundable Occupation Right Agreements

$000	30 June 2015	30 June 2014
Refundable security deposits	1,324,866	1,239,843
Residents' share of capital gains	29,625	29,503
Loans to residents	(5,705)	(5,241)
Membership fees receivable	(282,645)	(258,162)
Total refundable occupation right agreements	1,066,141	1,005,943

A new resident is charged a refundable security deposit, on being issued the right to occupy one of the Group's units or serviced apartments, which is refunded to the resident subject to a new occupation right agreement for the unit or serviced apartment being issued to an incoming resident, net of any amount owing to the Group. The Group has a legal right to set off any amounts owing to the Group by a resident against that resident's security deposit. Such amounts include membership fees, rest home/hospital fees, loans receivable, service fees and village fees. As the refundable occupation right is repayable to the resident upon vacation (subject to a new occupation right agreement for the unit or serviced apartment being issued to an incoming resident), the fair value is equal to the face value, being the amount that can be demanded.

The refundable ocupation right agreement gives the resident the right to occupy the investment properties of the Group and these rights are protected by the statutory supervisor restricting the ability of the Group to fully control these assets without undergoing a consultation process with all affected parties.

Expected maturity

The security deposit is refundable to the resident on vacation of the unit, apartment or serviced apartment or on termination of the occupation right agreement (subject to a new occupation right agreement for the unit or serviced apartment being issued to an incoming resident). In determining the fair value of the Group's investment properties CBRE (2014: CBRE) estimates the established length of stay to be 6.9 - 8.8 years for independent living units and apartments (2014: 6.9 - 8.9 years) and 4.1 - 4.7 years for serviced apartments (2014: 4.0 - 4.8 years). Therefore, it is not expected that the full obligation to residents will fall due within one year. Based on historical turnover calculations the expected maturity of the total refundable obligation to refund residents is as follows:

$000	30 June 2015	30 June 2014
Within 12 months	97,316	93,969
Beyond 12 months	968,825	911,974
	1,066,141	1,005,943

Notes to the Financial Statements

18. Interest Bearing Liabilities

$000	30 June 2015	30 June 2014
Bank loan	**60,026**	42,488
Capitalised debt costs	**(233)**	(467)
	59,793	42,021
Finance leases	**277**	521
Total interest bearing liabilities	**60,070**	42,542
Expected maturity		
Within one year	**83**	243
Later than one year	**60,220**	42,766
Total interest bearing liabilities excluding capitalised debt costs	**60,303**	43,009

Bank loan

The bank loan comprises the Core Revolving Credit Facility, Development Facility and Flexible Credit Facility, effective 8 March 2012 as amended from time to time.

The maturity of the Core Revolving Credit Facility of $50m is 31 October 2017 and the maturities of the Development Facility of $120m and Flexible Credit Facility of $10m are 31 October 2018.

At 30 June 2015, the Group had $180.0m (2014: $180.0m) of committed bank facilities, of which $120.0m was undrawn (2014: $137.5m). No amount was drawn under the Core Revolving Credit Facility at 30 June 2015 (2014: $6.0m), $55.6m (2014: $28.1m) was drawn under the Development Facility, and $4.4m (2014: $8.4m) was drawn under the Flexible Credit Facility.

The Lenders comprise a syndicate of three banks: ANZ Bank New Zealand Limited, ASB Bank Limited and Bank of New Zealand.

Interest

Interest on the bank loan is charged using the BKBM Bill Rate plus a margin and line fees.

Interest rates applicable in the year to 30 June 2015 ranged from 4.56% to 4.92% pa (2014: 4.92% to 5.98% pa).

Security

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 Lenders.

Metlifecare Limited has issued a letter of support for the bank borrowings of the 50% joint venture entity Metlifecare Palmerston North Limited.

Financial covenants

The financial covenants that the Group must comply with include Interest Cover Ratio and Loan to Value Ratio. During the year ended 30 June 2015, the Group was in compliance with its financial covenants (2014: in compliance).

Notes to the Financial Statements

19. Equity

(a) Contributed equity

	30 June 2015 Shares	30 June 2014 Shares	30 June 2015 $000	30 June 2014 $000
Issued and fully paid up capital				
Balance at beginning of the year	211,107,094	207,236,012	298,766	287,142
Shares issued net of transaction costs	1,216,525	3,971,082	4,929	11,624
Shares cancelled	(132,961)	(100,000)	-	-
Balance at end of the year	212,190,658	211,107,094	303,695	298,766

	30 June 2015 Shares	30 June 2014 Shares	30 June 2015 $000	30 June 2014 $000
Treasury shares				
Balance at beginning of the year	796,919	610,000	-	-
Shares cancelled under the senior executive share plan	(132,961)	(100,000)	-	-
Shares issued under the senior executive share plan	115,472	286,919	-	-
Balance at end of the year	779,430	796,919	-	-

$	30 June 2015	30 June 2014
Net tangible assets per share (basic)	4.29	3.75

Net tangible assets represents total assets less total liabilities less intangible assets. The shares on issue at the end of the year is used to calculate the net tangible assets per share.

