GATHERING PACE

2017 Annual Report

Metlifecare

This Annual Report is signed for and on behalf of the Board of the Company by:

K.R. Ellis
Chair

A.B. Ryan
Director

Date: 5 September 2017

This year, the pace of change continued to increase as we delivered on our ambitious growth targets and made solid progress towards our strategic goals.

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OUR YEAR

2016

JUNE

SALE OF WAIRARAPA VILLAGE completed

AUGUST

RED BEACH SITE acquisition completed

SEPTEMBER

GREENWICH GARDENS VILLAGE officially opened

NOVEMBER

REBRAND with 'More to Come' proposition

THERE'S MORE TO COME AT Metlifecare

2017

JANUARY

Construction commenced on REGENERATION OF PINESONG VILLAGE Manukau apartments

SIMON GAULT PARTNERSHIP announced

FEBRUARY

RECORD FY17 INTERIM RESULT announced

APRIL

SHAREHOLDER BASE BROADENED through sale of Infratil's 19.9% shareholding

MAY

NEW CARE STRATEGY introduced

BOTANY SITE acquisition completed

JULY

GREENWICH GARDENS CARE HOME opened

METLIFECARE

AT A GLANCE

We are in the business of developing, owning and operating high-quality retirement villages and providing care for New Zealand's older people.

Our villages are in prime North Island locations and, since 1984, we have been an industry leader in providing vibrant social communities and an outstanding level of care for our residents.

24
VILLAGES

3
NEW VILLAGE SITES

MORE THAN
5,200
RESIDENTS

LOOKED AFTER BY OUR
1,054
DEDICATED STAFF

98% VILLAGE OCCUPANCY
(INCLUDING CONTRACTED STOCK)

96% CARE OCCUPANCY

2,084 INDEPENDENT LIVING UNITS
1,630 INDEPENDENT LIVING APARTMENTS
484 CARE APARTMENTS
342 CARE BEDS & SUITES


Artist impression of Pinesong Manukau Apartments

PLANNED DEVELOPMENT
(IN NEW AND EXISTING VILLAGES)

1,305 INDEPENDENT AND CARE UNITS
361 CARE BEDS AND SUITES

FY17 FINANCIAL
PERFORMANCE

Net profit after tax
$251.5m *up 10%*

Net tangible assets per share
$6.43 *up 21%*

Underlying operating cash flows[1]
$51.3m *up 2%*

Loan to value ratio[1]
5% *significant future investment capacity*

Realised development margin[1]
$19.0m *up 88%*

Total assets
$3.0b *up 14%*

Embedded value per unit[1]
$269k *up 29%*

Earnings per share
$1.18 *up 10%*

Dividend total for FY17
8.05c *per share, up 40%*

Percentage changes compared to FY16

1 These measures are non-GAAP financial measures. The definitions of these and other non-GAAP financial measures in this report can be found in the FY17 results presentation on page 44.

FY17 OPERATING

ACHIEVEMENTS

Accelerated growth

New units and beds delivered
235 *up 124%*

Development units sold
129 *down 7%*

Development margin
23% *up from 13% last year*

New site acquired in
Botany *East Auckland*

'Homestead Model' care home completed at
Greenwich Gardens

Percentage changes compared to FY16

Villages

Occupation right agreement units resold
349 *down 19%*

Average resale gain per unit
$172k *up 55%*

Occupancy
Village 98% *maintained*

Occupancy
Care 96% *up 3 percentage points*

Percentage changes compared to FY16

CHAIR & CEO'S
YEAR IN REVIEW

Welcome to Metlifecare's Annual Report for the financial year to 30 June 2017, a year in which we delivered on our ambitious growth targets, as well as making solid progress towards the achievement of our longer-term goals.

Kim Ellis
Chair

Glen Sowry
CEO

We are proud of the results we have delivered for shareholders during the year. One of our many highlights was a strong development performance to deliver more than double last year's number of new units and care beds. Our selling price growth has outperformed the market, and we continue to experience strong demand thanks to the outstanding work carried out by our sales, marketing and village teams.

We have continued to strengthen our care proposition - our resident-directed care philosophy is now well established across the business, and we were delighted to complete our first new 'homestead model' care home supporting this approach, setting a new standard in the design of care homes.

And where would 2017 have been without Simon Gault? He has become part of the Metlifecare family, transforming our menus and working with our chefs and kitchen teams to lift the food and dining experience across our villages, and helping build our profile as a quality operator.

As with all change, it's the hard work behind the scenes that creates the environment for a sustained performance improvement. We have made tremendous progress in: building capability across the business; embedding standardised processes and procedures; and ensuring our whole team remains aligned and focused on our strategic goals.

We have finished the year in an excellent position to generate further value for shareholders over the coming year.

Financial overview

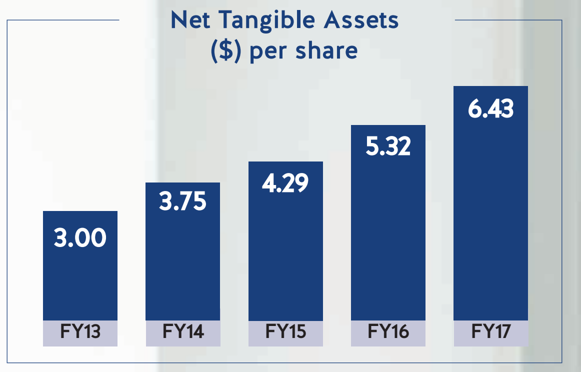
We are pleased to report another record profit performance for the year to 30 June 2017, with net profit after tax of $251.5 million, 10% higher than last year's $228.7 million. Underlying profit before tax, which removes unrealised gains in investment properties, was $82.1 million, 24% higher than last year.

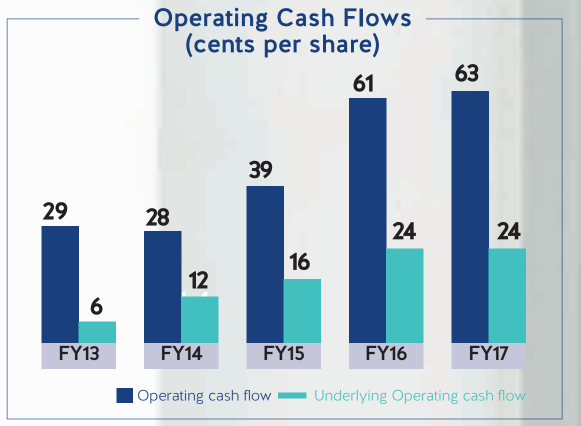
The record performance drove a 14% increase in the total asset values to $3.0 billion, as well as a significant uplift in realised resales gains and development margins, including an 88% increase in the realised margin on occupation right agreements for development units to $19.0 million.

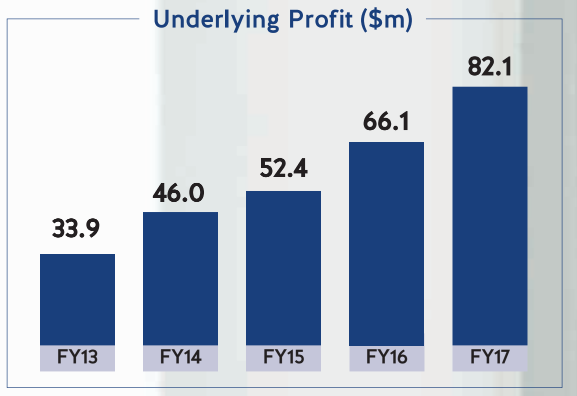
Metlifecare's net tangible assets increased to $6.43 per share, up 21% or $1.11 per share; and earnings per share increased by 10% to $1.18 per share.

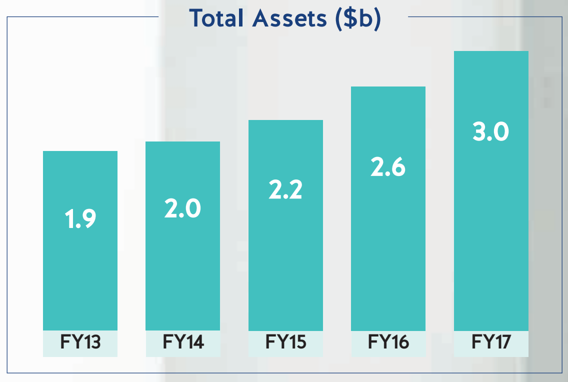
Net operating cash flows increased by 3% to $133.8 million, and underlying operating cash flows (excluding development sales) grew by 2% to $51.3 million. This improvement was driven by focused sales price management which contributed to average resale price growth of 20% per settlement, and increased average realised resales gains of 55% per settlement. The positive impact of these outcomes was offset in part by lower levels of stock coming available for resale during the year, nonetheless this is a creditable operating performance.

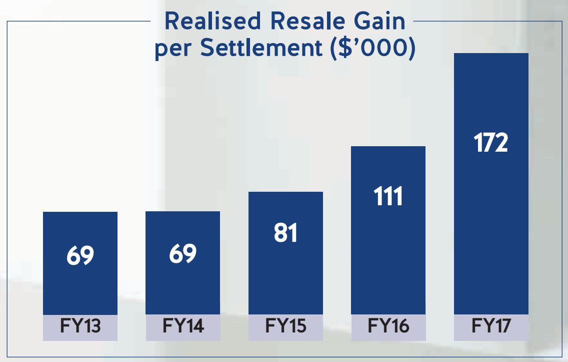
From the 2018 financial year onwards, Metlifecare will use underlying operating cash flows as its preferred indicator of operating performance (see inset note over page).

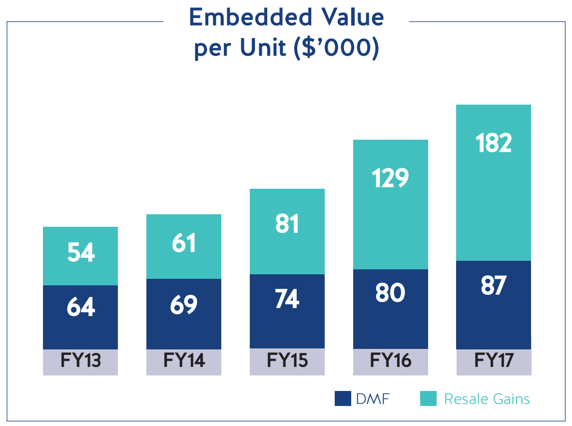


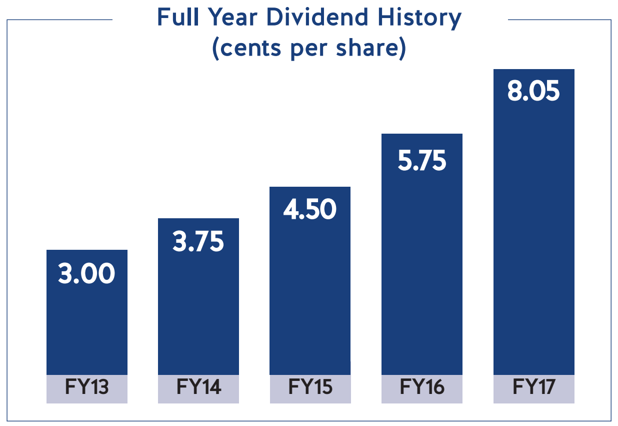












Increasing our performance disclosure

Following a review of performance measures, we are changing the way we report performance to provide greater clarity and detail for investors:

- We have increased disclosure regarding the **independent CBRE valuation of villages** including a breakdown in the valuation movement and more detail surrounding individual village valuations and key assumptions as set out in the FY17 Results presentation
- We have introduced a new term, **underlying operating cash flows**[1], which removes the impact of development sales cash flows from operating cash flows
- We have provided additional detail on **corporate costs** and the level of capitalisation of those costs
- We consider **reported NPAT** to be the strongest measure of movement in shareholder value despite being variable in nature due to property price movements. It incorporates the increase in the value of Metlifecare's investment properties derived from an independent valuation of the future cash flows. It also encompasses the full development impact including costs of common areas, excess cost of care homes over valuation, future cash flows and expenses related to new units
- We consider **realised development margin** to be the most appropriate measure to reflect period-to-period movements in development performance and outcomes. However, we do not consider it to be attributable to a profit measure because it excludes offices, common areas and care home costs all of which are required for retirement villages. This measure is included in the audited financial accounts and prepared by Metlifecare on a consistent basis.

1 Underlying operating cash flows are a preferred indicator of operating performance as they indicate cash DMF, cash realised resale gains and cash tax paid.

Development and operations

The pace of change increased over the year as key initiatives were implemented in the Company's three strategic focus areas – Accelerated Growth, Commercial Intensity and Customer Experience. Please refer to our progress scorecard on page 19.

Our development team delivered 235 new units and care beds, 124% more than last year. During the year, 129 new occupation right agreements were settled, down slightly from last year's 138 units due to the delivery timing of 82 new units which were completed late in the fourth quarter. Since 30 June 2017, 39% of the completed units have been settled or are awaiting settlement, with solid interest in the remainder. The realised development margin for new occupation right agreements settled increased significantly to 23%, well ahead of both last year's achieved margin of 13%, and the minimum target of 15%.

The new 48-bed care home at Greenwich Gardens opened on 24 July 2017, following completion in late June, and is already well ahead of target occupancy levels.

Realised gains on the resales of occupation right agreement units increased by 19% to $55.3 million. This was an excellent result given the lower availability of stock for resale, as well as the temporary decommissioning of 25 units by Metlifecare for remediation and redevelopment purposes. Resales volumes for the year totalled 349, 19% lower than last year.

Total revenue for the year was up 3% to $109.1 million reflecting the additional weekly fee revenue from added village capacity, a 12% increase in premium care revenue, plus the ongoing phasing of the 30% deferred membership fee contract turnover; and partially offset by the revenue impact from the sale of the Wairarapa Village on 30 June 2016. Total expenses increased by 9% to $108.9 million primarily as the result of a $4.4 million increase in residents' share of capital gains due to higher resale prices; and a $6.5 million increase in depreciation and impairment. Other operating costs, including employee and property costs, remained stable.

Embedded Value is used to identify the future potential cash that can be generated from realised resales gains and deferred management fees when a unit is resold.

Embedded Value per unit grew by 29% to $269k per unit, reflecting both the strength of Metlifecare's resale gains and the ongoing impact of the increased deferred membership fee structure.

Capital management

We have maintained a conservative approach to capital management to ensure Metlifecare is well-positioned to fund future investment opportunities and lift development activity, as well as managing risk in the event of softening market conditions.

The Company's balance sheet remains exceptionally strong, with bank debt of $72.6 million, $8.2 million lower than last year. Our loan to value ratio (LVR) as at 30 June 2017 was 4.8%, well within the current banking LVR limit of 35%, providing significant headroom for future growth within the existing debt parameters.

The ratio between underlying operating cash flows to interest (Metlifecare's proxy for interest cover) increased to 17.3 from 14.5, reflecting a very strong level of debt servicing capability.

During the period under review, Metlifecare invested $120.3 million in land, village development, village maintenance and care. Strengthened land acquisition criteria with new parameters and margin hurdles have resulted in more rigorous investment decision-making and therefore provide a strong degree of confidence in our return on investment expectations.

In April 2017, the Company's shareholder base broadened through the sale of Infratil's 19.9% stake in the Company to a range of investors. Infratil bought into Metlifecare in 2013 as a cornerstone shareholder, at the same time as the New Zealand Superannuation Fund. We acknowledge the stability Infratil provided during an important period of consolidation, which subsequently enabled the Company to position itself well for future growth.

Dividend

The Board has declared a final dividend of 5.8 cents for the six months to 30 June 2017, bringing the full year's dividend to 8.05 cents, which is 2.3 cents and 40% higher than last year. The dividend is un-imputed and will be paid on 29 September 2017, with the record date of 15 September 2017.

Metlifecare aims to maintain a dividend pay-out ratio of 30% to 50% of underlying operating cash flows, which will balance returns to shareholders with the need to fund the Company's growth. Using this calculation, we have excluded development sales as they are used to repay development debt associated with the construction of new villages and are therefore not available for distribution to shareholders.

The dividend reinvestment plan is not in effect for this dividend, with further information available on the Company website: https://www.metlifecare.co.nz/investor-centre/dividends.

FINANCIAL SUMMARY

	FY17	FY16	CHANGE
Net profit after tax ($m)	**251.5**	228.7	10%
Underlying operating cash flow ($m)	**51.3**	50.5	2%
Net operating cash flow ($m)	**133.8**	130.0	3%
Earnings per share (cps)	**118.1**	107.5	10%
Net tangible assets per share ($)	**6.43**	5.32	21%
Total assets ($b)	**3.0**	2.6	14%
Fair value movement during period ($m)	**258.8**	237.2	9%
Total equity ($m)	**1,370.2**	1,133.0	21%
Bank debt ($m)	**72.6**	80.8	-10%
Loan to value ratio (%)	**4.8**	6.3	-1.5ppts
Embedded value per unit ($k)	**269.1**	208.1	29%
Dividend per share (cps)	**8.05**	5.75	40%

Our people

We would like to thank the entire team at Metlifecare for their passion and valuable contribution towards the year's achievements. We truly appreciate the dedication and commitment of all our people in enhancing the quality of our residents' lives on a daily basis.

Building organisational capability remains a priority and we have continued to invest in programmes that will enable our people to fulfil their jobs both today and in the future. During the year, Metlifecare invested around $700,000 in learning and development opportunities across all parts of the business, with a total of 20,147 hours of training and development. In total, this represented an average investment of 19 hours and $663 per employee across 1,054 employees. Our in-service training, which includes our NZQA level qualifications, accounted for a total of 40% of all training delivered.

Our overall IBM Best Workplaces employee engagement score increased slightly to 80%, which is a very positive outcome during a period of significant change. The response rate to our annual survey also increased to 82%, four percentage points higher than last year. Our survey showed particular improvement in the level of confidence in Metlifecare's senior leadership; in having a clear vision of where we are going; and in team work and collaboration across the business.

Metlifecare benchmarks favourably across most engagement indicators when compared to other large organisations in New Zealand and abroad. We recognise the importance of having engaged and motivated people who are aligned and equipped to deliver against our strategic goals, and are proud of what we have accomplished.

