



INVESTING FOR GROWTH



2018 ANNUAL REPORT



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


K.R. Ellis
Chair

5 September 2018


A.B. Ryan
Director

5 September 2018

“
At Metlifecare, our philosophy is
to empower our residents - we
want them to experience the best
years of their lives with us.
”
Kim Ellis, Chair

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METLIFECARE

WHAT WE DO

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

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

AT A GLANCE

24
VILLAGES

5
NEW VILLAGE
SITES

MORE THAN
5500
RESIDENTS

CARED FOR BY
1100
STAFF

 **3888** INDEPENDENT LIVING HOMES

 **492** CARE APARTMENTS

 **370** CARE BEDS & SUITES

The new Greenwich Gardens Tui Building



98%
VILLAGE
OCCUPANCY

95%
CARE
OCCUPANCY*

**Development
Land Bank**
1370 Independent
living homes and care
apartments
374 care beds
and suites

* Excluding care homes opened during FY18

OUR YEAR 2017-2018

JULY 17



Greenwich Gardens
Care Home opens



AUGUST



New directors appointed -
Mark Binns and Rod Snodgrass

Gulf Rise (Red Beach) Village*
resource consent granted

OCTOBER



NZ's first retirement village
shared car service introduced at
Greenwich Gardens

New Orion Point (Hobsonville)
Site under contract



NOVEMBER



Somervale Care Home opens



Papamoa Beach Village*
Care Home and pavilion
resource consent granted

FEBRUARY 18



Earthworks commence at
Gulf Rise* (Red Beach)

Kim Workman announced
as **Metlifecare Senior New**
Zealander of the Year

MARCH



Resident-directed Care
in place at all care homes



Construction begins on
The Avenues Care Home*

Three year leadership development
programme completed for 85 leaders

APRIL



MAY



New Beachlands site
under contract

Metlifecare Awarded "Highly
Commended" in Reader's Digest
New Zealand Trusted Brands survey

Construction begins on additional
villas at **Crestwood Village**



JUNE



Pinesong Manukau
building opens

Greenwich Gardens Tui
building opens



Orion Point site purchase
completed

Papamoa Beach Village*
Care Home and pavilion
construction commences

JULY



*Artist impression

FINANCIAL HIGHLIGHTS

Net Profit After Tax	\$125.1m
Underlying Profit ¹	\$87.5m
Underlying Operating Cash Flow ¹	\$54.3m
Total Assets	\$3.3b
Net Assets per Share	\$6.93
Embedded Value per Unit ¹	\$281k
Total Dividend for Year	10cents per share

¹ These measures are non-GAAP measures. The definitions of these and other non-GAAP financial measures in this report can be found in the FY18 results presentation on page 42. A copy of the FY18 results presentation can be found on Metlifecare's website: www.metlifecare.co.nz/investor-centre/investor-presentations.

View from new Manukau Building, Pinesong Village

OPERATING HIGHLIGHTS

New homes and care beds delivered
254

Total homes sold*
458

Development margin on new homes sold*
27%

Hours of staff training delivered
12,000

2
new sites acquired

446 homes and
10 village community spaces refurbished or upgraded

2
new homestead-style care homes opened



12%
reduction in staff turnover

100%
of care homes audited achieved 'gold standard' four year certification²

* Licence to occupy sales
1 Settlements completed by 30 June 2018 (including resales at Palmerston North)
2 Ministry of Health

“Our core capability has been strengthened due to ongoing internal investment and this is driving performance improvements and value creation across the business.”

THE YEAR IN REVIEW

Welcome to Metlifecare’s Annual Report for the financial year to 30 June 2018.

It has been another successful year for Metlifecare, both financially and operationally. Further improvements in our underlying profit and underlying operating cash flow have resulted in the declaration of our highest-ever dividend. We have delivered growth, while also strengthening our operating performance and lifting the customer experience for our residents.

At Metlifecare, our philosophy is to empower our residents - we want them to experience the best years of their lives with us. We endeavour to provide a supportive environment for them to achieve this, through the quality of our homes and villages, and the lifestyle, experiences and community relationships that we offer. The consistently high levels of customer satisfaction, occupancy and referrals we are achieving indicate that this approach is resonating with our residents.