Movements in the Company's issued share capital are set out below.

	Shares issued
Opening balance as at 1 July 2013	207,236,012
12 July 2013 - issued ordinary shares under share purchase plan - $3.10 per share	3,226,396
17 October 2013 - dividend reinvestment plan - $3.10 per share	132,283
8 April 2014 - cancelled treasury shares under the senior executive share plan	(100,000)
8 April 2014 - treasury shares under the senior executive share plan	286,919
17 April 2014 - dividend reinvestment plan - $3.91 per share	325,484
Balance as at 30 June 2014	211,107,094
17 October 2014 - dividend reinvestment plan - $4.39 per share	787,800
1 April 2015 - cancelled treasury shares under the senior executive share plan	(132,961)
1 April 2015 - treasury shares under the senior executive share plan	115,472
17 April 2015 - dividend reinvestment plan - $4.87 per share	313,253
Balance as at 30 June 2015	212,190,658

The Company incurred transaction costs of $55,109 issuing shares during the year (2014: $59,140).

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 executive team.

Notes to the Financial Statements

19. Equity (continued)

(b) Revaluation reserve

	30 June 2015 $000	30 June 2014 $000
Balance at beginning of the year	8,089	7,859
Share of gain on revaluation of care facilities arising from joint venture, net of tax	21	21
Gain on revalution of care facilities	178	290
Tax expense on revaluation of care facilities	(50)	(81)
Balance at end of the year	8,238	8,089

The revaluation reserve records changes in the value of property, plant and equipment (refer to note 2 (n)).

20. Dividends

	Cents per share	30 June 2015 $000	30 June 2014 $000
Recognised amounts			
Final dividend for 2013	2.00	-	4,209
Interim dividend for 2014	1.25	-	2,632
Final dividend for 2014	2.50	5,278	-
Interim dividend for 2015	1.50	3,178	-
Total dividends paid		8,456	6,841

21. Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares on issue during the year.

Diluted

Diluted earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares on issue during the year. The Group does not have any options or convertible shares on issue, therefore the weighted average number of shares on issue is the same for the calculation of basic and diluted earnings per share.

Shares issued under the senior executive share plan are entitled to dividends (refer to note 25).

Profit attributable to equity holders ($000)	122,658	68,776
Basic and Diluted		
Weighted average number of ordinary shares on issue (thousands)	211,719	210,558
Earnings per share (cents)	57.9	32.7

22. Contingencies

Contingent liabilities

There are no material contingent liabilities as at 30 June 2015 (2014: nil).

Notes to the Financial Statements

23. Commitments

$000	30 June 2015	30 June 2014
Capital commitments		
Estimated commitments contracted for at balance date but not yet incurred	75,578	54,754
	75,578	54,754
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	462	296
Later than one year but not later than five years	1,781	1,635
Later than five years	1,461	1,767
	3,704	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.

24. Related Party Transactions

The following transactions were carried out with related parties:

(a) Key management personnel compensation

The compensation paid or payable to key management personnel is set out below. The key management personnel are all executives with the authority for the strategic direction and management of the Group. The directors are remunerated through directors' fees and expenses.

$000	30 June 2015	30 June 2014
Salaries and other short-term employee benefits	2,969	3,019
Senior executive long term share plan	844	486
Termination benefits	433	75
Total	4,246	3,580

(b) Transactions and balances

During the year ended 30 June 2015 the joint venture company repaid $227,000 of advances to the Company (2014: received $252,000 of advances from the Company).

As at 30 June 2014 the joint venture company owed $9,000 to the Company (2014: $236,000).

(c) Terms and conditions

Joint venture company advances

Advances due from the joint venture company are secured by way of a General Security Agreement and are repayable with a minimum of 12 months' notice. At balance date, notice had not been given in relation to these advances. Interest charges are calculated monthly based on the Group Treasury average cost of funds. Interest rates applicable in the twelve month period to 30 June 2015 ranged from 5.84% to 6.16% (2014: 5.20% to 5.71%).

Notes to the Financial Statements

25. Share-Based Payments

Senior executive share plan

The Group introduced a long term share incentive plan for the senior executives in 2012. This plan is intended to align the interests of senior executives with the interests of shareholders and provide a continuing incentive to the senior executives over the long term horizon.