The Company also made good progress during the year in health and safety initiatives. We achieved AS/NZS 4801 certification in February 2017. The objective of this standard is to set auditable criteria for an occupational health and safety management system. The standard is a specification that aims to encompass the best elements of such systems already widely used in Australia and New Zealand and recognises the standard that we have achieved in our Health and Safety systems and practices.

The introduction of a new contractor management system during the year has significantly strengthened the behavioural and reporting requirements on our building and refurbishment sites, with the added value of pre-qualifying our contractors.

The Lost Time Injury Frequency Rate (LTIFR) for the year remained stable, and whilst this did not reflect the ongoing investment in this area, we saw a marked increase in the reporting of near misses and hazardous observations both internally and from our contract partners, which gives us confidence that our ongoing investment in health and safety will show benefits and further improvements in years to come.

The completion of this reporting period will also mark the departure of Metlifecare's long-serving Chief Financial Officer, Tristram van der Meijden, to focus on his personal business interests. Tristram has made a significant and valuable contribution to Metlifecare in respect of both his leadership and his financial expertise, and we wish him well for the future. We also welcome our new Chief Financial Officer, Richard Thomson, who joins the Company in mid-September.

We also bid farewell and thanks to Blanka Ros, our General Manager Marketing, who is leaving the Company after eight years to move overseas. Blanka has led all of the recent re-branding activity and leaves a strong legacy for her successor to build on.

Board

In April 2017, the Board's two Infratil director representatives, Kevin Baker and William Smales, resigned following the sale of Infratil's shareholding. Kevin and Will made a valuable contribution to the Company on behalf of all shareholders, and we thank them for the expertise and dedication they brought to the Board and wish them well for the future.

In the search for replacement directors, the Board focused on strengthening its skillset in the areas of development, construction and asset management as well as bringing in new expertise in customer experience and digital capability. In July 2017, Mark Binns and Rod Snodgrass were appointed to the Board, bringing considerable listed Company experience and expertise that will challenge and bring new insights to the Company. We welcome Mark and Rod to the Metlifecare team and look forward to working with them. Both Mark and Rod will stand for election by shareholders at the Annual Meeting on 24 October 2017 with the unanimous support of the Board.

In addition, Kim Ellis and Alistair Ryan are standing for re-election at the Annual Meeting. They also have the unanimous endorsement of the Board.

An integral part of our communities

Our Metlifecare villages work very hard to be part of their communities and each village gets to choose community initiatives that are meaningful to them. This results in a wonderful range of events involving the wider community, with dozens of causes being helped along the way. We salute our villages on behalf of all the pre-schools, schools, sports teams, performing arts groups, charities, clubs and all the other people they touch and support.

Metlifecare also supports several causes which are dedicated to making New Zealand's communities better places to live. We are very proud to be the patron sponsor of the esteemed Senior New Zealander of the Year, at the New Zealander of the Year Awards, and congratulate Sue Paterson, the worthy recipient of this year's award (see inset story). We are also continuing to recognise youth achievement through Metlifecare's Leadership and Innovation Award - and congratulate Christian Herrera, this year's recipient for his leadership role at his school and a number of groups he belongs to, ranging from Student Executive group and basketball to YouDance Festival.

In respect of wider community support, Metlifecare has been a supporter of the highly-valued Auckland Rescue Helicopter Trust since 2010, and has this year also become a supporter of the Wellington Free Ambulance – assisting both organisations in their mission to save lives.

Looking ahead

Over the 2018 financial year our focus is to leverage the momentum we have established, and continue to drive shareholder value. We are well supported by our strong balance sheet and operating cash flows, which provide significant financial capability to pursue commercially attractive investment opportunities.

Accelerated growth remains core to our strategy. The Company's analysis shows strong long-term sector fundamentals in our regions, including the continued increase in anticipated housing demand, an ongoing undersupply of housing development and the escalating growth of our target demographic. Projections show that the population aged over 75 in our regions will double to around 225,000 potential customers in the next 15 years.

With our expanded development programme well established, we will also be heavily focused on further targeted land acquisitions to enhance our longer-term land bank. The ongoing investment in regeneration and remediation of our villages will continue to improve the experience and wellbeing of our residents and ensure our villages remain competitive and attractive in the future. We are looking forward to a busy and exciting year ahead.

Kim Ellis
Chair

Glen Sowry
CEO

SUPPORTING OUR COMMUNITY

METLIFECARE SENIOR NEW ZEALANDER OF THE YEAR 2017

Sue is a living legend in the dance and arts sector in New Zealand from her beginnings with Limbs Dance Company. Since those early days, Sue has led the Royal New Zealand Ballet Company and most recently, was Executive Director of the New Zealand Festival.

Sue has inspired generations of Kiwis with her enthusiasm and brilliance as an arts manager, delivering hugely successful festivals including New Zealand Festivals, Jazz Festivals, Lexus Song Quests and the exceptionally successful Edinburgh Tattoo. Sue's work over 40 years has had a lasting impact on New Zealand's art and cultural scene - she is a true taonga of the arts, a passionate woman of influence and a proud New Zealander.

SUE PATERSON

MAKING STRATEGIC

PROGRESS

Our strategic goals

Metlifecare will leverage the strengths of its portfolio and operating model to create future value, with particular focus on the following areas:

accelerated
1. GROWTH

commercial
2. INTENSITY

customer
3. EXPERIENCE

1. ACCELERATED GROWTH: Our accelerated development programme in high-growth, strong-yield locations, will be achieved through targeted growth with a focus on:

A land acquisition strategy with clear investment parameters, which targets optimal locations and opportunities • At least one new site acquired	• New Botany site	✔
A robust and scalable development strategy matched by strong development capability • 229 new units and beds delivered	• 235 units and beds delivered	✔
Optimised supply chain management and construction delivery • Minimum 15% margin on development units	• 23% margin achieved	✔

2. COMMERCIAL INTENSITY: We will capture maximum value from our existing portfolio through:

Superior sales capability and market knowledge • Outperform market	• % growth in selling prices and CBRE list prices exceeded REINZ growth in comparable regions	✔
Optimised customer mix and asset turnover • Strong focus on increasing our average age of entry	• Age of entry (years): - Units/apartments 77.8 (+0.9) - Care apartments 86.2 (+0.5)	✔
A fit-for-purpose refurbishment programme • Reduced turnaround times • Standardised fitouts and procurement	• 21 day reduction in refurbishment turnaround • Standardisation achieved	✔

3. CUSTOMER EXPERIENCE: Our diverse and unique villages are underpinned by a high level of care and service, through:

Villages designed to integrate with their local communities and enhance the experience of residents • New 'homestead model' care home launched • New generation village design developed	• Greenwich Gardens care home completed • New Red Beach village design	✔
Highly engaged and qualified employees • Increased overall employee engagement • Increased capability through employee participation in formal training • AS/NZS 4801 safety certification achieved • Employee turnover levels maintained or decreased	• 80% (+1%) • 19 hrs per employee (+475%) • AS/NZS 4801 certification • 25% turnover (+1ppt)	✔ ✗
Understanding and meeting the needs of existing and future residents • Launch resident-directed care strategy • Increased overall resident satisfaction • Increased care resident satisfaction	• Launched May 2017 • 90% (no change) • 92% (+4ppts)	✔
A significantly enhanced food and dining experience • Introduce new food and dining initiative • Increased resident food and dining satisfaction • Increased resident use of village cafés and restaurants	• Simon Gault partnership launched February 2017	✔

delivering accelerated GROWTH

	FY17	FY16	CHANGE
Development units delivered	187	69	171%
Care beds delivered	48	36	33%
Total new units and beds delivered	235	105	124%
Development units sold (units/apartments)	129	138	-7%
Average development unit price ($000)	640	576	11%
Development margin	23%	13%	10ppts
Development units available 30 June	63	26	142%
Units/beds under construction 30 June	254	279	-9%
New sites acquired	1	1	No change
Development land bank (units and care beds)	1,666	1,773	-6%

Metlifecare's growth strategy is based on leveraging the strengths of our existing portfolio to deliver brownfield redevelopment, as well as targeting new development opportunities in high-growth areas with strong property and demographic fundamentals. The largest and longest-established retirement village operator in the Auckland and Bay of Plenty regions, we remain well-positioned to take advantage of the projected high rates of population growth in the upper North Island.

Momentum continued to build throughout the year as new design, project management and procurement systems and processes were implemented, and additional team capability was embedded. We are pleased to report that all operating targets were achieved, most notably the delivery of 235 new units and care beds. Key development highlights in the year to 30 June 2017 included:

- Official opening of Greenwich Gardens on Auckland's North Shore
- Completion of new stages at Greenwich Gardens and The Orchards (Auckland); Oakridge Villas (Kerikeri); and Papamoa Beach Village (Bay of Plenty)
- Completion of new 48-bed home-like care home at Greenwich Gardens (Auckland)
- Unconditional purchase of a Botany village site overlooking the Pakuranga Golf Course
- Settlement of the Red Beach site; with resource consent granted post balance date.

The new Botany site next to the Pakuranga Golf Club in East Auckland is in an area with solid projected growth and a very supportive demographic profile, but with limited availability of quality retirement living options. Our intention is to develop a high-quality destination village which will attract residents from a wide catchment area, and design work is already well advanced for this exciting addition to our village portfolio.

In July 2017 (post balance date) we were delighted to announce the granting of a resource consent for our proposed village at Red Beach, north of Auckland (see inset story). We are now preparing for enabling civil works to commence in October 2017.

The development land bank has reduced by 6% to 1,666 units and beds, reflecting the completion of 235 new units and beds, the closure of the Pakuranga Village care home and the Pinesong Manukau apartment block prior to redevelopment and the less intensive Red Beach village design; and offset by the addition of the new Botany village. We remain heavily focused on acquiring further sites in targeted areas to enhance our land bank for the longer-term.

Looking ahead, we remain on track to deliver a further 233 units and care beds in the 2018 financial year, including new stages at Greenwich Gardens and Papamoa Beach villages; brownfield expansion projects at our Oakridge Villas (Kerikeri) and Somervale (Mt Maunganui) villages; and through village regeneration activity at Pinesong (Titirangi). We will continue to drive ongoing achievement of cost/quality targets and delivery timeframes to ensure our development margin target of 15% is met or exceeded.


Artist impression

METLIFECARE VILLAGES
THE NEXT GENERATION

When the resource consent application for our new Red Beach village was declined by Auckland Council in November 2016, we realised this could be an opportunity to establish new village design principles through a comprehensive master planning process. Through that work we developed fresh ideas about how to meet the needs and expectations of our next generation of residents, while also becoming an integral part of the local community.

In a collaborative process which included local residents and Council, we have created a more human-scale integrated neighbourhood precinct, which combines all the benefits of a fit-for-purpose retirement village with the intergenerational and social benefits of an urban community. We believe our prospective residents will also love the contemporary, dynamic design and welcoming environment of the new village.

Staying connected with friends, family and communities is a key contributor to the wellbeing of older people, and we believe this will become increasingly important to our future residents. As well as providing our residents with the full range of retirement village and care services, they will also be able to enjoy the social hubs and community touchpoints of a local neighbourhood, all within easy access.

We are excited about creating this new retirement living experience for our customers and look forward to delivering our first stage of units in mid-2019.


Artist impression


Artist impression


Artist impression for Pinesong village

intensifying our commercial

PERFORMANCE

	FY17	FY16	CHANGE
Total village occupancy (incl. contracted stock)	**98%**	98%	No change
Care occupancy	**96%**	93%	3ppts

	FY17	FY16	CHANGE
Units resold to new residents	**349**	430	-19%
Average resale price per settlement ($000)	**507**	423	20%
Average resale gain per settlement ($000)	**172**	111	55%
Average DMF per settlement ($000)	**74**	66	13%

	FY17	FY16	CHANGE
Independent units/apartments (average age of new residents)	**77.8 years**	76.9 years	0.9 years
Care apartments (average age of new residents)	**86.2 years**	85.7 years	0.5 years

The yields generated from our village portfolio are driven by the resale prices we achieve and the frequency of stock turn. These two factors are influenced by the quality and desirability of our village assets; the performance of the local housing market; the average age of resident entry into villages; and the speed, cost and quality of Metlifecare's refurbishment programme.

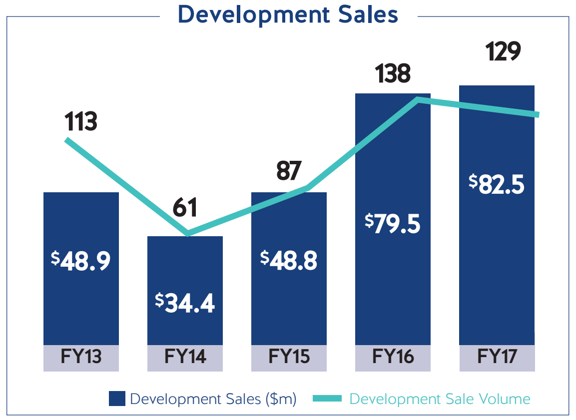
This year we set ourselves the challenge of outperforming the local housing market in respect of our price growth, and we have comfortably accomplished this goal with a 20% increase in the average resales price to $507k per settlement. This increase resulted from a more granular approach to market monitoring and price management, and compares very favourably to the largely flat year-on-year REINZ price movements across our regions.

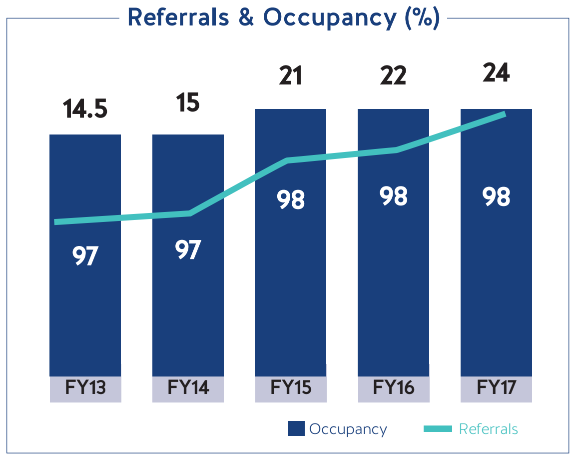
This strong pricing performance also contributed to an increase of 55% or $61k per unit in realised resales gains, bringing the average realised resale gain per settlement to $172k for the year.

The improvement of our refurbishment delivery performance was an important goal for the year (see inset story).

By implementing a more structured fit-for-purpose programme, we are now delivering higher quality but more cost-effective outcomes within significantly faster turnaround times.

Looking ahead, our focus will remain on optimising yields through close market monitoring and effective resale price management, as well as the benefits being realised through continued improvements to the refurbishment programme.





SMARTER AND FASTER

With more than 3,700 units in our village portfolio, the refurbishment programme is critical to ensuring our villages continue to attract new customers. Our goal this year was to establish a fit-for-purpose programme which focuses on great customer outcomes that also deliver a long-term return on investment.

We have standardised our approach to achieve efficient, consistent and quality delivery. During the year we introduced new standard operating procedures and new specifications for our villages and units. We also improved our project management, reporting and approval processes, as well as our supplier selection and management.

These initiatives together enabled us to deliver refurbishments on average 21 days faster than last year.

However, while we have standardised our refurbishment specifications, fittings and delivery, we have been careful to retain the unique flavour of each village décor, styling and finishing – something very important to our existing residents.

Because we're also thinking about our residents' future expectations, our fit-for-purpose refurbishments are also fit-for-the-future. Features such as LED lighting, bathroom heating, sensor lighting, USB points and ultra-fast broadband are being installed across our villages, and we will continue to update our programme as needs change.

As this programme gathers momentum we are seeing the value generated through the prices we are able to achieve as well as the improved maintenance profile, both of which are contributing to better returns.

driving value through the
CUSTOMER EXPERIENCE

	FY17	FY16	CHANGE
Brand awareness – unprompted	52%	37% (Nov 2016)	15ppts
Overall resident satisfaction	90%	90%	No change
Care resident and family satisfaction	92%	88%	4ppts
Resident referrals	24%	22%	2ppts

We regard the customer experience as a key driver of value and have developed a number of important strategic initiatives designed to increase resident satisfaction to boost customer referrals and attract new customers. While work on these initiatives is ongoing, our year-end measurements indicate solid improvement.

Increased customer satisfaction → **Excellent reputation** → **High referrals** → **High occupancy + Sales growth**

Care

Strengthening our care proposition is a key initiative. In May 2017, we announced our new resident-directed philosophy for aged care, which was developed following three years of research including a pilot scheme conducted in partnership with Massey University. Our philosophy centres on empowering residents to make their own choices and live as closely as possible to the way they would wish to live in their own homes, in a care environment. This has changed the way we operate our care homes as well as the way our staff work with residents and their families.

The 'homestead model' design of our two latest care homes reflects this philosophy. Both contain a number of smaller 'pods' - each with their own kitchen, dining and lounge area - which are designed to reflect a modern family environment where around 12 residents have their own space to relax or entertain family and friends.

Our first new 48-bed home at Greenwich Gardens was opened on 24 July 2017, with occupancy currently well ahead of the initial target. The second new 69-bed care home at Somervale in Mt Maunganui will open later this year, and we have recently announced three new care homes to be built at existing villages using the homestead model design within the next two financial years. All new care homes will provide hospital level care and generate premium income.

We are already seeing how well residents and their families are responding to this philosophy. Average care occupancy for the year was 96%, up three percentage points and well up on the national average of 87%; and premium care revenue has increased by 12% against last year. We expect these trends to continue as the care offering is further strengthened across our villages.

Food and dining

In February 2017, we began a new partnership with renowned chef Simon Gault to enhance the food experience for residents through revamping our menu and introducing new signature dishes across our villages (see inset story). While the programme is still in its early stages, it is not only popular with residents but is also establishing a point of difference with prospective residents.

Building our profile

Following a comprehensive market research and brand development programme, fresh new branding was launched in November 2016. This was spearheaded by the new 'More to Come' proposition and supported by media campaigns, public relations, a digital media strategy and village events – all of which aim to build profile, drive enquiries and support sales.

With minimal additional marketing expenditure, we have seen a significant improvement in brand awareness and recognition over the past six months. Unprompted brand awareness within our target market has increased by 15 percentage points to 52%, and importantly, village enquiries have also lifted by 11% against last year.