Care has been a real success story for Metlifecare this year, with our new resident-directed care approach resetting standards and resident expectations. Resident-directed care empowers residents to live how they want to, rather than having a lifestyle and routine prescribed for them, and this has been exceptionally well received by residents and their families. Our two new premium homestead-style care homes at Greenwich Gardens and Somervale are designed to fully support this approach and have taken our care offering to a new level.

Our development performance was also a highlight, with every target met or exceeded. The proven delivery capability of Metlifecare’s development team was again demonstrated as it managed multiple new village and regeneration projects: from site acquisition, planning and design through to construction and delivery. The team delivered 254 new homes and care beds - the most ever delivered by Metlifecare - with improved margins. We also celebrated the acquisition of two prime coastal village sites in Auckland locations which are notable for their high growth projections and potential to become destination villages.

The recent opening of the new Manukau building at Pinesong provided a real milestone for the development team, being the first completed project in our village regeneration strategy. The Manukau building is a new six-storey, 48-apartment complex with expansive Manukau Harbour views. It is selling exceptionally well and demonstrates how value can be added through

village intensification, while also enhancing the village community through thoughtful design.

Overall, we have made excellent progress across our three strategic pillars - Accelerated Growth, Customer Experience and Commercial Intensity. Our core capability has been strengthened due to ongoing internal investment and this is driving real performance improvement and value creation across the business. We have finished the year in a strong position to generate further value for shareholders over the coming years.

FINANCIAL OVERVIEW

Metlifecare’s financial year to 30 June 2018 finished with another strong financial performance. Underlying profit increased by 7% to \$87.5 million, driven by higher realised margins from the settlement of occupation right agreement resales and solid development margins. Underlying operating cash flow increased by 6% to \$54.3 million.

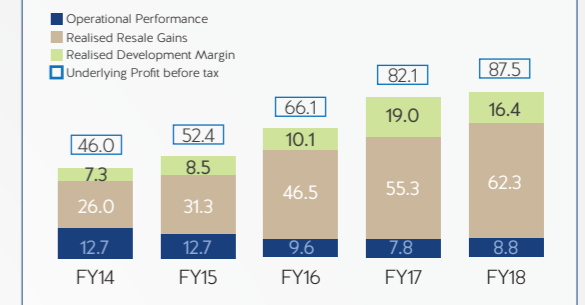
While the fair value of Metlifecare’s investment properties grew by \$134.9 million or 10%, this growth rate was below last year due to more moderating house price growth. As a result, reported net profit after tax, which includes the non-realised fair value increase in the company’s assets, was \$125.1 million, compared to last year’s record \$251.5 million. The value of the company’s total assets increased 11% to \$3.3 billion and net assets per share increased 8% to \$6.93.

Development margins increased to 27% from last year’s 23%, the result of disciplined project and design management, and cost control. The company sold occupation right agreements for 98 development homes during the year, which comprised most of the available stock until 160 new development homes were delivered in June 2018.

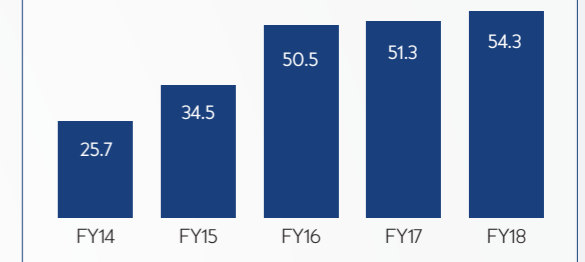
A strong second half resales performance drove a 7% year-on-year improvement in resales settlement volumes, and a 13% lift in total realised resales gains to \$62.3 million. Resales pricing continued to outperform the market, with an average unit price uplift of 8%.

The company repurchased the occupation right agreements for 44 homes during the year for regeneration activity and to rehouse residents in villages undergoing betterment projects. While this created a short-term financial impact, the company believes it is imperative that residents can remain in their own village community while these projects are undertaken. These homes will be progressively released for resale when no longer needed as rehousing stock.