Description of the Scheme

The key features of the senior executive share plan are set out below:
- executives purchase shares in the Company funded by an interest free loan from the Company, with the shares held on trust by the trustee of the Scheme until the end of a three year period;
- the performance hurdles are initially measured three years from the date of the grant under the Scheme;
- if the performance hurdles are not met, they will be re-tested at six monthly intervals for one year following the original testing date on approval by the Board;
- shares will be forfeited by executives without compensation to the extent performance hurdles are not achieved or if the executive ceases to be employed by the Group in all but limited circumstances;
- the performance hurdles include an assessment of Total Shareholder Return (TSR), comprising annual dividends paid and share price growth;
- subject to achieving a minimum TSR hurdle, the number of shares that vest on a vesting date will be 50% if the TSR return equals the 50th percentile of the TSR of the peer group (being members of the NZSX 50 Index at the Grant Date);
- the number of shares that vest on a vesting date will be scaled between 50% and 100% if the TSR return is between the 50th percentile and 75th percentile of the TSR of the peer group;
- the number of shares that vest on a vesting date will be 100% if the TSR return exceeds the 75th percentile of the TSR of the peer group;
- if shares vest, executives are entitled to a cash amount which, after deduction of tax, is equal to the amount of their loan balance for shares which have vested. That cash amount is applied towards repayment of their loan balance.

Share rights issued

The Scheme is accounted for as an in substance share rights scheme. A summary of each of the "share rights" issued and the key assumptions adopted in determining the fair value are summarised below:

	Tranche 3	Tranche 2	Tranche 1
Share rights issued	115,472	286,919	610,000
Exercise price	$4.77	$3.21	$3.10
Grant date	1 April 2015	19 September 2013	6 September 2012
Vesting date	1 April 2018	19 September 2016	6 September 2015
Valuation model	Margrabe	Margrabe	Monte Carlo
Estimated share price volatility	20.19%	21.90%	20.55%
Estimated index volatility	8.62%	7.70%	9.85%
Correlation with the NZX 50 index	43.52%	36.00%	50.00%
Fair value of share rights per option	$2.68	$1.36	$1.11

A reconciliation of the share rights on issue is provided below:

	30 June 2015	30 June 2014
Share rights outstanding at 1 July	**796,919**	610,000
Granted during the year	**115,472**	286,919
Cancelled during the year	**(132,961)**	(100,000)
Share rights outstanding at 30 June	**779,430**	796,919

Notes to the Financial Statements

25. Share-Based Payments (continued)

The table below sets out amounts recognised in respect to share based payments.

$000	30 June 2015	30 June 2014
Share based payment expense recognised in the consolidated statement of comprehensive income	**357**	218
Accumulated employee share based payment expense recognised in the employee share scheme reserve	**657**	300

26. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme considers the volatility of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. From time to time the Group uses derivative financial instruments such as interest rate swap contracts to manage certain interest rate risk exposures. Derivatives are exclusively used for economic hedging purposes (while hedge accounting is not applied as the Group does not meet the hedge accounting criteria) and not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates to determine market risk and ageing analysis for credit risk.

Risk management is carried out under policies approved by the Board of Directors. The Board and Group has approved policies covering overall risk management, as well as policies covering treasury and financial markets risks.

The Group holds the following categories of financial instruments:

Loans and receivables - financial assets comprising cash and cash equivalents and trade receivables and other assets (excluding prepayments).

Other financial liabilities at amortised cost - financial liabilities comprising trade and other payables (excluding employee entitlements), bank loans and finance leases and refundable occupation right agreements.

(a) Market risk

(i) Foreign exchange risk

The Group does not have a material exposure to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

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.

The cash flow and fair value interest rate risks are monitored by the Board on a monthly basis. Management monitors the existing interest rate profile and as appropriate presents interest rate hedging analysis and strategies to the Board for consideration and approval prior to entering into any interest rate swaps. The position is managed depending on the timeframe, underlying interest rate exposure and the economic conditions.

At 30 June 2015, it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profits after tax by approximately $0.6m (2014: $0.4m) and would decrease equity by $0.6m (2014: $0.4m).

Notes to the Financial Statements

26. Financial Risk Management (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure from trade receivables with outstanding receivables.

The Group has no significant concentrations of credit risk. The Group policy is to require a security deposit from new residents before they are granted the right to occupy a unit. Therefore, the Group does not face significant credit risk. The values attached to each financial asset in the balance sheet represent the maximum credit risk. No collateral is held with respect to any financial assets. The Group enters into financial instruments with various counterparties in accordance with established limits as to credit rating and dollar limits, and does not require collateral or other security to support the financial instruments.
Cash and cash equivalents of the Group are deposited with one of the major trading banks. Non performance of obligations by the bank is not expected due to the Standard & Poor's AA- credit rating of the counterparty considered.

Refer to the trade receivables and other assets note (note 15) for more information on impairment of trade receivables. The Group receivables represent distinct trading relationships with each of the residents. There are no concentrations of credit risk with residents. The only large receivables relate to the residential care subsidies which are received in aggregate via the various District Health Boards and Work and Income New Zealand. None of these entities are considered a credit risk.