A WINNING RECIPE

Our partnership with Simon Gault reflects the importance Metlifecare places on the food and dining experience within its villages; and its role in bringing families together.

In February 2017 Simon agreed to join the Metlifecare family to lift the food and dining experience of our residents. Since then he has created new menu options and introduced a range of signature dishes designed to delight our residents.

We introduced Simon to our villages through a cooking show tour, in which more than 700 people attended cooking demonstrations in five villages, featuring Simon and our village chefs. Simon has since continued to train and inspire our village chefs and kitchen teams over a three-month period to ensure meals are delivered to a consistently high standard of cooking and presentation.

While our partnership with Simon is still in its early days, his input has already helped increase satisfaction with our village food and dining experience as well as raising Metlifecare's broader profile with our target market. Within our villages we have also experienced a notable increase in residents' use of our cafés and dining rooms.

Village regeneration

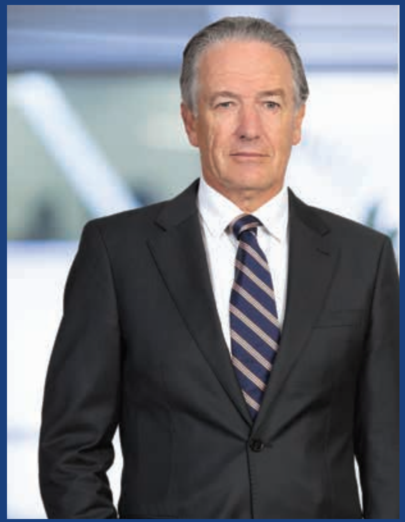
We are committed to ensuring our $3 billion portfolio of villages remains competitive and able to meet the future demands and expectations of residents. During the year we completed a Company-wide review of all properties.

As reported at half-year, we have initiated a number of remediation projects to address design deficiencies, costing an estimated $44.1 million over seven years. The remediation programme is now well under way, with the first group of reclad units complete at Coastal Villas on the Kapiti Coast. The work has created a fresh new look to the units and we are pleased to report it has generated a pricing uplift of around $100k per unit, thus providing a solid return on investment, as well as a significantly improved long-term maintenance profile.

In the year under review, $6.0 million was spent on long-term maintenance, including the upgrading of entrances and common areas in some of our more mature villages. Two regeneration projects were also initiated, including Pakuranga Village, where the size of the village will be substantially increased with new units, enhanced common amenity areas and the replacement of the existing care home with a new homestead model care home. A $6.6 million impairment expense was incurred in respect of Greenwich Gardens, Pakuranga Village and Somervale care homes, partly in association with regeneration.

Looking ahead, the ongoing regeneration and remediation of our villages will continue to improve the experience and wellbeing of our residents. The continued implementation of our differentiated resident care and food initiatives will also drive the increasing competitiveness and marketability of our villages.

OUR BOARD OF
DIRECTORS



Kim Ellis
Chair, Independent Director
BCA (Hons), BEng (Hons)

Kim is a highly experienced director and former Chief Executive Officer. He was the CEO of Waste Management NZ Ltd for 13 years, during which time he and the company won several prestigious management awards. Prior to that, he held extensive CEO positions since 1978. He is currently the Chair of NZ Social Infrastructure Fund. Kim's other directorships include Freightways, Port of Tauranga, Fonterra Shareholders' Fund and Ballance.

Kim chairs the Metlifecare Board and the Nominations and Corporate Governance Committee and is a member of the Audit & Risk, Development and Remuneration Committees.

Chris Aiken
Independent Director
BA

Chris has over 27 years' experience in the property sector, and is currently Chief Executive Officer of Hobsonville Land Company, which is completing New Zealand's largest residential development at Hobsonville Point, and undertaking other large-scale projects. He is a member of the Auckland Urban Design Panel and The New Zealand Treasury Large Scale Housing Steering and BRANZ Medium Density Steering Committees.

Chris has also had an extensive technology career as a founder, director and owner of several technology companies. He is a former director of Auckland City Council Property Board, and a former Chair of North Harbour Stadium, Telecom Retail Holdings and Origin Quarries Group.

Chris chairs Metlifecare's Development Committee and is a member of the Nominations & Corporate Governance Committee.

Mark Binns
Independent Director
LLB

Mark is a highly experienced Chief Executive Officer, and brings substantial experience in utilities, construction, property development and asset management to the Board. He is currently CEO of Meridian Energy, where he led the company through the largest Initial Public Offering in New Zealand's history.

Prior to that, Mark worked at Fletcher Building and Fletcher Challenge for 22 years, where he rose to the position of Chief Executive of Fletcher Building's Infrastructure Division. Mark's responsibilities included the company's construction activities where he was intimately involved in the negotiation and execution of a number of large infrastructure projects including SKYCITY, Museum of New Zealand Te Papa Tongarewa, Westpac Stadium and Eden Park.

Before joining Fletcher Challenge, Mark was a partner at the law firm Simpson Grierson.

Mark is a member of the Nominations & Corporate Governance and Remuneration Committees. He will also be a member of the Development Committee from 1 October 2017.

Alistair Ryan
Independent Director
MCom (Hons)

Alistair has extensive corporate and financial experience in listed companies, and held senior management roles, including that of Chief Financial Officer, at SKYCITY Entertainment Group for more than 16 years. Prior to SKYCITY, Alistair was a Corporate Services Partner with the international accounting firm Ernst & Young, based in Auckland. He is currently a director of Kingfish, Barramundi, Marlin Global, Evolve Education Group Ltd, Lewis Road Creamery Ltd, Kiwibank and Christchurch Casinos, and a Member of the New Zealand Racing Board and Chair of its Audit & Finance Committee. He is a Member of the Audit Oversight Committee and was a director of Vision Senior Living, prior to the merger with Metlifecare.

Alistair chairs Metlifecare's Audit & Risk Committee and is a member of the Nominations & Corporate Governance Committee.

Rod Snodgrass
Independent Director
BCA

Rod has extensive experience in corporate strategy, business and product innovation, digital growth, transformation and disruption in the New Zealand communications and media sector.

Rod was most recently Chief Executive Officer of Spark Ventures. Prior to that he was Spark's Chief Product Officer and before that Chief Strategy Officer. He is currently a director of JUCY Group and SMX, a Trustee of Springboard Trust and a member of AUT's Auteur's Influencers Panel. Rod is also an AUT Creative Tech Mentor and an Icehouse Flux Accelerator Mentor.

Rod also has a global strategic view of the technology industry having previously been on the Boards of the Mobile World Capital Advisory Board, Telco Futures Forum, Southern Cross Cables, XtraMSN and Yahoo!Xtra in New Zealand and AAPT and 3 Mobile in Australia.

Rod is a member of the Care, Development and Nominations & Corporate Governance Committees.

Carolyn Steele
Non-Executive Director
BMS (Hons)

Carolyn has substantial experience in capital markets, mergers & acquisitions and investment management. Until 2016, Carolyn was a Portfolio Manager at Guardians of New Zealand Superannuation, the Crown entity which manages the New Zealand Superannuation Fund. Carolyn is currently a director of WEL Networks, Green Cross Health, Halberg Disability Sport Foundation and a Trustee of the New Zealand Football Foundation.

Prior to joining the Guardians in 2010, Carolyn spent more than ten years in investment banking at Forsyth Barr and Credit Suisse/First NZ Capital.

Carolyn chairs the Care and Remuneration Committees and is a member of the Audit & Risk and Nominations & Corporate Governance Committees.

Dr Noeline Whitehead
Independent Director
PhD, MN (Hons), PG Dip Health Sciences, RN

Noeline is an experienced senior nurse and senior manager with more than 30 years in residential aged care. She is currently Director of Nursing at Bethesda Care, and prior to that was Clinical Nurse Director for Residential Care and the Community Geriatric Service with Counties Manukau District Health Board. Noeline is also an Honorary Teaching Fellow at the University of Auckland, completing her Doctorate in 2012.

Noeline has made a significant contribution to New Zealand's residential aged care sector through her membership of national committees and her long association with the Eden Alternative organisation. Her passion for resident wellbeing brings expertise and a strong focus on clinical practice and resident care to the Board.

Noeline is a member of the Development, Care and Nominations & Corporate Governance Committees.

Kevin Baker
Non-Executive Director
BMS

Kevin was an Infratil-appointed director until 12 April 2017, when he resigned following Infratil's sale of its shareholding in Metlifecare.

William Smales
Non-Executive Director
LLB (Hons), BCom, MBA

William was an Infratil-appointed director until 12 April 2017, when he resigned following Infratil's sale of its shareholding in Metlifecare.

OUR EXECUTIVE

TEAM

Glen Sowry

Chief Executive Officer

Prior to joining Metlifecare in April 2016, Glen was Chief Executive Officer of Housing New Zealand with 67,000 properties across the country valued at more than $22 billion. Under Glen's leadership, Housing New Zealand substantially lifted its property development capability and delivered over 840 new houses in the 2016 financial year.

Before joining Housing New Zealand at the beginning of 2013, Glen held a number of senior executive roles at Air New Zealand over a ten year period. Initially joining Air New Zealand as Head of Corporate Affairs and Government Relations, Glen subsequently ran the domestic and short haul international airlines where he oversaw a major financial and competitive turnaround of the Tasman network.

Glen held executive and senior management roles in media, marketing and public relations at Television New Zealand and Telecom prior to joining Air New Zealand.

Tanya Bish

Clinical Nursing Director

MN (Hons), BCom, NZRCompN

Tanya joined the Metlifecare team as Clinical Nurse Director in July 2015 after eight years at Waitemata District Health Board (WDHB). She is a New Zealand trained Registered Nurse with a Masters in Health Science (Hons) and over 20 years' experience working in teams caring for and supporting older adults.

Tanya is passionate about the opportunity to support residents to maintain their preferred lifestyle, promote quality in care and influence the services and living environments delivered to 5,000+ residents living in Metlifecare villages.

Richard Callander

General Manager Operations

Richard was appointed General Manager Operations in January 2015 after 16 years with SkyCity both overseas and in New Zealand, where he was most recently the General Manager of its Queenstown casinos.

He has extensive executive management experience in customer service management and a proven track record delivering sustainable growth for shareholders and positive outcomes for key stakeholders.

Richard is passionate about customer service and leads the operations team to deliver operational excellence and innovation across our villages.

Huma Houghton

General Manager Human Resources

BA (Hons), PG CertMgmt GRADCIPD

Huma was appointed to the Metlifecare Executive team in January 2017 to lead the organisation's strategic people management. Huma joined the company from JMW Consultants where she specialised in executive coaching, transformational leadership development programmes and consulting with senior leadership teams.

Previously, Huma was the Executive General Manager Capability and Organisation Development for Z Energy, where she established and embedded the culture and environment to sustain a high performance organisation, winning multiple awards for her work. Huma brings with her extensive experience from previous roles with Deloitte, Vero and Spark.

Huma and her team are responsible for the continued growth and development of Metlifecare's people and our focus on performance and exceptional service delivery.

Tristram van der Meijden

Outgoing Chief Financial Officer

BSc, BCom

Tristram was appointed Chief Financial Officer in January 2011 having previously held senior finance and accounting roles in the property and financial services sectors.

He has over 20 years' experience with an extensive background in business advisory, financial management and accounting, corporate finance and tax. Tristram is a current member of the Chartered Accountants of Australia and New Zealand, and holds a Bachelor of Science and a Bachelor of Commerce from the University of Auckland.

Tristram leads Metlifecare's Finance and IT Teams.

Richard Thomson

Incoming Chief Financial Officer

BCom, LLB (Hons), PGDip

Richard was recently appointed Chief Financial Officer. He will take up that position in September 2017 following more than 13 years at Air New Zealand where he held senior positions in corporate finance, revenue management, fleet acquisition and network planning.

Prior to joining the airline in 2004, Richard spent 11 years in the financial services sector in corporate finance and tax advisory roles at PricewaterhouseCoopers and Ord Minnett/JPMorgan. Richard holds a Bachelor of Commerce and a Bachelor of Laws from the University of Canterbury and a Post Graduate Diploma in Applied Finance.

Charlie Anderson

General Manager Property & Development

BCM

Charlie was appointed General Manager Property & Development in July 2015. He has 25 years' property development and corporate real estate experience, including senior management roles with multinational companies in the United Kingdom, Australia and New Zealand.

With a strong track record in managing large scale development projects and broad development experience across all property sectors, Charlie has managed projects with a combined value of over $3 billion.

Charlie and his team work closely with other members of the Executive Team to strengthen and deliver on the company's focus on growth.

Jan Martin

General Manager Sales

BCom

Jan was appointed General Manager Sales in August 2009 and leads a team of highly trained sales staff who are responsible for the sale of new village units and apartments and the resale of existing units to new residents.

Jan brings over 17 years' experience in sales management and business development to Metlifecare. With a background in accountancy, she has worked in both the United Kingdom and New Zealand, primarily in the property sector and telecommunications.

Jan leads an experienced and customer-focused sales team who are responsible for maximising the company's commercial outcomes and driving sustainable growth.

Andrew Peskett

General Counsel & Company Secretary

BA (Hons), LLB

Andrew has 22 years' legal experience, having worked in leading law firms in London and as in-house Legal Counsel at Beca, prior to joining Metlifecare in June 2007.

Andrew heads the legal and settlements teams and has dual responsibility for leading legal compliance and corporate governance.

He has a strong and wide focus on the Company's three strategic goals and leads the Company's acquisitions, disposals and corporate transactions.

Blanka Ros

General Manager Marketing

MCom (Hons), MCIM

Blanka joined Metlifecare in October 2009, and is an experienced marketing professional with over 17 years' of marketing experience with several of New Zealand's leading companies.

Blanka is an enthusiastic brand champion, with a passion for continuous improvement and a proven track record of implementing highly effective marketing initiatives. She has led Metlifecare through the post-merger rebranding, effectively uniting three brands into one under the Metlifecare family of villages umbrella.

Responsible for brand and marketing strategy, Blanka and her team drive enquiries for the sales team and are responsible for all brand communications.

FINANCIAL

STATEMENTS

for the year ended 30 June 2017

DIRECTORS'
REPORT

The directors have pleasure in presenting the Group Financial Statements of Metlifecare Limited for the year ended 30 June 2017.

The Financial Statements presented are signed for and on behalf of Metlifecare Limited and were authorised by the Board for issue on 28 August 2017.

K. R. Ellis
Chair
28 August 2017

A. B. Ryan
Director
28 August 2017

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2017

$000	Note	30 June 2017	30 June 2016
Income			
Operating revenue	2.1	**107,737**	105,961
Other income	2.3	**1,112**	-
Interest income		**244**	228
Total income		**109,093**	106,189
Change in fair value of investment properties	3.1	**258,757**	237,241
Share of profit arising from joint venture, net of tax		**2,561**	403
Expenses			
Employee costs		**(44,899)**	(44,570)
Property costs	2.2	**(23,135)**	(24,093)
Other expenses	2.2	**(22,161)**	(20,886)
Residents' share of capital gains		**(9,286)**	(4,875)
Loss on sale of village	3.4	**-**	(3,103)
Depreciation and impairment	3.3	**(8,632)**	(2,164)
Amortisation		**(550)**	(375)
Finance costs	4.6	**(226)**	(72)
Total expenses		**(108,889)**	(100,138)
Profit before income tax		**261,522**	243,695
Income tax expense	5.1	**(9,979)**	(15,036)
Profit for the year		**251,543**	228,659
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		**40**	21
Net (loss) / gain on revaluation of care homes, net of tax	4.5	**(1,316)**	279
Other comprehensive (loss) / income, net of tax		**(1,276)**	300
Total comprehensive income		**250,267**	228,959
Profit attributable to shareholders of the parent company		**251,543**	228,659
Total comprehensive income attributable to shareholders of the parent company		**250,267**	228,959
Profit per share for profit attributable to the equity holders of the company during the year			
Basic (cents)	4.2	**118.1**	107.5
Diluted (cents)	4.2	**118.1**	107.5

The above consolidated 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 2017

$000	Note	Contributed Equity	Retained Earnings	Revaluation Reserve	Employee Share Scheme Reserve	Total Equity
Balance at 1 July 2015		303,695	598,850	8,238	657	911,440
Comprehensive income						
Profit for the year		-	228,659	-	-	228,659
Other comprehensive income		-	-	300	-	300
Total comprehensive income		-	228,659	300	-	228,959
Sale of retirement village		-	253	(253)	-	-
Dividend reinvestment plan - shares issued		2,206	-	-	-	2,206
Employee share scheme	4.4	-	-	-	453	453
Transfer from employee share scheme reserve on vesting	4.4	475	-	-	(475)	-
Dividends paid to shareholders	4.3	-	(10,091)	-	-	(10,091)
Balance at 30 June 2016		306,376	817,671	8,285	635	1,132,967
Balance at 1 July 2016		**306,376**	**817,671**	**8,285**	**635**	**1,132,967**
Comprehensive income						
Profit for the year		**-**	**251,543**	**-**	**-**	**251,543**
Other comprehensive loss		**-**	**-**	**(1,276)**	**-**	**(1,276)**
Total comprehensive income		**-**	**251,543**	**(1,276)**	**-**	**250,267**
Employee share scheme	4.4	**-**	**-**	**-**	**262**	**262**
Transfer from employee share scheme reserve on vesting	4.4	**519**	**-**	**-**	**(519)**	**-**
Dividends paid to shareholders	4.3	**-**	**(13,308)**	**-**	**-**	**(13,308)**
Balance at 30 June 2017		**306,895**	**1,055,906**	**7,009**	**378**	**1,370,188**