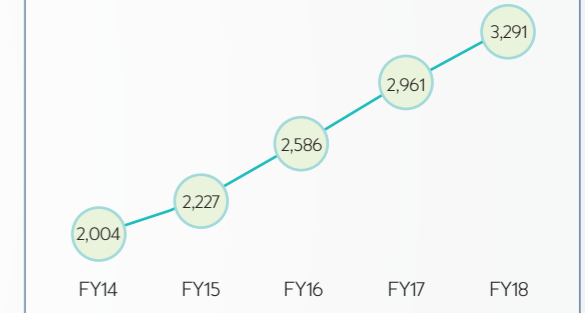
Underlying Profit (\$m)



Underlying Operating Cashflow (\$m)



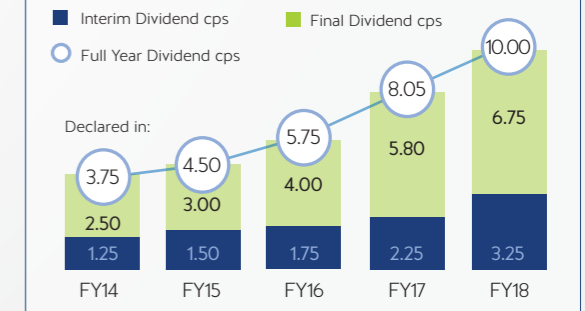
Total Assets (\$m)

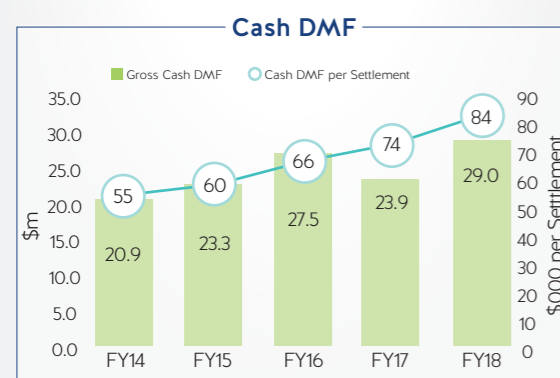
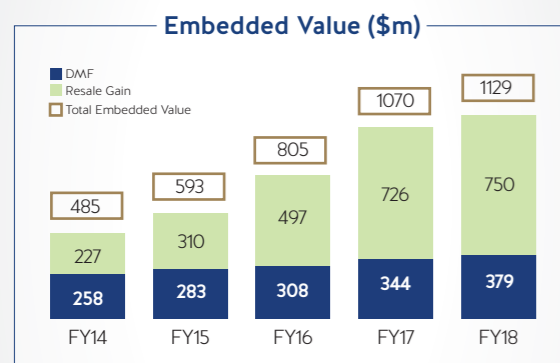
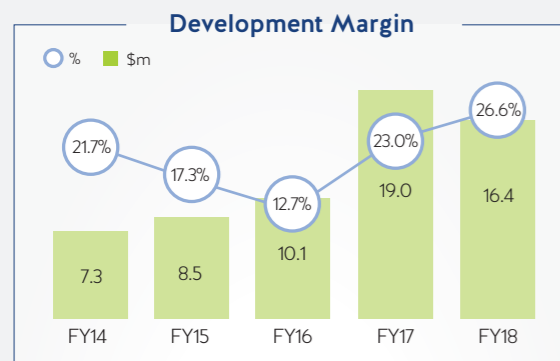


Net Assets per Share



Dividend History





CAPITAL MANAGEMENT

During the period under review, Metlifecare invested \$160 million in land purchases, village development, village reinvestment projects and care facilities, funded by operating cash and debt.

The company's funding arrangements were reviewed during the period to accommodate future accelerated development activity. Accordingly, debt facilities were increased by \$100m to \$352m on favourable terms.

As at balance date, net debt was \$138 million, up from \$70 million last year. Metlifecare's gearing (net debt as a percentage of debt plus equity) was 9%, demonstrating the exceptional strength of the company's balance sheet and its capacity for future growth.

"While we expect residential housing market price growth to continue at its current moderate levels over the next year, we are confident that the quality of our village stock will continue to generate above-market pricing uplift."

DIVIDEND

Consistent with Metlifecare's commitment to pay out 30-50% of underlying operating cash flows, the Board has declared a final dividend of 6.75 cents for the year to 30 June 2018, bringing the full year's dividend to 10 cents, which is 1.95 cents and 24% higher than last year. The dividend is unimputed and will be paid on 21 September 2018, with the record date of 14 September 2018.