(c) Liquidity risk

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

Cash flow forecasting is regularly performed by the Group. The Group monitors rolling forecasts of liquidity requirements to ensure sufficient cash to meet operational needs, while maintaining headroom on undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance. Surplus cash held by the operating entities is used to repay debt in the Working Capital Facility.

As part of the Group's treasury activities and liquidity management, all subsidiaries interact through intercompany accounts with Metlifecare Limited on a daily basis and without restriction. This encompasses receipts from residents, payments to suppliers, and receipts and payments to residents under occupation right agreements.

Maturity profile of financial liabilities

The bank loans are drawn down for fixed periods of 1 - 3 months and renewed at the conclusion of each fixed period. The maturity of the bank loans drawn down from the committed bank facilities are shown in note 18.

Total amounts payable within one year under finance leases total $83,000 (2014: $243,000) and $194,000 (2014: $271,000) between 1 and 5 years.

Occupational right agreements are repayable to the resident on vacation of the unit or serviced apartment. It is not anticipated that all amounts will be immediately repayable on occupational right agreements. The expected maturity of the refundable occupation right agreement liability is shown in note 17 which reflects historical turnover calculations.

Notes to the Financial Statements

26. Financial Risk Management (continued)

(d) Capital risk management

The Group manages its capital risk with regard to its gearing ratios (net debt to total capital), as a guide to capital adequacy, borrowing ratios such as interest cover and loan to value ratios, exposure to liquidity and credit risk and exposures to financial markets volatility.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or disclosure purposes. The carrying value of financial assets and financial liabilities are assumed to approximate their fair values unless otherwise disclosed.

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

$000	30 June 2015	30 June 2014
Profit after tax	122,658	68,776
Adjustments for:		
Change in fair value of investment properties	(121,152)	(65,720)
Change in fair value of residents' share of capital gains	3,187	2,730
Employee share scheme	357	218
Depreciation	1,775	1,340
Amortisation	215	392
Movement in deferred tax expense	10,812	9,611
Loss on disposal of property, plant and equipment	190	15
Impairment of property, plant and equipment	1,284	-
Share of profit arising from joint venture, net of tax	(1,015)	(477)
Changes in working capital relating to operating activities:		
Trade receivables and other assets	4,468	5,885
Trade and other payables	2,682	785
Deferred membership fees	6,369	5,168
Refundable occupation right agreements	51,443	30,772
Net cash inflow from operating activities	83,273	59,495

Notes to the Financial Statements

28. Subsidiaries of the Group

All subsidiary companies are 100% owned and incorporated in New Zealand with a balance date of 30 June.

Operating entities

Forest Lake Gardens Limited
Hibiscus Coast Village Holdings Limited
Hillsborough Heights Village Holdings Limited
Longford Park Village Holdings Limited
Metlifecare 7 Saint Vincent Limited
Metlifecare Bayswater Limited
Metlifecare Coastal Villas Limited
Metlifecare Crestwood Limited
Metlifecare Greenwich Gardens Limited
Metlifecare Greenwood Park Limited
Metlifecare Highlands Limited
Metlifecare Kapiti Limited
Metlifecare Pakuranga Limited
Metlifecare Pinesong Limited
Metlifecare Powley Limited
Metlifecare Somervale Limited
Metlifecare The Avenues Limited
Metlifecare The Orchards Limited
Metlifecare The Poynton Limited
Metlifecare Wairarapa Limited
Private Life Care Holdings Limited
Vision (Bay of Islands) Limited
Vision (Dannemora) Limited
Vision (Papamoa No. 2) Limited
Vision Senior Living Investments Limited
Vision Senior Living Limited
Waitakere Group Limited

Dormant entities

Bay of Plenty Retirement Village Limited
Longford Park Village Limited
Metlifecare Merivale Limited
Metlifecare Oakwoods Limited
Provider Care NZ Limited
Third Age Care Limited
Vision (Christchurch) Limited

All subsidiaries, except the dormant entities, own and manage retirement villages.

29. Subsequent Events

On 26 August 2015, the directors approved a dividend of 3.0 cents per share amounting to $6.37m. The dividend record date is 17 September 2015 and payment will occur on 1 October 2015.

There are no further subsequent events between 30 June 2015 and the date that the financial statements were authorised by the directors.

Independent Auditor's Report

to the shareholders of Metlifecare Limited

Report on the Financial Statements

We have audited the Group financial statements of Metlifecare Limited ("the Company") on pages 2 to 37, which comprise the balance sheet as at 30 June 2015, the statement of comprehensive income, the statement of movements in equity and the cash flow statement for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Independent Auditor's Report

Metlifecare Limited

Opinion

In our opinion, the financial statements on pages 2 to 37 present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Auckland

26 August 2015