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

Consolidated Balance Sheet
As at 30 June 2017

$000	Note	30 June 2017	30 June 2016
Assets			
Cash and cash equivalents		**2,933**	6,558
Trade receivables and other assets	5.2	**8,766**	9,548
Property, plant and equipment	3.3	**48,246**	36,424
Intangible assets		**1,453**	1,454
Investment properties	3.1	**2,889,369**	2,524,809
Investment in joint venture		**9,825**	7,651
Total assets		**2,960,592**	2,586,444
Liabilities			
Trade and other payables	5.3	**49,893**	31,347
Interest bearing liabilities	4.6	**72,632**	80,798
Deferred membership fees		**104,613**	93,520
Refundable occupation right agreements	3.2	**1,260,187**	1,154,136
Deferred tax liability	5.1	**103,079**	93,676
Total liabilities		**1,590,404**	1,453,477
Net assets		**1,370,188**	1,132,967
Equity			
Contributed equity	4.1	**306,895**	306,376
Revaluation reserve	4.5	**7,009**	8,285
Employee share scheme reserve	4.4	**378**	635
Retained earnings		**1,055,906**	817,671
Total equity		**1,370,188**	1,132,967

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

Consolidated Cash Flow Statement

For the year ended 30 June 2017

$000	30 June 2017	30 June 2016
Cash flows from operating activities		
Receipts from residents for membership fees, village and care fees	**83,017**	87,755
Receipts from residents for sale of new refundable occupation right agreements	**82,498**	79,500
Receipts from residents for resale of refundable occupation right agreements	**163,187**	176,886
Payments to residents for refundable occupation right agreements	**(107,861)**	(130,426)
Payments to suppliers and employees	**(88,155)**	(84,033)
Net GST received	**1,210**	286
Interest received	**180**	134
Interest paid	**(260)**	(64)
Net cash inflow from operating activities	**133,816**	130,038
Cash flows from investing activities		
Payments for property, plant and equipment	**(16,197)**	(6,957)
Payments for intangibles	**(551)**	(1,350)
Net advances to joint venture	**(185)**	(18)
Dividends received from joint venture	**427**	405
Proceeds from disposal of retirement village net of disposal costs	**-**	5,768
Proceeds from disposal of investment property	**7,966**	-
Payments for investment properties	**(104,125)**	(131,921)
Capitalised interest paid	**(3,626)**	(3,434)
Net cash outflow from investing activities	**(116,291)**	(137,507)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**-**	2,206
Dividends paid	**(13,308)**	(10,091)
Net (repayment of) / proceeds from borrowings	**(7,842)**	20,718
Net cash (outflow) / inflow from financing activities	**(21,150)**	12,833
Net (decrease) / increase in cash and cash equivalents	**(3,625)**	5,364
Cash and cash equivalents at the beginning of the financial year	**6,558**	1,194
Cash and cash equivalents at the end of the financial year	**2,933**	6,558

Reconciliation of Profit after Tax with Cash Inflow from Operating Activities

$000		
Profit after tax	**251,543**	228,659
Adjustments for:		
Change in fair value of investment properties	**(258,757)**	(237,241)
Change in the fair value of residents' share of capital gains	**9,286**	4,875
Employee share scheme	**262**	453
Depreciation and impairment	**8,632**	2,164
Amortisation	**550**	375
Deferred tax expense	**9,967**	15,026
Loss on disposal of property, plant and equipment	**39**	1
Loss on sale of village	**-**	3,103
Share of profit arising from joint venture, net of tax	**(2,561)**	(403)
Changes in working capital relating to operating activities:		
Trade receivables and other assets	**(727)**	(519)
Trade and other payables	**3,470**	4,351
Deferred membership fees	**11,093**	10,530
Refundable occupation right agreements	**101,019**	98,664
Net cash inflow from operating activities	**133,816**	130,038

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

Notes to the Financial Statements

1 GENERAL INFORMATION

This section outlines the basis upon which the Group's Financial Statements are prepared. Specific accounting policies are outlined in the note to which they relate.

1.1 Reporting entity

The consolidated financial statements presented are for Metlifecare Limited ("the Company") and its subsidiaries (together "the Group") as at 30 June 2017. The Group owns and operates 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.

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

1.2 Going concern

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 the period 12 months from the date of signing of 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.

1.3 Basis of preparation

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

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) as a Foreign Exempt Listing. The Group financial statements have been prepared in accordance with the requirements of the NZX and Part 7 of the Financial Markets Conduct Act 2013.

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 and authoritative notices, as appropriate for for-profit 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.

1 GENERAL INFORMATION (continued)

1.3 Basis of preparation (continued)

Historical cost convention

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

1.4 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.

1.5 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 Group will apply NZ IFRS 9 on 1 July 2018 and is yet to complete the assessment of its impact on the Group.

NZ IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). 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 will apply this standard from 1 July 2018 and has yet to complete its assessment of NZ IFRS 15's impact on the Group.

NZ IFRS 16, 'Leases'. NZ IFRS 16 replaces the current guidance in NZ IAS 17. NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The Group will apply NZ IFRS 16 from 1 July 2019 and has yet to complete its assessment of the impact of the changes on the Group.

1.6 Comparative information

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

1 GENERAL INFORMATION (continued)

1.7 Critical judgements, estimates and assumptions

The preparation of financial statements in accordance with NZ GAAP requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances 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 as follows:

- Revenue recognition - membership fees (note 2.1, page 41)
- Fair value of investment properties (note 3.1, page 44) and care homes (note 3.3, page 48)
- Deferred tax (note 5.1, page 56)

1.8 Fair value hierarchy

The Group measures investment property and care homes at fair value. 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); and
- 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.

1.9 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 New Zealand dollars using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income of each Group entity.

1 GENERAL INFORMATION (continued)

1.10 Notes to the Financial Statements

The notes include information which is required to understand the Financial Statements and is material and relevant to the operations, financial position and performance of the Group. The notes to the Financial Statements are organised into the following sections:

2 OPERATING PERFORMANCE

This section provides additional information about individual line items in the Financial Statements that the directors consider most relevant in the context of the operating performance of the Group including: revenue, property, corporate and administration expenses.

This section also includes Underlying Profit before taxation, a non-GAAP financial measure. Retirement village operators may present Underlying Profit as an alternative profit measure to assist with measuring operating and development performance. As this is a non-GAAP financial measure the company cannot confirm that the calculation of this alternative performance measure is consistent with other retirement village operators.

2.1 Operating Revenue

$000	**30 June 2017**	30 June 2016
Membership fees	**48,821**	44,574
Rest home, hospital and service fees and village fees	**56,003**	57,507
Other operating revenue	**2,913**	3,880
	107,737	105,961

Revenue recognition

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

Membership fees

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 timing of the recognition of membership fees is a critical accounting estimate and judgement. The membership fee is recognised on a straight-line basis 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 in the years ended 30 June 2016 and 2017.

The membership fee is payable in cash by the resident at the time of repayment (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.

At year end, the membership fee receivable that has yet to be recognised in the statement of comprehensive income as membership fee revenue is recognised as a deferred membership fee liability on the balance sheet.

Notes to the Financial Statements

2 OPERATING PERFORMANCE (continued)

2.1 Operating Revenue (continued)

Rest home, hospital and service fees, and village fees

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

Other operating revenue

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

Information about major customers

Revenues from the Group's largest customer, the Government, is included in total revenue. This includes care fee revenue from eligible Government subsidised aged care residents who receive rest home or hospital level care. Revenue received from the Ministry of Health included in rest home, hospital and service fees, and villages fees amounted to $10.3m (2016: $12.8m).

2.2 Expenses

$000	**30 June 2017**	30 June 2016
Profit before income tax includes the following expenses:		
Property costs		
Utilities and other property costs	**10,994**	10,986
Repairs and maintenance on investment properties	**11,381**	12,511
Repairs and maintenance on property, plant, furniture and equipment	**760**	596
Total property costs	**23,135**	24,093
Other expenses		
Resident costs	**5,418**	5,625
Marketing and promotion	**5,000**	4,119
Other employment costs	**3,206**	3,109
Communication costs	**2,367**	2,085
Rental and operating lease expenses	**551**	480
Loss on disposal of property, plant and equipment	**39**	1
Donations	**41**	46
Bad debts	**-**	6
Doubtful debts	**(2)**	22
Other (no items of individual significance)	**4,337**	4,247
Fees paid to PricewaterhouseCoopers New Zealand		
Audit and review of financial statements	**461**	423
Other assurance related services	**-**	14
Tax compliance services	**16**	33
Advisory services on executive remuneration and directors' fees	**41**	28
Total fees paid to PricewaterhouseCoopers New Zealand	**518**	498
Directors' fees	**686**	692
Total other expenses	**22,161**	20,886

Fees paid to PricewaterhouseCoopers New Zealand by the Group for other assurance related services in 2016 totalled $14,000. These services included work performed at shareholder meetings, financial covenants of the bank facilities, interim testing of internal controls and compliance with the Group treasury policy.

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

Notes to the Financial Statements

2 OPERATING PERFORMANCE (continued)

2.3 Underlying Profit before taxation

$000	**30 June 2017**	30 June 2016
Profit for the year	**251,543**	228,659
Add / (less) non recurring items:		
Other income - gain on sale	**(1,112)**	-
Loss on sale of Metlifecare Wairarapa Limited	**-**	3,103
Profit for the year excluding non recurring items	**250,431**	231,762
Less:		
Change in fair value of investment properties	**(258,757)**	(237,241)
Add:		
Impairment of property, plant and equipment	**6,170**	-
Realised resale gains	**55,326**	46,460
Realised development margin	**18,957**	10,087
Tax expense	**9,979**	15,036
Underlying Profit before taxation	**82,106**	66,104

Underlying Profit before taxation, calculated consistently year-on-year, is determined from the net profit after tax of Metlifecare adjusted for the impact of the following:

(a) Non recurring items: those items that do not relate to the ordinary activities and are not expected to recur with regularity.

- **Other income - gain on sale:** a portion of land acquired for development was disposed of during the year. The resulting gain does not form part of the recurring operating performance of the business (refer note 3.1).
- **Loss on sale of Metlifecare Wairarapa:** loss on the sale of the village is non-recurring and does not form part of the recurring operating performance of the business (refer to note 3.4).

(b) Change in fair value of investment properties: unrealised non-cash valuation changes (refer to note 3.1).

(c) Impairment of property, plant & equipment: impairment associated with care homes valuation changes as the Group is in the business of owning and operating care homes not constructing the asset for resale (refer to note 3.3).

(d) Realised resale gains: the realised increase in value from the resale of occupation right agreements during the period. Realised resale gains are a measure of the cash generated from increases in selling prices of occupation right agreements to incoming residents, less cash amounts paid to vacated residents for repayment of refundable occupation right agreements from the pre-existing portfolio recognised at the date of settlement.

(e) Realised development margin: represents the development margins delivered from the first time sale of occupation right agreements. Realised development margin is the margin obtained on cash settlement from the first time sale of an occupation right agreement following the development of the unit. The margin calculation is based on the actual selling price of individual units settled during the period and includes the following costs:

- directly attributable construction costs;
- a prorate apportionment of land on the basis of the historical cost or purchase price of the land;
- a prorate share of infrastructure costs specific to a stage;
- non-recoverable GST; and
- capitalised interest to the date of completion on costs attributed to the unit.

Margins are calculated based on when a stage is completed.

Construction costs, land and infrastructure, non-recoverable GST and capitalised interest associated with common areas (including management offices), amenities and any care facilities are excluded from the costs above when the development margin is calculated.

(f) Tax expense: the impact of current and deferred taxation is removed (refer to note 5.1).

3 INVESTMENT PROPERTY AND OTHER ASSETS

This section shows the retirement village investment property assets, related liabilities for resident occupation right agreements and other property assets which are considered to be the most relevant to the operations of the Group.

3.1 Investment Properties

$000	30 June 2017	30 June 2016
Opening balance	**2,524,809**	2,176,556
Capitalised subsequent expenditure	**115,595**	132,344
Investment properties under development transferred to property, plant and equipment	**(3,245)**	-
Investment properties disposed of	**(6,547)**	(21,332)
Change in fair value recognised during the year	**258,757**	237,241
Closing balance	**2,889,369**	2,524,809

Investment properties are categorised as follows:

$000	30 June 2017	30 June 2016
Development land measured at fair value	**84,463**	47,084
Retirement villages under development measured at cost	**36,879**	46,255
Retirement villages measured at fair value	**2,768,027**	2,431,470
Total investment properties	**2,889,369**	2,524,809

In the year ended 30 June 2017 the Group disposed of a portion of the development land located in Albany that was surplus to the proposed retirement village development for the site. In the year ended 30 June 2016 the Group disposed of Metlifecare Wairarapa (refer to note 3.4).

Investment properties

Investment properties include completed freehold land and buildings, freehold development land and buildings under development comprising 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.

Valuation processes

CBRE Limited (CBRE) undertook the valuation of investment property 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. The Group verifies all major inputs to the independent valuation reports. The fair value as determined by CBRE is adjusted for assets and liabilities already recognised in the balance sheet which are also reflected in the discounted cash flow model.

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

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.1 Investment Properties (continued)

Development land

Development land is comprised of a standalone title and/or part of the principal site. Where the development land is a standalone title CBRE has ascribed a value which can be captured independently, if desired, from the overall village. Where the development land is 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.

Development land is valued based on recent comparable transactions. The Group's land values range between $52 per square metre (psm) and $901 psm (2016: $50 psm and $888 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.

Retirement villages under development measured at cost

Where the staged development still requires substantial work such that practical completion will not be achieved at or close to balance date, or the fair value of investment properties under development cannot be reliably determined at this point in time, it is carried at cost less any impairment. Impairment is determined by considering the value of work in progress and management's estimate of the asset value on completion.

Retirement villages measured at fair value

To assess the market value of the Group's interest in a retirement village, CBRE has undertaken a cash flow analysis to derive a net present value. As the fair value of investment property is determined using inputs that are significant and unobservable, the Group has categorised investment property as Level 3 under the fair value hierarchy in accordance with *NZ IFRS 13 'Fair Value Measurement'*. The following significant assumptions have been used to determine the fair value:

Unobservable Input	2017	2016
Nominal growth rate - anticipated annual property price growth over the cash flow period 0 - 5 years	**0% - 3.5%**	0% - 3.5%
Nominal compound growth rate - anticipated annual property price growth over the cash flow period > 5 years	**2.6% - 3.1%**	2.2% - 3.3%
Pre-tax discount rate	**12.5% - 15.5%**	12.3% - 15.8%

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

30 June 2017	Adopted value * (ILU, SA, ILA)	Discount rate + 50 bp	Discount rate – 50 bp	Growth rates + 50 bp	Growth rates – 50 bp
Valuation ($000)	**1,318,100**				
Difference ($000)		**(46,800)**	**49,920**	**90,949**	**(68,541)**
Difference (%)		**(4%)**	**4%**	**7%**	**(5%)**

30 June 2016	Adopted value * (ILU, SA, ILA)	Discount rate + 50 bp	Discount rate – 50 bp	Growth rates + 50 bp	Growth rates – 50 bp
Valuation ($000)	1,104,000				
Difference ($000)		(40,700)	43,460	81,712	(55,211)
Difference (%)		(4%)	4%	7%	(5%)

* ILU (Independent Living Unit), SA (Serviced Apartment), ILA (Independent Living Apartment) excluding unsold stock. Retirement villages measured at fair value on pages 44 and 46 includes unsold stock.

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.1 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 on the demographic profile of the village (age and gender of residents) and 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 will have a positive impact on the valuation.

The valuation calculates the expected cash flows for a 20 year period (2016: 20 years) with stabilised departing occupancy assumptions set out below.

	2017	2016
Stabilised departing occupancy - serviced apartments (years)	**3.5 - 4.7**	3.8 - 4.8
Stabilised departing occupancy - independent living units (years)	**6.7 - 8.9**	6.7 - 8.9

The CBRE valuation also includes within the 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 is $44.1m over a six year period (2016: $20.6m over a six year period). The increase in the allowance for remediation works reflects further investigative work conducted over the period across the portfolio and updated estimates of the cost of the required works. The estimates are based on currently available information.

CBRE has also included within the forecast cash flows the Group's expected costs associated with seismic strengthening works of $1.4m (2016: $1.2m).

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 2017	30 June 2016
Development land measured at fair value	**84,463**	47,084
Retirement villages under development measured at cost	**36,879**	46,255
Retirement villages measured at fair value per CBRE	**1,398,941**	1,180,981
Investment properties at valuation	**1,520,283**	1,274,320
Plus: Refundable occupation right agreements	**1,577,075**	1,437,483
Plus: Residents' share of capital gains	**35,193**	30,590
Plus: Deferred membership fees	**104,613**	93,520
Less: Membership fees receivable	**(344,433)**	(307,781)
Less: Occupation right agreement receivables	**(3,362)**	(3,323)
Total investment properties	**2,889,369**	2,524,809

Borrowing costs of $3.6m (2016: $3.8m) arising from financing specifically entered into for the construction of investment properties under development were capitalised during the year. Average capitalisation rates of 3.60% pa (2016: 4.46% pa) were used, representing the borrowing costs of the loans used to finance the projects.

Registered mortgages or an encumbrance 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 its wholly-owned operating subsidiaries not currently engaged in the development of retirement villages to secure funding made available to each of these subsidiaries.

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.2 Refundable Occupation Right Agreements

$000	30 June 2017	30 June 2016
Refundable security deposits	**1,577,075**	1,437,483
Residents’ share of capital gains	**35,193**	30,590
Loans to residents	**(7,648)**	(6,156)
Membership fees receivable	**(344,433)**	(307,781)
Total refundable occupation right agreements	**1,260,187**	1,154,136

Occupation right agreements (ORAs) confer the right to occupancy of the unit or serviced apartment. 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 ORA 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 right of residents to occupy the investment properties of the Group 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.

Certain older 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.