PEOPLE

On behalf of the Board and Executive we would like to thank the entire team at Metlifecare for their valuable contribution towards the year's achievements. Our people truly personify the company's values of respect, passion, teamwork and integrity, and this is obvious for all to see as they go about enhancing the quality of our resident's lives on a daily basis.

We have a simple philosophy that engaged, committed staff are the key to great company performance, in terms of our customer experience and commercial outcomes.

We are proud of our track record of investing in our people - setting new pay benchmarks, aligning training and qualifications with remuneration, and our ongoing commitment to long-term staff training programmes.

We are seeing the return on this investment through improved staff retention, increased capability and ultimately through our resident satisfaction. These achievements are highlighted on page 15 and we are proud of the commitment of our people to making Metlifecare a great place for our residents to live and for themselves to work.

BOARD

After being appointed to the Board in August 2017, Mark Binns and Rod Snodgrass were elected as directors at the Annual Shareholders' Meeting in October 2017. They have brought fresh thinking to the Board, strengthening its capability in the areas of development, construction and asset management while bringing new perspectives in customer experience and digital capability.

Chris Aiken and Dr. Noeline Whitehead are standing for re-election at the 2018 Annual Shareholders' Meeting, and they have the unanimous endorsement of the Board.

LOOKING AHEAD

As always, Metlifecare's highest priority is to provide outstanding lifestyles for our existing and future residents. We are continuing to innovate with new solutions and experiences which meet the evolving needs of our residents and empower them to live the way they choose.

To support this we will continue to invest in our staff to ensure they are engaged, equipped and committed to deliver the best outcomes for our residents and the company.

FINANCIAL PERFORMANCE	FY18	FY17	CHANGE
Net profit after tax (\$m)	125.1	251.5	-50%
Underlying profit before tax (\$m)	87.5	82.1	6.6%
Underlying operating cash flow (\$m)	54.3	51.3	5.8%
Net operating cash flow (\$m)	110.7	129.3	-14%
Net assets per share (\$)	6.93	6.43	7.8%
Total assets (\$b)	3.29	2.96	11%
Fair value movement during period (\$m)	134.9	258.8	-48%
Total equity (\$m)	1,476.3	1,370.2	7.7%
Net debt (\$m)	138.4	70.0	97%
Gearing (%)*	9.5	5.0	4.5 ppts
Embedded value per unit (\$000)	281.0	269.1	4.5%
Total dividend per share (cps)	10.00	8.05	24%

*Gearing: Net debt as a percentage of debt plus equity

New village development will continue at pace in the year ahead. We are excited about opening the first stage of our Gulf Rise village at Red Beach, north of Auckland. We believe the new residents we will welcome to these outstanding homes will love the social hubs and urban community environments being created. We are also looking forward to completing two new homestead-style care homes - at The Avenues in Tauranga and at Papamoa Beach Village - to enable more residents to enjoy our new care approach.

Investment in the betterment and regeneration of our existing villages will increase, with significant improvement works being carried out at five villages during the year. These initiatives are all expected to be value-accretive, as evidenced by the significant pricing uplift achieved from the first two projects at Coastal Villas and Pinesong.

While we expect residential housing market growth to continue at its current moderate levels over the next year, we are confident that the quality of our village stock will continue to generate above-market pricing uplift. Longer term sector fundamentals remain solid, with the ongoing undersupply of housing development and the escalating growth of our likely demographic set to continue. Accordingly we are targeting higher volumes for the year in both development sales and resales.

We are looking forward to the year ahead as a further opportunity to demonstrate the strength of our strategy, our team, and our village portfolio to deliver exceptional lifestyles for our residents and create value for our shareholders.

Our plans for 2019 continue to remain ambitious and we look forward to updating you as we achieve the milestones we have set ourselves.