Expected maturity

In determining the fair value of the Group's investment properties CBRE estimates the established length of stay to be 6.7 - 8.9 years for independent living units (2016: 6.7 - 8.9 years); 7.3 - 8.8 years for independent living apartments (2016: 7.5 - 8.8 years); and 3.5 - 4.7 years for serviced apartments (2016: 3.8 - 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 2017	30 June 2016
Within 12 months	**106,342**	101,045
Beyond 12 months	**1,153,845**	1,053,091
	1,260,187	1,154,136

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.3 Property, Plant and Equipment

$000	Freehold Land & Buildings	Construction Work in Progress	Plant, Furniture & Equipment and Motor Vehicles	Total
At 30 June 2015				
Cost or valuation	23,551	5,286	20,324	49,161
Accumulated depreciation and impairment losses	-	(1,284)	(14,502)	(15,786)
Net book value	23,551	4,002	5,822	33,375
Year ended 30 June 2016				
Opening net book amount	23,551	4,002	5,822	33,375
Revaluation of Care Homes	387	-	-	387
Additions	-	4,899	2,016	6,915
Transferred from construction work in progress	4,904	(4,954)	50	-
Depreciation	(545)	-	(1,619)	(2,164)
Disposals	(1,710)	-	(379)	(2,089)
Closing net book amount	26,587	3,947	5,890	36,424
At 30 June 2016				
Cost or valuation	27,541	3,947	21,917	53,405
Accumulated depreciation and impairment losses	(954)	-	(16,027)	(16,981)
Net book value	26,587	3,947	5,890	36,424
Year ended 30 June 2017				
Opening net book amount	**26,587**	**3,947**	**5,890**	**36,424**
Revaluation of Care Homes	**1,084**	**-**	**-**	**1,084**
Additions and transfers from investment properties	**4**	**18,675**	**3,917**	**22,596**
Transferred from construction work in progress	**8,015**	**(9,089)**	**1,074**	**-**
Disposals	**(39)**	**-**	**(177)**	**(216)**
Reduction in the revaluation of care homes	**(2,974)**	**-**	**(35)**	**(3,009)**
Depreciation and impairment	**(5,059)**	**(1,200)**	**(2,374)**	**(8,632)**
Closing net book amount	**27,618**	**12,333**	**8,295**	**48,246**
At 30 June 2017				
Cost or valuation	**36,043**	**13,533**	**25,622**	**75,198**
Accumulated depreciation and impairment losses	**(8,425)**	**(1,200)**	**(17,327)**	**(26,952)**
Net book value	**27,618**	**12,333**	**8,295**	**48,246**

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.3 Property, Plant and Equipment (continued)

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. Plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Subsequent to initial recognition, freehold land and buildings for care homes 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. 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 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.

The Group's care homes encompassing freehold land and buildings were valued by the independent registered valuer, CBRE, for all reporting periods presented.

CBRE determined the fair value of all care home 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 12.0% to 14.25% (2016: 12.0% to 14.5%). The valuation prepared has been split between land, improvements, chattels, 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 the Revaluation Reserve in shareholders equity.

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.

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.3 Property, Plant and Equipment (continued)

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

$000	Freehold Land & Buildings
At 30 June 2016	
Cost	21,951
Accumulated depreciation	(4,742)
Net book value	17,209
At 30 June 2017	
Cost	**24,034**
Accumulated depreciation	**(3,422)**
Net book value	**20,612**

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

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 assets' carrying amount exceeds its recoverable amount, after reducing the carrying amount by any amount that the asset has been revalued. The recoverable amount is the higher of an assets' 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).

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.

In the year ended 30 June 2017 an impairment loss, after reducing the carrying value of the assets by any associated revaluation, was recognised in respect to the following Care Homes:

Village		$000
Greenwich Gardens	Forecast final costs attributed to the construction of the Care Home are expected to exceed the initial valuation.	**2,563**
Pakuranga	Decommissioned in March 2017 in preparation for the construction of a new Care Home at the Village.	**1,736**
Somervale	Existing care home to be replaced with a new Care Home to be opened in October 2017.	**2,318**
	Total	**6,617**

No impairment losses were recognised in the year ended 30 June 2016.

In the year ended 30 June 2017 an impairment loss of $446,000 in respect to a previously recognised impairment was reversed to reflect the increase in the valuation of the Care Home (2016: $nil).

3.4 Disposal of Metlifecare Wairarapa

The assets and liabilities of Metlifecare Wairarapa Limited, a subsidiary company, were disposed of on 30 June 2016 for $5.8m. Net assets and liabilities disposed of were $8.9m resulting in a loss on disposal of $3.1m in the year ended 30 June 2016.

4 SHAREHOLDERS' EQUITY AND FUNDING

This section includes disclosures related to the Group's capital structure and external funding arrangements.

4.1 Contributed Equity

	30 June 2017 Shares	30 June 2016 Shares	**30 June 2017 $000**	30 June 2016 $000
Total Issued and fully paid up capital (including treasury shares)				
Balance at beginning of the year	**212,882,855**	212,190,658	**306,376**	303,695
Shares issued net of transaction costs	**123,792**	692,197	**519**	2,681
Shares cancelled	**(738)**	-	**-**	-
Balance at end of the year	**213,005,909**	212,882,855	**306,895**	306,376

	30 June 2017 Shares	30 June 2016 Shares
Treasury shares		
Balance at beginning of the year	**510,675**	779,430
Shares issued under the senior executive share plan	**123,792**	161,245
Shares vesting under the senior executive share plan	**(313,410)**	(430,000)
Shares cancelled under the senior executive share plan	**(738)**	-
Balance at end of the year	**320,319**	510,675

	30 June 2017	30 June 2016
Net tangible assets per share (basic)	**$6.43**	$5.32

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
Balance as at 30 June 2015	212,190,658
1 October 2015 - dividend reinvestment plan - $4.20 per share	530,952
2 November 2015 - treasury shares under the senior executive share plan	161,245
Balance as at 30 June 2016	**212,882,855**
12 October 2016 - shares cancelled under the senior executive share plan	**(738)**
2 November 2016 - treasury shares under the senior executive share plan	**123,792**
Balance as at 30 June 2017	**213,005,909**

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. The shares have no par value. Ordinary shares are classified as equity and are recognised net of incremental costs directly attributable to the issue of new shares. The Company incurred no transaction costs issuing shares during the year (2016: $23,926).

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. The vesting of these shares are subject to achievement of performance hurdles.

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.2 Earnings Per Share

	30 June 2017	30 June 2016
Profit attributable to equity holders ($000)	**251,543**	228,659
Basic and Diluted		
Weighted average number of ordinary shares on issue (thousands)	**212,975**	212,693
Earnings per share (cents)	**118.1**	107.5

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.

4.3 Dividends

	Cents per share	30 June 2017 $000	30 June 2016 $000
Recognised amounts			
Final dividend for 2015	3.00	**-**	6,366
Interim dividend for 2016	1.75	**-**	3,725
Final dividend for 2016	4.00	**8,515**	-
Interim dividend for 2017	2.25	**4,793**	-
Total dividends paid		**13,308**	10,091

On 28 August 2017 the directors approved a dividend of 5.8 cents per share amounting to $12.4m. The dividend record date is 15 September 2017 and payment will occur on 29 September 2017.

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

Imputation credits

The imputation credit balance for the Group at 30 June 2017 is nil (2016: nil). No tax payments were made during the year and dividends paid were un-imputed.

4.4 Share-Based Payments

Senior Executive Share Scheme

The Company operates a Senior Executive Share Scheme (the Scheme) which 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.

Awards of shares depend on satisfaction of performance hurdles and an assessment of Total Shareholder Return by comparison with the peer group (being members of the NZX50 Index at the date of grant). Shares issued under the senior executive share scheme are entitled to dividends.

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.4 Share-based Payments (continued)

Share rights issued

The Scheme is accounted for as an in-substance share rights scheme. A reconciliation of the share rights on issue is provided below:

	30 June 2017	30 June 2016
Share rights outstanding at 1 July	**510,675**	779,430
Granted during the year	**123,792**	161,245
Vested during the year	**(313,410)**	(430,000)
Cancelled during the year	**(738)**	-
Share rights outstanding at 30 June	**320,319**	510,675

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

$000	30 June 2017	30 June 2016
Share based payment expense recognised in the consolidated statement of comprehensive income within 'employee expenses'	**262**	453
Accumulated employee share based payment expense recognised in the employee share scheme reserve	**378**	635

During the year ended 30 June 2017, 313,410 shares vested (2016: 430,000). $519,000 of the previously recognised share based payment expense was transferred to share capital (2016: $475,000).

The fair value of the in-substance share rights 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 employee share scheme reserve. The total amount to be expensed over the vesting period is determined by reference to the fair value of the in-substance share rights granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of in-substance share rights that are expected to become exercisable.

At each balance sheet date, the Group revises its estimates of the number of in-substance share rights that are expected to become 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 a three year period.

As part of this Scheme, interest-free loans are provided to the senior executives at grant dates which will be settled for in-substance share rights that vest, by a cash bonus (forfeited in-substance share rights 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.

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.5 Revaluation reserve

$000	30 June 2017	30 June 2016
Balance at beginning of the year	8,285	8,238
Share of gain on revaluation of care home arising from joint venture, net of tax	40	21
Gain on revaluation of care homes	1,084	387
Tax on revaluation of care homes	(234)	(108)
Reduction in the revaluation of care homes (refer note 3.3)	(3,009)	-
Tax on reversal of revaluation of care homes	843	-
Transfer on disposal of retirement village	-	(253)
Balance at end of the year	7,009	8,285

The revaluation reserve records changes in the value of property, plant and equipment.

4.6 Interest Bearing Liabilities

$000	30 June 2017	30 June 2016
Bank loans	72,902	80,744
Capitalised debt costs	(372)	(140)
	72,530	80,604
Finance leases	102	194
Total interest bearing liabilities	72,632	80,798
Maturity profile		
Within one year	102	92
Later than one year	72,902	80,846
Total interest bearing liabilities excluding capitalised debt costs	73,004	80,938

Borrowings

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

Any difference between the proceeds (net of transaction costs) and the redemption amount is 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.

Bank loans

The bank loans comprise the Core Revolving Credit Facility, Development Facility and Working Capital Facility, effective 8 March 2012 as amended from time to time as detailed below.

$000	Facility Limit	30 June 2017	30 June 2016
Core Facility	75,000	8,400	-
Development Facility	175,000	64,502	80,744
Working Capital Facility	2,000	-	-
Total	252,000	72,902	80,744
Investment property valuation (refer note 3.1)		1,520,283	1,274,320
Loan to Valuation Ratio		4.8%	6.3%

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.6 Interest Bearing Liabilities (continued)

Maturities

The maturities of the Core Revolving Credit Facility of $75m and the Development Facility of $175m are three, four and five years from 14 October 2015 in three equal tranches. Proceeds from the sale of units that are funded from the Development Facility are required to be repaid against the Development Facility. The working capital facility of $2.0m (2016: $12.0m) is repayable on demand.

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 Ratios and a Loan to Value Ratio. During the year ended 30 June 2017, the Group was in compliance with its financial covenants (2016: in compliance).

Finance Costs

$000	30 June 2017	30 June 2016
Interest expense	2,419	2,216
Facility costs	1,434	1,618
Less: interest expense and facility costs capitalised	(3,627)	(3,762)
Total finance costs	226	72

Interest on borrowings are charged using the BKBM Bill Rate plus a margin and line fees. Interest rates applicable in the year to 30 June 2017 ranged from 3.17% to 3.98% per annum (2016: 3.51% to 4.56% per annum).

5 OTHER DISCLOSURES

This section includes additional information that is considered less significant in understanding the financial performance and position of the Group, but must be disclosed to comply with New Zealand equivalents to International Financial Reporting Standards.

5.1 Income Tax Expense

$000	30 June 2017	30 June 2016
(a) Income tax expense		
Current tax	**12**	10
Deferred tax	**9,967**	15,026
Income tax expense	**9,979**	15,036
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**261,522**	243,695
Tax at the New Zealand tax rate of 28%	**73,226**	68,235
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non taxable income and non deductible expenditure	**1,936**	816
Capitalised interest	**(1,016)**	(1,053)
Non taxable impact of investment property revaluation	**(72,452)**	(66,427)
Movement in property valuations for deferred tax	**9,769**	12,449
Tax impact of change in investment property depreciable tax base	**42**	(271)
Share of profit arising from joint venture	**(717)**	(113)
Other adjustments	**(1,068)**	1,153
Prior period adjustment	**259**	247
Income tax expense	**9,979**	15,036

The applicable tax rate was 28% (2016: 28%).

(c) Recognised deferred tax liability

The movement in the deferred tax balance comprises:

$000	Balance 1 July 2016	Recognised in income	Recognised in Reserves	Balance 30 June 2017
Property, plant and equipment	**(2,138)**	**1,545**	**564**	**(29)**
Investment property	**(117,890)**	**(14,295)**	**-**	**(132,185)**
Deferred membership fees	**8,034**	**(3,712)**	**-**	**4,322**
Recognised tax losses	**14,249**	**6,801**	**-**	**21,050**
Other items	**4,069**	**(306)**	**-**	**3,763**
Net deferred tax liability	**(93,676)**	**(9,967)**	**564**	**(103,079)**

$000	Balance 1 July 2015	Recognised in income	Recognised in Reserves	Balance 30 June 2016
Property, plant and equipment	(88)	(2,040)	(10)	(2,138)
Investment property	(104,720)	(13,170)	-	(117,890)
Deferred membership fees	12,692	(4,658)	-	8,034
Recognised tax losses	9,103	5,146	-	14,249
Other items	4,373	(304)	-	4,069
Net deferred tax liability	(78,640)	(15,026)	(10)	(93,676)

5 OTHER DISCLOSURES (continued)

5.1 Income Tax Expense (continued)

No income tax was paid or payable during the year. There are no unrecognised tax losses for the Group at 30 June 2017 (2016: nil).

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.

Key assumptions related to deferred tax

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

NZ IAS 12 ‘Income Taxes’ provides that there is a rebuttable presumption that investment property measured at fair value under NZ IAS 40 and NZ IFRS 13 is recovered entirely through sale. This presumption is rebutted if: the investment property is depreciable; and the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group rebuts the presumption and considers the held for use methodology more appropriately represents the Group’s business model. The Group is a long term operator of a portfolio of integrated care facilities and villages and consumes substantially all of the economic benefits of its investment property through operating the villages and/or redeveloping these villages over time. Furthermore, the objective of the business model is not to sell investment property sites.

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 $98.7m (2016: $94.1m) 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 $116.1m (2016: $105.5m) included in the adopted treatment prior to the utilisation of any available tax losses at the time.

5 OTHER DISCLOSURES (continued)

5.1 Income Tax Expense (continued)

Deferred tax - recognition based on contractual cash flows

In calculating deferred tax under the held for use methodology, the Group has made significant judgements to determine taxable temporary differences. The carrying value of the Group's investment property 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 (ORA) comprise two gross cash flows (being an ORA 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.

The Group has recognised deferred tax against the present value of cash flows with a future tax consequence as provided by CBRE Limited that arise from the depreciable components (i.e. buildings) of the investment property. Included within the CBRE valuation is also the present value of the capital gains associated with the investment property which are non-taxable and primarily attributable to the capital growth of the non-depreciable components (i.e. land). No deferred tax has been recognised against these amounts.

The Group considered whether deferred tax should be recognised on the basis that membership fees are received at the end of the ORA period (i.e. upon refund of the ORA deposit by way of set off on exit by a resident) or at the beginning of the ORA period (i.e. at time of the receipt of the ORA deposit). The Group considers it appropriate to recognise and measure deferred tax based on the membership fee being receivable at the end of the ORA period as they believe it best represents the Group's contractual entitlement. Should the membership fee be treated as received at the beginning of the ORA period an additional deferred tax liability of $60.0m (2016: $47.8m) would be recognised in the balance sheet. An additional current year tax expense of $60.0m (2016: $47.8m) and a corresponding reduction in net profit after tax of $60.0m (2016: $47.8m) would also be recognised.

5 OTHER DISCLOSURES (continued)

5.2 Trade Receivables and Other Assets

$000	30 June 2017	30 June 2016
Trade receivables	**4,673**	4,698
Provision for doubtful receivables	**-**	(2)
	4,673	4,696
Occupation right agreement receivables	**3,362**	3,323
Prepayments	**174**	458
Amounts due from related parties	**212**	27
Other receivables	**345**	1,044
Total receivables and other assets	**8,766**	9,548
Past due but not impaired receivables		
1 to 3 months	**200**	136
Over 3 months	**170**	167
	370	303

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

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.

5.3 Trade and Other Payables

$000	30 June 2017	30 June 2016
Trade creditors	**5,746**	6,217
Sundry creditors and accruals	**38,974**	20,707
Employee entitlements	**5,173**	4,423
Total trade and other payables	**49,893**	31,347

Recognised within sundry creditors and accruals is the balance of the purchase price for the Botany site (refer to note 5.10).

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

Creditors and other accruals

Expenses are brought to account on an accruals basis and, if not paid at the end of the reporting period, are reflected in the Consolidated Balance Sheet as a payable. These amounts represent liabilities for amounts owing at the end of the reporting period. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee entitlements

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised 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 amounts paid or payable.

5 OTHER DISCLOSURES (continued)

5.4 Financial Instruments

Financial assets and liabilities are classified in accordance with the purpose for which they were acquired at initial recognition.
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). Loans and receivables are recognised at fair value on trade date plus transaction costs and derecognised when the right to receive cash flows is discharged.

Financial liabilities at amortised cost - financial liabilities comprising Trade and Other Payables (excluding employee entitlements), Interest Bearing Liabilities and Refundable Occupation Right Agreements.

5.5 Financial Risk Management

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

The Group uses different methods to measure different types of risk to which it is exposed including sensitivity analysis in the case of interest rates to determine market risk and ageing analysis for credit risk. 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. No derivative financial instruments were used during the years ended 30 June 2017 and 2016.

(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 2017, it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profits after tax by approximately $0.7m (2016: $0.8m) and would decrease equity by $0.7m (2016: $0.8m).

5 OTHER DISCLOSURES (continued)

5.5 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.

The Group has no significant concentrations of credit risk. The Group's policy requires 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.

The Group's cash and cash equivalents 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.

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 it 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 maturity of the bank loans drawn down from the committed bank facilities are shown in note 4.6. The bank loans are typically drawn down for fixed periods of 1 to 3 months and renewed at the conclusion of each fixed period.

Total amounts payable within one year under finance leases total $102,000 (2016: $92,000) and nil (2016: $103,000) between 1 and 5 years.

Occupation 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 3.2 which reflects historical turnover calculations.

5 OTHER DISCLOSURES (continued)

5.5 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.

5.6 Related Party Transactions

The following transactions were carried out with related parties:

(a) Key management personnel compensation

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

$000	30 June 2017	30 June 2016
Salaries and other short-term employee benefits	**3,307**	3,303
Senior executive long term share plan	**455**	933
Termination benefits	**-**	135
Total	**3,762**	4,371

(b) Transactions and balances

During the year ended 30 June 2017 the Group advanced the joint venture company, Metlifecare Palmerston North Limited, $185,000 (2016: the Group advanced $18,000 to the joint venture company).

As at 30 June 2017 the joint venture company owed $212,000 to the Company (2016: $27,000).

(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 12 month period to 30 June 2017 ranged from 3.17% to 3.53% per annum (2016: 4.01% to 5.28% per annum).

5 OTHER DISCLOSURES (continued)

5.7 Segment information

The Group operates in one operating segment being that of retirement villages. 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.

5.8 Commitments

$000	30 June 2017	30 June 2016
Capital commitments		
Estimated commitments contracted for at balance date but not yet incurred	**47,989**	21,542
	47,989	21,542

$000	30 June 2017	30 June 2016
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**477**	588
Later than one year but not later than five years	**1,762**	2,193
Later than five years	**584**	1,255
	2,823	4,036

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.

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.

5 OTHER DISCLOSURES (continued)

5.9 Contingencies

There are no material contingent liabilities as at 30 June 2017 (2016: nil).

5.10 Subsequent Events

On 22 July 2017 the Group settled the purchase of its Botany site for $19.0m.

On 28 August 2017, the directors approved a dividend of 5.8 cents per share amounting to $12.4m. The dividend record date is 15 September 2017 and payment will occur on 29 September 2017.

There are no further subsequent events between 30 June 2017 and the date that the financial statements were authorised by the directors.

5.11 Subsidiaries of the Group and Joint Venture Investment

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 Dannemora Gardens Limited
Metlifecare Greenwich Gardens Limited
Metlifecare Greenwood Park Limited
Metlifecare Highlands Limited
Metlifecare Kapiti Limited
Metlifecare Oakridge Limited
Metlifecare Pakuranga Limited
Metlifecare Papamoa Beach Limited
Metlifecare Pinesong Limited
Metlifecare Powley Limited
Metlifecare Red Beach Limited
Metlifecare Somervale Limited
Metlifecare The Avenues Limited
Metlifecare The Orchards Limited
Metlifecare The Poynton Limited
Private Life Care Holdings Limited
Vision Senior Living Investments Limited
Vision Senior Living Limited
Waitakere Group Limited

Dormant and non operating entities

Bay of Plenty Retirement Village Limited
Longford Park Village Limited
Metlifecare Merivale Limited
Metlifecare Oakwoods Limited
Metlifecare Wairarapa Limited (refer note 3.4)
Provider Care NZ Limited
Vision (Christchurch) Limited

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

Investment in Joint Venture - Palmerston North

The Group has a 50% interest in joint venture company Metlifecare Palmerston North Limited (2016: 50%). The joint venture company, Metlifecare Palmerston North Limited, is incorporated in New Zealand and has a balance date of 30 June.

The principal activity of Metlifecare Palmerston North Limited is the ownership and management of a retirement village.

5 OTHER DISCLOSURES (continued)

5.11 Subsidiaries of the Group and Joint Venture Investment (continued)

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.

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.

Joint venture entities

Joint venture entities are accounted for using the equity method. 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.

Independent auditor's report

to the shareholders of Metlifecare Limited

What we have audited

The financial statements comprise:

- the consolidated balance sheet as at 30 June 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of movements in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of accounting policies.

Our opinion

In our opinion, the financial statements of Metlifecare Limited (the Company), including its controlled entities (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of tax compliance and executive and director remuneration advisory. The provision of these other services has not impaired our independence as auditor of the Group.

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Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

For the purpose of our audit, we used a threshold for overall Group materiality of $2.2 million which represents approximately 2% of operating revenue. We applied this benchmark because, in our view, it is a key financial metric used in assessing the performance of the Group and is not as volatile as other profit or loss measures.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $200,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have one key audit matter: valuation of investment properties and care homes.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in the aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. We have one key audit matter: valuation of investment properties and care homes. This was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties and care homes The Group's investment properties (refer to note 3.1 of the financial statements) and care homes (refer to note 3.3 of the financial statements) comprise a portfolio of retirement villages in the North Island of New Zealand and at $2.9 billion represents the majority of the Group's assets as at 30 June 2017. Investment property and care homes are carried at fair value. For investment properties or care homes under development that are not sufficiently progressed to enable fair value to be reliably determined, they are carried at the cost spent on the development to date, less any impairment. The valuation of the Group's retirement village portfolio is inherently subjective due to inputs into the valuation that are unobservable through market available information and also considers the individual characteristics of each village, its resident profile and the expected future cash flows for that particular village. The valuations were carried out by an independent third party valuer, CBRE Limited (the Valuer). The valuation processes for investment properties and care homes are described in notes 3.1 and 3.3 of the financial statements, respectively. Investment properties are recorded in the financial statements at the value determined by the Valuer, adjusted for refundable occupational right agreements, residents' share of capital gains, deferred membership fees, membership fee receivables and occupational right agreement receivables which are recognised separately on the balance sheet but reflected in CBRE's cash flow model valuation. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in assumptions on individual properties, when aggregated, could result in material differences, is why we have given specific audit focus and attention to this area.	*External valuations* We read and discussed the external valuation report with the Valuer. We confirmed that the valuation approach for each village was in accordance with the accounting standards and suitable for use in determining the carrying value of investment properties and care homes at 30 June 2017. It was evident from our review of the valuation report and our discussions with management and the Valuer that close attention had been paid to each village's individual characteristics and its overall quality, geographic location and desirability as a whole. There was no evidence of management bias or influence on the Valuer. We assessed the Valuer's qualifications, expertise and their objectivity and found no evidence to suggest that the objectivity of the Valuer in their performance of the valuations was compromised. On a sample basis we agreed village specific information supplied to the Valuer by the Group against underlying records held by the Group. For the items tested, the information was consistent. *Assumptions* Our work over assumptions focused on those villages where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus the rest of the portfolio and the wider retirement village sector. We have agreed the estimated costs of remediation works to third party assessments commissioned by management. We have also considered management's assessment of the impact of decommissioning the care homes at Somervale and Pakuranga on the value of those assets and agree with the impairment that has been recorded as a result. We engaged our own in-house valuation expert to challenge the work performed by the Valuer and assess the reasonableness of the assumptions used based on his knowledge gained from reviewing valuations of similar properties and known transactions. No matters arose from this assessment. *Overall valuation estimates* Because of the subjectivity involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, we determined a tolerable allowance of +/-5% of an individual property's value to evaluate the independent property valuations used by management. Our audit procedures did not identify any issues that would indicate that the valuations adopted by the Group were outside an acceptable range. We also considered whether or not there was bias in determining individual valuations and found no evidence of bias.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. At the time of our audit report, there was no other information available to us.

In connection with our audit of the financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. 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.

The engagement partner on the audit resulting in this independent auditor's report is Richard Day.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 August 2017

Auckland

STATUTORY
INFORMATION

CORPORATE

GOVERNANCE STATEMENT

Approved by the Board of Metlifecare Limited (referred to as Metlifecare or the Company) on 5 September 2017. All references to year are to the financial year ended 30 June 2017.

OUR APPROACH TO CORPORATE GOVERNANCE

The Board believes that strong principles of corporate governance protect and enhance the assets of the Company for the benefit of all shareholders.

The Board is committed to ensuring that strong principles of corporate governance are adopted and implemented by the Company in accordance with best practice and while observing applicable laws, the NZX Corporate Governance Best Practice Code (NZX Code) and the Corporate Governance in New Zealand Principles and Guidelines (Guidelines) established by the Financial Markets Authority (FMA). Metlifecare's corporate governance practices have also been prepared with reference to the ASX Corporate Governance Principles and Recommendations 3rd Edition issued by the ASX Corporate Governance Council. Metlifecare is an ASX Foreign Exempt company.

The Company has also reviewed the 2017 NZX Corporate Governance Code and is largely in compliance with its recommendations. As required, the Company will report fully against its compliance with this Code in its 2018 Annual Report.

FRAMEWORK

Metlifecare shares are listed on the NZX Main Board (NZX) and on the Australian Securities Exchange (ASX).

Metlifecare's Investor Centre website www.metlifecare.co.nz/investor-centre contains copies of the following corporate governance policies, practices and charters, adopted or followed by the Company and referred to in this Corporate Governance Statement. The policies and charters have been reviewed, and updated where appropriate, in the last twelve months:

Policies & Charters

- Corporate Governance Statement
- Code of Ethics
- Shareholder Communications Policy
- Residents' Policy
- Risk Management Policy
- Trading Policy
- Conflicts of Interest Policy
- Diversity Policy
- Market Disclosure Policy
- Dividend Policy
- Auditor Independence Policy
- Whistleblowing Policy

Committee Charters

- Board Charter
- Audit & Risk Committee Charter
- Remuneration Committee Charter
- Nominations & Corporate Governance Committee Charter
- Development Committee Charter
- Care Committee Charter

Constitution

- Metlifecare Constitution.

This section sets out the Company's commitment to good corporate governance and measures its compliance with the nine fundamental principles of the Guidelines established by the FMA throughout the 2017 financial year (and through that, its compliance with the NZX Code). Metlifecare considers that during the above reporting period, the corporate governance principles adopted and followed did not materially differ from the NZX Code.

PRINCIPLE 1

Ethical Standards

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

The Company is committed to maintaining high ethical standards through ongoing attention to values and behaviour, particularly in respect of its responsibilities to those who reside in its retirement villages.

The Board has adopted a formal Code of Ethics, Board Charter, Conflicts of Interest Policy, Trading Policy and Whistleblowing Policy, all of which are available on the Company's website. The Board policies are supported by other Company policies and standards that address such issues as privacy, delegated authority mandates, gifts and other similar matters.

The Code of Ethics describes the practices that all employees are expected to follow to help maintain confidence in the Company's integrity. The Code of Ethics governs the conduct of the Company and includes details on the responsibility of employees to report concerns. This policy requires all directors, executives, managers, staff and contractors acting on behalf of the Company to maintain high standards of ethical behaviour in all decision making and in their conduct. The purpose of the Whistleblowing Policy is to facilitate the disclosure and investigation of any serious wrongdoing to help those staff who believe they have discovered serious wrongdoing.

Pursuant to the Board Charter, the directors are expected to comply with their legal duties and obligations when discharging their responsibilities as directors, including:

- acting in good faith and in the best interests of the Company
- acting with care and diligence and for proper purposes
- avoiding conflicts of interest or managing them appropriately, including filing declarations of interest with the Company Secretary and keeping them current
- refraining from making improper use of information gained as a director and from taking improper advantage of their appointment as a director.

Directors are encouraged to undertake appropriate training in order to ensure they best perform their duties as directors of the Company. As set out in the Board Charter, directors have access to:

- the senior management team, via the Chief Executive Officer, to access relevant information or explanations
- external auditors without management present, to seek explanations or additional information
- with prior notification to the Chair, professional advisors (at the Company's expense) to assist the director in carrying out his or her duties.

The Conflicts of Interest Policy details the process to be adopted in relation to potential conflicts of interest. Directors are required to disclose any actual or potential conflict of interest to the Board. A list of any such disclosures is included in the Board papers/minutes for each Board meeting.

The Trading Policy addresses the Company's requirements for all employees and representatives of the Company in relation to trading Metlifecare's shares. The policy applies to directors and employees and incorporates all trading restraints. Directors and employees are restricted from trading in Company shares during "black-out" periods from the balance date and the half-year balance date and, in any event, if they are in possession of non-publicly available price sensitive information.

PRINCIPLE 2

Board Composition and Performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Board Operations

The Board, elected by the shareholders, is responsible for supervising and directing the management of the business of the Company, including the performance of the Chief Executive Officer, so that it acts in the best interests of its shareholders. It is responsible for guiding the corporate strategy of the Company.

The Board schedules a minimum of six meetings each year. An annual work programme and a standing agenda, together with written reports and presentations from the Chief Executive Officer and senior management, address and update directors on strategy and operational matters.

The Board generally addresses the matters contained in its annual work programme set out in the Board Charter. Attendance at Board and committee meetings is set out in the table on page 79.

Skills of the Board

When considering the appointment of a new director, the Company's Nominations & Corporate Governance Committee considers the skills of the existing Board and any gaps. The Board currently comprises directors with a range of backgrounds and skills, including those with particular financial, aged care and property sector expertise as set out in the Director Profiles on pages 26 and 27.

The Nominations & Corporate Governance Committee has a formal and transparent procedure for selecting new directors for Board appointments, including selection criteria that aims to meet the Board's needs in respect of composition and structure. The Board has a board skills matrix, which sets out the mix of skills and diversity that the Board currently has and is looking to achieve in its future membership. Current directors are considered to provide the Board with a well-balanced, capable and effective mix of skills.

Independent Directors

The Board currently has seven non-executive directors, six of whom are independent directors per the definition set out in Section 1 of the NZX Listing Rules. The independent directors of the Company are Kim Ellis (Chair), Chris Aiken, Mark Binns, Alistair Ryan, Rod Snodgrass and Noeline Whitehead. As at the date of this Annual Report the directors of the Board are:

- Kim Ellis
- Chris Aiken
- Mark Binns
- Alistair Ryan
- Rod Snodgrass
- Carolyn Steele
- Noeline Whitehead

The Board does not have a tenure policy, however the current directors have served periods of time between one month and five years which is considered acceptable. Director profiles and committee memberships are set out on pages 26 and 27.

The roles of Chair and Chief Executive Officer are not held by the same person. Glen Sowry is currently the Chief Executive Officer of the Company, but is not a member of the Board.

Kim Ellis is the independent Chair of the Board and was appointed Chair on 1 September 2014. Mr Ellis has extensive governance experience in New Zealand and meets the requirements of the Board Chair position for a publicly listed company of Metlifecare's scale and complexity.

Director Development

New directors are provided with a letter of appointment setting out the Board's expectations of them, copies of key Company documents, an introduction to the activities of the group and the opportunity to meet with and ask questions of management. Directors are encouraged to undertake continuing education and development of further skills. Training undertaken in the last twelve months has included attendance at various Institute of Directors and other courses.

Diversity

The Board has a Diversity Policy which aims to ensure that the Company has a focus on diversity throughout the organisation. This recognises that a diversified work force (including at Board and management levels) contributes to improved business performance, enables innovation and is fair to all.

The Diversity Policy establishes the following measureable objectives for achieving gender and other diversity:

- facilitating and promoting equal employment opportunities at all levels including assessment of diversity of skills, experience, values, culture and gender wherever possible from the available candidates
- facilitating and promoting a merit-based environment in which employees have the opportunity to develop and perform to their full potential on an ongoing basis in alignment with the Company's commitment to the ongoing training and wellbeing of its employees
- rewarding excellence and ensuring employees are treated fairly, evaluated objectively and promoted on the basis of their performance.

The Diversity Policy also sets out requirements for the Board to assess its progress in achieving the objectives and the objectives themselves. The Diversity Policy is published on the Company's website. The Board considers that the Diversity Policy has been successfully implemented across the business. The gender breakdown of the Board and employees is as follows:

Gender (as at June 2017)	Male	Female
Board	3	2
Executive	5	4
Employees	255	788

Performance of the Board and Senior Management

The Board, led by the Chair, reviews its performance and the performance of individual directors and its Committees. The Board undertook a performance evaluation in the year to 30 June 2017, resulting in several improvements including an increased focus on strategy at Board meetings.

The Company has a Remuneration Committee that makes recommendations to the Board regarding remuneration of the Chief Executive Officer and members of the Executive Team, as described below under the heading Principle 5 "Remuneration".

The Remuneration Committee establishes an annual performance agreement with the Chief Executive Officer and conducts an annual review of the Chief Executive Officer's performance. Such annual review takes the form of an interview between the Chief Executive Officer and the Chair at which the performance of the Chief Executive Officer is reviewed and assessed. The Chief Executive Officer joined the Company in April 2016. Mr Sowry's first formal review was completed in 2017.

The Chief Executive Officer reviews the performance of Executive Team members annually by way of one-on-one interviews and the Remuneration Committee then considers the Chief Executive Officer's evaluation. A performance evaluation for Executives has taken place in the year in accordance with this process.

PRINCIPLE 3

Board Committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Board Charter

The Board has adopted a formal Board Charter that details the Board's roles and responsibilities, as set out below:

- supervising and directing the management of the business and affairs of the Metlifecare Group
- setting the objectives and strategic direction of the Metlifecare Group and monitoring management's performance against those benchmarks within that framework
- ensuring there are adequate resources available to meet Metlifecare Group objectives and responsibilities
- appointing and removing the Chief Executive Officer, determining conditions of employment and monitoring performance against established objectives
- approving senior executive appointments and remuneration
- overseeing succession and development plans for the Chief Executive Officer and senior executive team
- establishing and reviewing employment and remuneration practices to ensure that talented and motivated staff are recruited and retained across the Metlifecare Group
- approving and monitoring financial reporting and capital and other management systems
- ensuring that adequate risk management procedures exist to identify and manage business risks, protect Metlifecare's assets and to minimise the possibility of the Company operating beyond legal or regulatory requirements or beyond acceptable risk parameters as determined by the Board
- leading health and safety in the organisation including governance, delivery, monitoring and review of Metlifecare's Health and Safety policies and their implementation
- governing and overseeing Metlifecare's provision of care services to residents and of clinical risk
- reporting to shareholders
- setting Metlifecare's capital structure and capital management policies including dividend policy
- ensuring that the Metlifecare Group has appropriate corporate governance structures in place including standards of ethical behaviour
- appointing directors to the Board, as recommended by the Nominations & Corporate Governance Committee, and filling vacancies on the Board between annual meetings of shareholders
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of Metlifecare.

The Board Charter is available on the Company's website.

Committee Charters

The Board operates five committees which operate under the following Charters approved by the Board:

- Remuneration Committee Charter (refer Principle 5)
- Audit & Risk Committee Charter (refer Principle 7)
- Nominations & Corporate Governance Committee Charter
- Development Committee Charter
- Care Committee Charter.

The Charters are available on the Company's website.

Proceedings of all committee meetings are reported to the Board and minutes of all committee meetings are available to directors. Directors are welcome to, and regularly do, attend committee meetings for which they are not a member.

Nominations & Corporate Governance Committee

The Nominations & Corporate Governance Committee's responsibilities include identifying and recommending to the Board individuals for appointment (and removal) as members of the Board. In doing so, the Committee takes into account Board policies and such necessary and desirable competencies as it deems appropriate, including experience, qualifications, current Board composition and skill set, independence, judgment and the ability to work with other directors.

Development Committee

The Development Committee is responsible for providing advice to the Board on proposals relating to major developments and its responsibilities include:

- reviewing the development plans prepared by management and generally endorsing the plans to the Board
- reviewing management feasibilities and requests for approval for development programme(s) and endorsing these to the Board
- reviewing development, land bank and design updates prepared monthly by management to assess whether the development outcomes being targeted and achieved are consistent with those approved by the Board
- addressing any other development related matters that may from time to time be raised with the Committee by a member of the Board or the Chief Executive Officer
- reviewing (and recommending to the Board) business cases for land acquisitions proposed by management, including price, terms and structure
- reviewing (and recommending to the Board) business cases for land divestments proposed by management, including price, terms and structure
- addressing any other land acquisition or divestment related matters that may from time to time be raised with the Committee by a member of the Board or the Chief Executive Officer
- addressing and reporting on aspects of health & safety in design for new-builds when assessing new land acquisitions and developments.

Care Committee

Through the execution of its responsibilities the Committee provides governance and oversight of the Company's provision of services to residents. The Care Committee's responsibilities include:

- assisting the Board to identify and manage key risks in relation to the provision of care services to residents
- requesting, receiving and reviewing the Company's clinical governance system, clinical risk and quality plan annually
- setting targets and key performance indicators for the Company's care service delivery performance
- supporting innovation in relation to care service models, environments and systems.

PRINCIPLE 4

Reporting and Disclosure

The Board should demand integrity in financial reporting and in the timeliness and balance of corporate disclosures.

All information received by the Company is considered in the context of the Company's obligations as a listed company with regard to continuous disclosure of material information relating to the market. The Company's processes are designed to ensure financial and other information is reliable and of high quality to allow compliance with the Company's continuous disclosure obligations. The Board examines whether there is material information that is required to be disclosed to the market at each Board meeting.

In addition to the Board's final sign-off process, the Board received a representation from the Chief Executive Officer and the Chief Financial Officer confirming the adequacy of the interim and full year financial statements and their compliance with the Financial Markets Conduct Act 2013. Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements. The Company has established written policies to ensure compliance with the NZX Main Board Listing

Attendance at Board and Committee Meetings in the Year Ended 30 June 2017:

		Board Attendance		Committee Attendance				
Total number of meetings held		6	3	4	4	2	11	6
Director								
Name	Commencement of original appointment	Board	Board Other	Audit & Risk	Remuneration	Nominations & Corporate Governance	Development (formerly Acquisition & Development)	Care
K.R. Ellis	25 August 2014	6	3	4	4	2	11	N/A
C.G. Aiken	23 August 2012	6	3	N/A	N/A	1	11	N/A
A.B. Ryan	23 August 2012	6	3	4	4	2	2*	N/A
C.M. Steele	13 December 2013	6	3	1*	2*	2	9*	6
N.B. Whitehead	19 June 2013	6	3	N/A	N/A	2	2*	6
Former Directors								
K.M. Baker (Resigned 12 April 2017)	13 December 2013	4	1	3	2	N/A	N/A	N/A
W.O.C. Smales (Resigned 12 April 2017)	13 December 2013	4	1	N/A	N/A	N/A	8	4

*These directors were only committee members for part of the year to 30 June 2017. They did not miss any committee meetings whilst they were members of their respective committees. The Committee Attendance record above indicates attendance of committee members only. Directors often attend committee meetings for which they are not a member.

Rules and the ASX Listing Rules disclosure requirements (as applicable) and to ensure accountability at a senior executive level for that compliance. Metlifecare's Market Disclosure Policy is available on the Company's website.

Board and Committee Charters, policies of public relevance, media releases, annual and interim reports and other investor-focused material are available on the Company's website.

Metlifecare has been listed on the NZX Main Board since July 1994, and the ASX since 2013, and has, to the best of its officers' knowledge and belief, at all times complied with its continuous disclosure obligations under the NZX Listing Rules, the ASX Listing Rules and the Securities Markets Act 1988/Financial Markets Conduct Act 2013 (as applicable).

PRINCIPLE 5

Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

Metlifecare is committed to providing fair and reasonable remuneration for directors and executives and acknowledges the need to provide competitive remuneration to attract high calibre directors and executives to serve the Company.

Director remuneration is paid in the form of directors' fees. The total monetary sum of fees approved for directors is currently $690,000 as resolved at the Company's Annual Meeting on 27 October 2015. A breakdown of the Chair's and directors' fees are set out on page 86. Directors do not currently receive any remuneration in the form of Metlifecare shares.

Remuneration Committee

The Company has established a Remuneration Committee, whose responsibilities include:

- reviewing and recommending to the Board the level and type of remuneration for the Chief Executive Officer and senior executives
- reviewing and recommending to the shareholders the level and type of remuneration for directors.

The current members of the Remuneration Committee are Carolyn Steele, Kim Ellis and Mark Binns. Carolyn Steele, Chair of the Remuneration Committee since April 2017, is not an independent director as a result of her association with the New Zealand Superannuation Fund, a substantial product holder of the Company as noted on page 92 of the 2017 Annual Report.

Metlifecare distinguishes the structure of non-executive directors' remuneration from that of any executive directors and senior executives. The Company does not have a separate director remuneration policy however the fee pool is reviewed each year by the Remuneration Committee to ensure it is appropriate.

The total monetary sum of fees approved for directors is allocated as decided by the Board, by way of fees payable to all directors. The current allocation is set out on page 86 of the 2017 Annual Report.

Chief Executive Officer remuneration is recommended by the Remuneration Committee with reference to market surveys, job size and individual responsibilities, skills, knowledge, experience, competencies and accountabilities. Executive remuneration is recommended by the Chief Executive Officer to the Remuneration Committee and is structured to include a base salary and an 'at risk' Short Term Incentive (STI) component paid upon achievement of Company and individual targets agreed from the commencement of each financial year. The STI component represents approximately 30 percent of the senior executive team member's base salary. Payment of the STI is linked to specific strategic goals of the Company. There is also a gateway goal linked to achievement of financial targets.

Chief Executive Officer remuneration is reviewed annually and is disclosed separately on page 89 in the 2017 Annual Report.

Executive remuneration is reviewed annually and the levels of remuneration are disclosed on page 89 in the 2017 Annual Report.

Equity-Based Remuneration

The Company currently has a Senior Executive Long Term Incentive Plan (LTIP). The LTIP has a three year test period designed to reward executives if the Total Shareholder Return (TSR) is greater than the fiftieth percentile of NZX Top 50 companies (provided that an 8% per year absolute TSR hurdle is also met). This plan is designed to align the interests of key employees with the interests of shareholders and provide a continuing incentive to key employees over the longer term horizon.

The Company has a robust Trading Policy, which restricts short term trading by "Restricted Persons" (such as key management personnel, senior executives and directors) and trading in the Company's securities during certain "black-out" periods. Outside the black-out periods, Restricted Persons must obtain the Company's consent before they are able to trade in the Company's securities.

PRINCIPLE 6

Risk Management

Directors should have a sound understanding of the key risks faced by the business. The Board should regularly verify that the entity has appropriate processes that identify and manage these.

The Board is responsible for the Company's risk management and internal control. The Board monitors policies and processes that identify significant business risks and implements procedures to monitor these risks.

The Board also uses the following methods to monitor risks: outsourcing various functions to external providers, Audit & Risk Committee reviews and recommendations, financial and compliance reporting procedures and ensuring that the Company has insurance policies in place with a reputable insurer.

The Audit & Risk Committee regularly reviews the Company's risk management issues, policies and procedures, including the Company's Risk Management Policy through which it manages its exposure to economic, environmental and other risks.

The Committee's responsibilities are contained in the Audit & Risk Committee's Charter. Both of these documents are published on the Company's website. Details of the Audit & Risk Committee are set out below under the heading "Audit & Risk Committee" of this Corporate Governance Statement.

Management provides monthly reports to the Board that include summaries of specific high level risk management issues. Management is required to immediately report urgent risk matters to both the Chair of the Board and the Chief Executive Officer. Through the Audit & Risk Committee and the Company's external audits, the Company continually seeks ways to improve the effectiveness of its risk management and internal control processes.

The Company reviews its risk management framework annually. Risk-reporting software is used to capture and report on risks and augment other risk management processes.

The Company has similar exposure to economic, environmental and other risks as for other comparable businesses in New Zealand. Risks that could affect results and performance include:

- increased competition in the aged care market
- impacts arising from a wide range of indirect economic impacts on a broad range of stakeholders (for example contractors, employees, communities, customers and shareholders) and the New Zealand economy
- industrial relations and health and safety issues
- fluctuations in the costs of building and maintaining the Company's villages and care facilities
- changing regulations in the industry.

Sustainability of the Company's buildings is considered, particularly for its new developments, by the Company's Development Committee and, ultimately, the Board.

The Company carefully considers the selection of building materials and, where possible, considers sustainably sourced options. Efforts to reduce the Company's impact on the environment include measures to improve energy efficiency within the villages and an increasing use of renewable energy sources such as solar. Newer village developments include features such as increased levels of insulation, double glazing and water efficient fittings. Greenwich Gardens and The Orchards, the Company's two newest villages, are the first retirement villages in New Zealand to have homes that are 6 Homestar™ Built certified. The Homestar accreditation system was established by the New Zealand Green Building Council (NZGBC) with the certification process administered by independent NZGBC assessors. The Company is considering introducing electric cars into certain villages for use by residents.

The Company takes its responsibility for the health and safety of residents and staff seriously and the Board has over-arching responsibility for providing oversight in this area. An external health and safety review was concluded in 2017 which provided continuous improvement in this area, particularly in line with the Health and Safety at Work Act 2015. The Company has AS/NZS 4801 accreditation.

Metlifecare strives to be a responsible corporate citizen, respecting the rights of all stakeholders including residents, staff, suppliers and the wider communities in which our villages are located.

PRINCIPLE 7

Auditors

The Board should ensure the quality and independence of the external audit process.

Audit & Risk Committee

The Audit & Risk Committee, together with the external auditor, has a pivotal role in ensuring the integrity of financial reporting and other information provided in public disclosure documents.

The primary purpose of the Audit & Risk Committee is to assist the Board in fulfilling its responsibilities relating to accounting and reporting, external and internal audit, the internal control environment, tax planning and compliance, treasury and liquidity, and risk management.

The Committee carries out this purpose by overseeing, reviewing and providing advice to the Board on matters including:

- financial information prepared by management for publication to shareholders, regulators and the general public
- policies and procedures adopted to ensure compliance with legislative and regulatory requirements, codes of practice, NZX and ASX listing rules and governance requirements as they relate to financial and non-financial disclosure
- external audit functions
- relationship and interaction with institutional investors and other shareholders
- internal control and risk management policies and processes.

The Audit & Risk Committee has adopted a formal Audit & Risk Committee Charter, which is available on the Company's website.

The Audit & Risk Committee members are Alistair Ryan (MCom (Hons)), Carolyn Steele (BMS (Hons)) and Kim Ellis (BCA (Hons), BEng (Hons)). All members are non-executive directors, a majority are independent, at least one member is a qualified accountant and the Chair of the Audit & Risk Committee, Alistair Ryan, is an independent director who is not the Chair of the Board.

External Auditor

The Company, under its Audit & Risk Committee Charter, has established policies relating to the appointment and independence of the external auditor. The Board, via the Audit & Risk Committee's recommendations, is responsible for ensuring the independence of the external auditor, for obtaining a confirmation of this from the external auditor and for monitoring the five yearly rotation of the lead audit partner.

The external auditor does not provide any other services unless specifically approved by the Chief Executive Officer/Chief Financial Officer and/or the Board in accordance with the Auditor Independence Policy. The fee paid to the auditor in 2017 for audit services was $461,000. Non-audit fees were $57,000. The provision of non-audit services comprised:

- tax compliance services – $16,000
- advisory services on directors' fees and executive remuneration – $41,000.

PRINCIPLE 8

Shareholder Relations

The Board should foster constructive relationships with shareholders that encourage them to engage with the entity.

Investor information

The Board fosters constructive relationships with shareholders and encourages them to engage with the Company.

The Company provides information about itself and its governance to shareholders on the Company's website. All material information released to the NZX and ASX, including reports to shareholders, may be found on the website.

The Company's Shareholder Communications Policy sets out the manner in which the Company communicates with shareholders. The aim of the communication strategy is to enable shareholders to engage with the Company in an informed manner and to be able to make assessments of the Company's prospects and value. The Market Disclosure Policy sets out the procedures that are followed to ensure disclosure is evenly balanced and that all parties in the investment community have similar access to information.

The Company's Chair is responsible for ensuring that shareholders' meetings are conducted efficiently and shareholders have adequate opportunity to air their views and to obtain answers to their queries. The Company's external auditor for the 2017 Financial Statements, PricewaterhouseCoopers, will be available to answer questions on the audit and the auditor's independence at the Company's Annual Meeting on 24 October 2017.

Shareholders have the option of receiving their communications electronically, including by email or through the Company's investor centre. The Company's website also contains a section for electronic shareholder communications.

PRINCIPLE 9

Stakeholder Interests

The Board should respect the interests of stakeholders, taking into account the entity's ownership type and its fundamental purpose.

The Board respects the interests of stakeholders within the context of the Company's ownership type and its fundamental purpose.

The Board recognises that, in addition to its shareholders, the residents of the Company's retirement villages and the Company's employees are stakeholders of the Company. The Company's Residents' Policy is designed to oversee the rights of residents. The Company respects the rights and interests of its residents as they are set out in the relevant contractual documents. The Company is an accredited member of The Retirement Villages Association of New Zealand.

The Company adheres to the Retirement Villages Code of Practice 2008 (and subsequent updates) which identifies and protects the rights of residents and sets out the obligations of retirement village operators. The Company delivers its services in a manner that enhances the quality of residents' experiences and respects the residents' rights to be involved as members of a community within their village. The Company's adherence to the Code of Practice and to residents is monitored by the statutory supervisor for each village. The statutory supervisor role involves monitoring compliance with the relevant governing legislation and with each village's Deed of Supervision.

INTERESTS REGISTER

(a) General Disclosures

The following are particulars of general disclosures of interest by directors of Metlifecare Limited in the year to 30 June 2017, pursuant to section 140(2) of the Companies Act 1993. Where applicable, the disclosure also includes directorships of subsidiaries of the relevant companies.

Director	Entity	Nature of Interest
K.R. Ellis	Port of Tauranga Ltd	Director
	FSF Management Company Ltd	Director
	Freightways Ltd	Director
	Ballance Agri-Nutrients Ltd	Director
	New Zealand Social Infrastructure Fund Ltd	Director
	* Wanganui Collegiate School	Trustee
	* Enviro (NZ) Ltd	Director
C.G. Aiken	Murray Aynsley Properties Ltd	Director
	Sequoia Advisory Ltd	Director/Shareholder
	Alumnus Properties Ltd	Shareholder
	Hobsonville Land Company Ltd	Officer
	Cameron Trust	Trustee
	Hurstmere Property Trust	Trustee
#K.M. Baker	Infratil Ltd	Officer/Shareholder
	H.R.L. Morrison & Co Group Ltd Partnership and various subsidiary entities	Director/Officer/Shareholder
	+ H.R.L. Morrison & Co (Australia) Pty Ltd	Director
	New Zealand Bus Ltd	Director
	New Zealand Bus Finance Ltd	Director
	Fenn Lanes Consultants Ltd	Shareholder
	Ambient TopCo Pty Ltd	Director
	Ambient HoldCo Pty Ltd	Director
	Ambient BidCo Pty Ltd	Director
	+ Morrison Leasing Limited	Director
	+ Morrison Asian Investments Limited	Director
	+ Woodward Infrastructure Limited	Director
	KM & KJ Baker Family Trust	Trustee
	NZ Markets Disciplinary Tribunal	Member
	+ Canberra Data Centres Pty Limited	Director

Director		Entity	Nature of Interest
A.B. Ryan		Barramundi Ltd	Director
		Christchurch Casinos Ltd	Director
		Kingfish Ltd	Director
		Lewis Road Creamery Ltd	Director
		Marlin Global Ltd	Director
		New Zealand Racing Board	Board Member
		Evolve Education Group Ltd	Director
		Audit Oversight Committee	Member
#W.O.C. Smales		RA (Holdings) 2014 Pty Ltd	Director
		RA 2014 Pty Ltd	Director
		H.R.L. Morrison & Co Group Ltd Partnership	Shareholder
		H.R.L. Morrison & Co Ltd	Officer
	+	CDC Group Holdings Pty Limited	Director
	*	Ambient TopCo Pty Ltd	Director
		Ambient HoldCo Pty Ltd	Director
		Ambient BidCo Pty Ltd	Director
		Infratil Ltd	Officer
C.M. Steele	*	Datacom Group Ltd	Director
	*	Guardians of New Zealand Superannuation Fund	Officer
		Steele Family Trust	Trustee
		Halberg Disability Sport Foundation	Director
		New Zealand Football Foundation	Trustee
	+	Green Cross Health Limited	Director
	+	WEL Networks Limited	Director
Dr N.B. Whitehead		Simple Solutions Consultancy Ltd	Director/Shareholder
		Bethesda Care Ltd	Officer
		The University of Auckland	Officer

Notes:
* Interest ceased during the year
+ New
# Resigned 12 April 2017

(b) Specific Disclosures

During the year no specific disclosures were made by the directors of the Company or any subsidiary of any interests in transactions entered into by the Company or any subsidiary.

(c) Indemnity and Insurance

The Company has effected insurance and given indemnities to its directors, including directors of subsidiary companies, in accordance with the Companies Act 1993.

(d) Use of Company Information

During the year the Board did not receive any notices from directors of the Company requesting use of Company information. No subsidiary Board received any notice from its directors requesting use of the subsidiary's information.

(e) Directors' Share Dealings and Relevant Interests

During the year to 30 June 2017 one director, Alistair Ryan, and one former director, Kevin Baker, disclosed to the Board, under section 148 of the Companies Act 1993 and sections 297(2) and 298(2) of the Financial Markets Conduct Act 2013, particulars of acquisitions or dispositions of relevant interests in ordinary shares in the Company.

- On 9 September 2016 Alistair Ryan purchased 1,600 shares at $6.40 per share.
- On 11 April 2017 Karen Jane Baker (the wife of former director Kevin Baker) purchased 17,000 shares at $5.79 per share.

Three directors (in *italics* below) had relevant interests in the ordinary shares in the Company as at 30 June 2017.

Directors' Interests	Number of Shares
Cameron Trust (*C.G. Aiken*, W.A. Aiken as Trustees)	9,051
A.B. Ryan	8,404
Ellis Trust (*K.R. Ellis* and MK Trustee 2015 Limited as Trustees)	165,000
Annette Ellis Trust (A.M. Ellis* and MK Trustee 2015 Limited as Trustees) - interested director *K.R. Ellis*	15,000

*(A.M. Ellis is the wife of K.R. Ellis)

DIRECTOR

INFORMATION

Company Directors

The Company's directors are set out in the directory on page 93. Kevin Baker and William Smales resigned as directors on 12 April 2017. Mark Binns and Rod Snodgrass were appointed as independent directors from 1 August 2017, subject to formal election by shareholders at the Annual Meeting on 24 October 2017.

Remuneration of Directors

Remuneration and other benefits received by directors during the year to 30 June 2017:

Director	Director Fees $
K.R. Ellis	155,000
A.B. Ryan	93,041
C.G. Aiken	90,000
C.M. Steele	87,708
Dr N.B. Whitehead	83,041
W.O.C. Smales (resigned 12 April 2017)	70,458
K.M. Baker (resigned 12 April 2017)	69,833

The above fees exclude GST and expenses.

Allocated payments are set out below:

Position	Current Fee Allocation $ (Plus GST if any)
Chair of Board (inclusive of Committee fees) – K.R. Ellis	155,000
Non-Executive Director Base Fee (Directors excluding Chair) – C.G. Aiken, A.B. Ryan, C.M. Steele and Dr N.B. Whitehead (K.M. Baker and W.O.C. Smales until 12 April 2017)	80,000 (total 480,000)**
Chair Audit & Risk Committee – A.B. Ryan	10,000
Chair Development Committee – C.G. Aiken	10,000
Chair Care Committee – W.O.C. Smales until 12 April 2017 then C.M. Steele	7,500
Chair Remuneration Committee* – K.M. Baker until 12 April 2017 then C.M. Steele	7,500*
Committee Member Fee (Committee Members excluding Nominations & Corporate Governance Members and Chair of each Committee as set out on pages 26 and 27)	2,500 (total 15,000)**
Total Allocated	685,000**
Unallocated	5,000**
Pool	690,000

* The fees paid to the Chair of the Remuneration Committee increased from $5,000 to $7,500 effective from 1 September 2016.
** Based on seven directors for full year – during the period 13 April 2017 to 30 June 2017 there were only five directors.

Remuneration and other benefits received by directors of Metlifecare Palmerston North Limited (a jointly controlled entity) during the year to 30 June 2017. The fees set out below to G.R. Sowry, T.M. van der Meijden and J.R. Callander were paid to Metlifecare Limited.

Director	Director Fees $
K.T. Hindle	5,000
R.E. Mellish	5,000
G.R. Sowry	5,000
T.M. van der Meijden	5,000
J.R. Callander (appointed 4 April 2017)	1,205
J.E. Hughes (appointed 4 April 2017)	1,205

Subsidiary Company Directors

The following persons held the office of director of all the Company's wholly owned subsidiaries (listed below) during the year:

Company Name	Directors
Bay of Plenty Retirement Village Limited	G.R. Sowry, T.M. van der Meijden
Hibiscus Coast Village Holdings Limited	
Hillsborough Heights Village Holdings Limited	
Longford Park Village Holdings Limited	
Longford Park Village Limited	
Metlifecare Bayswater Limited	
Metlifecare Coastal Villas Limited	
Metlifecare Crestwood Limited	
Metlifecare Greenwood Park Limited	
Metlifecare Highlands Limited	
Metlifecare Kapiti Limited	
Metlifecare Merivale Limited	
Metlifecare Oakwoods Limited	
Metlifecare Pakuranga Limited	
Metlifecare Pinesong Limited	
Metlifecare Powley Limited	
Metlifecare 7 Saint Vincent Limited	
Metlifecare Somervale Limited	
Metlifecare The Avenues Limited	
Metlifecare The Orchards Limited	
Metlifecare The Poynton Limited	
Metlifecare Wairarapa Limited	
Private Life Care Holdings Limited	
Provider Care NZ Limited	
Metlifecare Red Beach Limited	
Forest Lake Gardens Limited	
Metlifecare Greenwich Gardens Limited	

Company Name	Directors
Metlifecare Oakridge Limited Vision (Christchurch) Limited Metlifecare Dannemora Gardens Limited Metlifecare Papamoa Beach Limited Vision Senior Living Investments Limited Vision Senior Living Limited Waitakere Group Limited	G.R. Sowry, T.M. van der Meijden
Metlifecare LTIP Trustee Limited	A.B. Ryan

No director of any wholly owned subsidiary company received any director's fees or other benefits as a director of a subsidiary.

Jointly Controlled Entity (50% Shareholding) as at 30 June 2017

The following persons held the office of director of Metlifecare Palmerston North Limited, a jointly controlled entity, during the year:

Company Name	Directors
Metlifecare Palmerston North Limited	G.R. Sowry T.M. van der Meijden K.T. Hindle R.E. Mellish J.R. Callander (appointed 4 April 2017) J.E. Hughes (appointed 4 April 2017)

OTHER STATUTORY INFORMATION

Chief Executive Officer Remuneration

Metlifecare has an employment agreement with Glen Sowry in relation to his employment as Chief Executive Officer. The total remuneration package for Mr Sowry at 30 June 2017 comprised:

- Fixed remuneration, including base salary, matched KiwiSaver contributions up to a maximum of 3%, and other benefits.
- Short Term Incentive (STI) offered and payable at the discretion of the Board. The STI represented 30% of base salary. In order to assess the STI, a financial "gateway" target must first be met. If this is met, the criteria the Board assessed the STI was based 75% on organisational KPIs; these included matters such as asset delivery, sales and other profitability metrics. The remaining 25% was based on individual KPIs which included shaping and leading strategic planning activity for the Company and an increase in the share price as a result of effective leadership and positioning of the Company as a proven market leader in the retirement village sector. These KPIs were set in order to ensure that the Chief Executive Officer is incentivised to meet and/or exceed the Company's strategic and operational targets.
- Participation in the Senior Executive Long Term Incentive Plan (LTIP) offered to the Chief Executive Officer at the discretion of the Board. This long-term performance incentive is designed to align senior executive remuneration with financial outcomes for shareholders for the longer term. Shares are purchased using an interest free loan equating to 33% of base salary. The shares vest after three years if all performance hurdles are met. Additional details on the LTIP scheme are set out on page 80.

For the year ended 30 June 2017, Mr Sowry received:

Base Salary	STI	LTIP	Kiwisaver	Total Remuneration
$585,053*	$57,000**	$191,858 (shares issued not vested)	$8,822	$650,875

*FY17 actual salary paid including annual leave
**Actual STI paid for FY16

Employees' Remuneration over $100,000

The number of employees, or former employees of the Company, or any subsidiary, not being directors, who during the year, received remuneration and other benefits valued at or exceeding $100,000, are set out below.

Remuneration includes salary, employer KiwiSaver contributions, performance bonus payments, termination settlement payments, insurance premiums and, in the case of the asterisked figures, the value of shares transferred to four employees (not including the current Chief Executive Officer) under the Metlifecare Senior Executive Long Term Incentive Plan during the course of the year ended 30 June 2017.

Remuneration	Number of Employees
$100,000 - $110,000	15
$110,000 - $120,000	11
$120,000 - $130,000	10
$130,000 - $140,000	2
$140,000 - $150,000	5
$150,000 - $160,000	4
$160,000 - $170,000	5
$170,000 - $180,000	2
$190,000 - $200,000	1
$200,000 - $210,000	2

Remuneration	Number of Employees
$240,000 - $250,000	2
$250,000 - $260,000	1
$260,000 - $270,000	1
$380,000 - $390,000	1
$420,000 - $430,000	1
$550,000 - $560,000*	1
$650,000 - $660,000	1
$690,000 - $700,000*	1
$870,000 - $880,000*	1
$1,250,000 - $1,260,000* (Payments to former employee)	1
Total Number of Employees Paid	68

Donations

The Company paid a total of $40,673 in donations in the year to 30 June 2017. This included $34,899 to various Residents' Committees in order to enable residents to pay for specific items and $5,000 to the Auckland Rescue Helicopter Trust.

NZX Waivers

No waivers were granted by the NZX in favour of the Company in the 12 month period preceding 30 June 2017.

Limitations on the Acquisition of Company Securities

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares (including substantial holdings and takeovers).

Limitations on the acquisition of securities imposed under New Zealand law are as follows:

- In general, securities in the Company are freely transferable and the only significant restrictions or limitation in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.
- The New Zealand takeovers code creates a general rule under which the acquisition of 20% or more of the voting rights in the Company or the increase of an existing holding of 20% or more of the voting rights of the Company can occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances), or compulsory acquisition of a shareholder holding 90% or more of the shares.
- The Overseas Investment Act 2005 and Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas interests. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an 'overseas person' acquires shares in the Company that amount to 25% or more of the shares issued by the Company, or if the overseas person already holds 25% or more, the acquisition increases that holding.
- The Commerce Act 1986 is likely to prevent a person from acquiring shares in the Company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

Place of Incorporation

The Company is incorporated in New Zealand with a Certificate of Incorporation number 237544.

Credit Rating

The Company has no credit rating.

SHAREHOLDER INFORMATION

Twenty Largest Shareholders

(as at 17 July 2017)

REGISTERED SHAREHOLDER		Number of Shares	% Shares
1	New Zealand Central Securities Depository Limited (NZCSD)	155,830,303	73.15
2	JBWere (NZ) Nominees Limited	6,529,302	3.06
3	FNZ Custodians Limited	6,064,395	2.84
4	Forsyth Barr Custodians Limited	4,002,767	1.87
5	Custodial Services Limited	3,191,453	1.49
6	Custodial Services Limited	1,316,667	0.61
7	Custodial Services Limited	1,227,580	0.57
8	Custodial Services Limited	1,219,735	0.57
9	Investment Custodial Services Limited	1,050,153	0.49
10	PT (Booster Investments) Nominees Limited	1,028,755	0.48
11	New Zealand Depository Nominee Limited	907,378	0.42
12	Custodial Services Limited	794,373	0.37
13	FNZ Custodians Limited	565,982	0.26
14	JBWere (NZ) Nominees Limited	548,703	0.25
15	Waterview Custodian Limited	516,484	0.24
16	Craig John Thompson	452,046	0.21
17	Harrogate Trustee Limited	380,000	0.17
18	Forsyth Barr Custodians Limited	329,301	0.15
19	Metlifecare LTIP Trustee Limited	320,319	0.15
20	Custodial Services Limited	308,149	0.14
	TOTAL	**186,583,845**	**87.49**

As at 17 July 2017, the ten largest shareholdings in the Company held through NZCSD were:

	REGISTERED SHAREHOLDER	Number of Shares	% Shares
1	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	42,363,688	19.89
2	Citibank Nominees (New Zealand) Limited	13,086,794	6.14
3	JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct	11,839,603	5.56
4	BNP Paribas Nominees (NZ) Limited	10,319,613	4.84
5	HSBC Nominees (New Zealand) Limited	9,650,549	4.53
6	Accident Compensation Corporation	8,959,884	4.21
7	HSBC Nominees (New Zealand) Limited A/C State Street	7,390,379	3.47
8	MFL Mutual Fund Limited	6,862,318	3.22
9	Guardian Nominees No 2 A/C Westpac W/S Enhanced Cash Trust	6,561,553	3.08
10	ANZ Wholesale Australasian Share Fund	6,540,550	3.07

Spread of Holdings

(as at 17 July 2017)

Size of holdings	Number of shareholders	%	Number of shares held	%
1 – 1,000	1,187	25.93	671,414	0.32
1,001 – 5,000	2,175	47.51	5,598,736	2.63
5,001 – 10,000	639	13.96	4,711,971	2.21
10,001 - 100,000	512	11.18	11,955,310	5.61
100,001 and over	65	1.42	190,068,478	89.23
TOTAL	**4,578**	**100.00**	**213,005,909**	**100.00**

Substantial Product Holders

The entities who, pursuant to section 293 of the Financial Markets Conduct Act 2013, were Substantial Product Holders in the Company as at 30 June 2017 were:

Substantial Product Holders	Shares	%
New Zealand Superannuation Fund Nominees Limited	42,156,178	19.90
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and OnePath Funds Management Limited (Australia)	20,855,317	9.80
Investment Services Group Limited (formerly Devon Funds Group Limited)	11,359,222	5.33

Notes:

1 The total number of voting securities of the Company on issue at 30 June 2017 was 213,005,909 ordinary fully paid shares. All shares carry one vote per share.

2 The percentage column in the table above reflects each product holder's holding as a percentage of the current issued share capital of the Company. This percentage may have changed from the percentage that was disclosed by the product holder in the relevant disclosure notice, due to further shares being issued or traded after the disclosure was made.

Net Tangible Assets Per Security

30 June 2017	30 June 2016
$6.43	$5.32

DIRECTORY

Directors

Kim Ellis - Chair

Chris Aiken

Mark Binns (from 1 August 2017)

Alistair Ryan

Rod Snodgrass (from 1 August 2017)

Carolyn Steele

Dr Noeline Whitehead

Executive Team

Glen Sowry
Chief Executive Officer

Charlie Anderson
General Manager Property & Development

Tanya Bish
Clinical Nurse Director

Richard Callander
General Manager Operations

Huma Houghton
General Manager Human Resources

Jan Martin
General Manager Sales

Andrew Peskett
General Counsel & Company Secretary

Blanka Ros*
General Manager Marketing

Tristram van der Meijden*
Chief Financial Officer

* Until 30 September 2017.

Richard Thomson is due to commence as Chief Financial Officer on 18 September 2017.

Registered Office (New Zealand)

Level 4, 20 Kent Street
Newmarket, Auckland 1023
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Parnell, Auckland 1151
Telephone: 09 539 8000
Facsimile: 09 539 8001
www.metlifecare.co.nz

SHARE REGISTRAR NEW ZEALAND
Computershare Investor Services Limited

Level 2, 159 Hurstmere Road,
Takapuna, Auckland 0622
Postal Address: Private Bag 92119
Victoria Street West, Auckland 1142
Investor Enquiries: 09 488 8777
www.computershare.co.nz/investorcentre

Registered Office (Australia)

Level 61, Governor Philip Tower
1 Farrer Place, Sydney NSW 2000 Australia
Telephone: +61 2 9296 2000
Facsimile: +61 2 9296 3999

SHARE REGISTRAR AUSTRALIA
Computershare Investor Services Pty Limited

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enquiry@computershare.co.nz

Lawyers

Chapman Tripp
Level 35
23 Albert Street
Auckland 1010

Auditor

PricewaterhouseCoopers
PwC Tower
188 Quay Street, Auckland 1142

Bankers

ANZ Bank New Zealand Limited

Bank of New Zealand

ASB Bank Limited

Westpac New Zealand Limited

Stock Exchange Listings

NZX Main Board

ASX Official List
– ASX Foreign Exempt Listing

Metlifecare

The Avenues Cnr Tenth Avenue & Devonport Road, Tauranga. Ph 07 571 0400. **Bayswater** 60 Maranui Street, Mt Maunganui. Ph 07 547 4047. **Coastal Villas** Spencer Russell Drive, Paraparaumu. Ph 04 296 6333. **Crestwood** 38 Golf Road, New Lynn, Auckland. Ph 09 826 2000. **Dannemora Gardens** 30 Matarangi Road, Botany Downs, Auckland. Ph 09 272 2467. **Forest Lake Gardens** 2 Minogue Drive, Te Rapa, Hamilton. Ph 07 849 8243. **Greenwich Gardens** 5 Greenwich Way, Unsworth Heights, Auckland. Ph 09 440 6790. **Greenwood Park** 10 Welcome Bay Road, Welcome Bay, Tauranga. Ph 07 544 7500. **Hibiscus Coast Village** 101 Red Beach Road, Red Beach. Ph 09 421 9718. **Hillsborough Heights** 1381 Dominion Road Extension, Mt Roskill, Auckland. Ph 09 626 8060. **Highlands** 49 Aberfeldy Avenue, Highland Park, Auckland. Ph 09 533 0600. **Kapiti Village** 1 Henley Way, Paraparaumu. Ph 04 296 1790. **Longford Park Village** 1 Longford Park Drive, Takanini, Auckland. Ph 09 295 0040. **The Orchards** 123 Stanley Road, Glenfield, Auckland. Ph 09 444 4010. **Oakridge Villas** 30 Oakridge Drive, Kerikeri. Ph 09 407 8549. **Pakuranga Village** 14 Edgewater Drive, Pakuranga, Auckland. Ph 09 577 1600. **Palmerston North Village** Cnr Carroll & Fitchett Streets, Palmerston North. Ph 06 350 6400. **Papamoa Beach Village** Cnr Parton Road & Te Okuroa Drive, Papamoa. Ph 07 542 1933. **Powley** 135 Connell Street, Blockhouse Bay, Auckland. Ph 09 627 0700. **The Poynton** 142 Shakespeare Road, Takapuna, Auckland. Ph 09 488 5700. **Pinesong** 66 Avonleigh Road, Titirangi, Auckland. Ph 09 817 1800. **Somervale** 33 Gloucester Road, Mt Maunganui. Ph 07 572 9020. **7 Saint Vincent** 7 St Vincent Avenue, Remuera, Auckland. Ph 09 524 1420. **Waitakere Gardens** 15 Sel Peacock Drive, Henderson, Auckland. Ph 09 837 0512.