Kim Ellis
Chair


Glen Sowry
CEO

METLIFECARE STRATEGIC PRIORITIES

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

ACCELERATED GROWTH

COMMERCIAL INTENSITY

CUSTOMER EXPERIENCE

ACCELERATED GROWTH

Our accelerated development programme in high-growth, strong-yield locations, as follows

A land acquisition strategy with clear investment parameters, targeting optimal locations and opportunities <ul style="list-style-type: none"> At least one high quality site acquired 	<ul style="list-style-type: none"> Orion Point unconditional; settled July 2018 Beachlands unconditional 	✓
A robust and scalable development strategy matched by strong development capability <ul style="list-style-type: none"> 254 new homes and beds planned 	<ul style="list-style-type: none"> 254 delivered 	✓
Optimised supply chain management and construction delivery <ul style="list-style-type: none"> Minimum 15% margin on development homes sold Technical efficiency and standardised designs 	<ul style="list-style-type: none"> 27% achieved Company design manual in place Standard home design modules in place 	✓

COMMERCIAL INTENSITY

We will capture maximum value from our existing portfolio through

Superior sales capability and market knowledge <ul style="list-style-type: none"> Prices achieved outperform list price growth 	<ul style="list-style-type: none"> Portfolio outperformed REINZ regional benchmarks 	✓
Strong demand <ul style="list-style-type: none"> Maintain high levels of occupancy 	<ul style="list-style-type: none"> 98% village occupancy 95% care occupancy 	✓
A fit-for-purpose refurbishment programme <ul style="list-style-type: none"> Reduced refurbishment turnaround times Procurement review for improved cost-efficiencies 	<ul style="list-style-type: none"> Average refurbishment delivery under 70 days New procurement contracts in place Kitchen & bathroom standardisation complete 	✓

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 our residents' experience <ul style="list-style-type: none"> Homestead-style care homes which enable premium resident-directed care Modernisation of common areas in mature villages 	<ul style="list-style-type: none"> 2 new care homes opened Target occupancy exceeded 10 village communal areas modernised 	✓
Highly engaged and qualified employees <ul style="list-style-type: none"> Investment in employee learning and development 	<ul style="list-style-type: none"> Over 12,000 hours training provided; 36% of staff in long-term development programmes 80% engagement (stable) 78% overall staff retention (increased 3ppts) AS/NZS 4801 certification maintained Pay equity extended to home support staff 	✓
Understanding and meeting the needs of existing and future residents <ul style="list-style-type: none"> Overall resident satisfaction Improved ORA terms (informed by resident input) Resident-directed care provided at all villages with care services Care cluster strategy for villages without care homes 	<ul style="list-style-type: none"> 90% (stable) Introduced February 2018 Resident-directed care in place 93% satisfaction with care services 	✓
A significantly enhanced food and dining experience <ul style="list-style-type: none"> Simon Gault Chef training New food range for care home residents requiring texture modified food Increased satisfaction and use of café & dining facilities by residents and families 	<ul style="list-style-type: none"> Complete Introduced in all care homes 4% increase in satisfaction 9% increase in regular patronage 	✓

ACCELERATED GROWTH

QUALITY DEVELOPMENTS IN SUPERB LOCATIONS

Metlifecare's accelerated growth programme focuses on providing quality villages that offer all the benefits of retirement living while integrating with the local community.

By combining standardised home typologies with unique aesthetics and intelligent master planning, each village can be constructed efficiently and cost-effectively, while still having its own distinctive look and feel.

Proven Development Execution Capability

Metlifecare achieved all its delivery targets in the past year with

- **254** homes and care beds **completed**
- **505** new homes and care beds **added to development land bank** through two new sites
- **763** homes and care beds **consented**
- **392** homes and care beds **under construction**
- **1,744** total homes and care beds in the **land bank**, around **six** years' development

“When I started here I recognised an opportunity to create a point of difference for Metlifecare. I want people to think that anyone would be happy to buy a home in our villages because it's not obvious it's a retirement village. If we can achieve that, we've gone a long way towards our goal in shifting the paradigm.”

Charlie Anderson, General Manager
Property & Development



Greenwich Gardens and The Orchards are the first two retirement villages in the country to achieve a Homestar™ Built rating, which offers double the efficiency and sustainability of a standard New Zealand home. Papamoa Beach Village and Oakridge Villas have been designed to the same standard.

NEW SITES ACQUIRED IN 2018

ORION POINT

Clark Rd, Hobsonville Point



250 homes

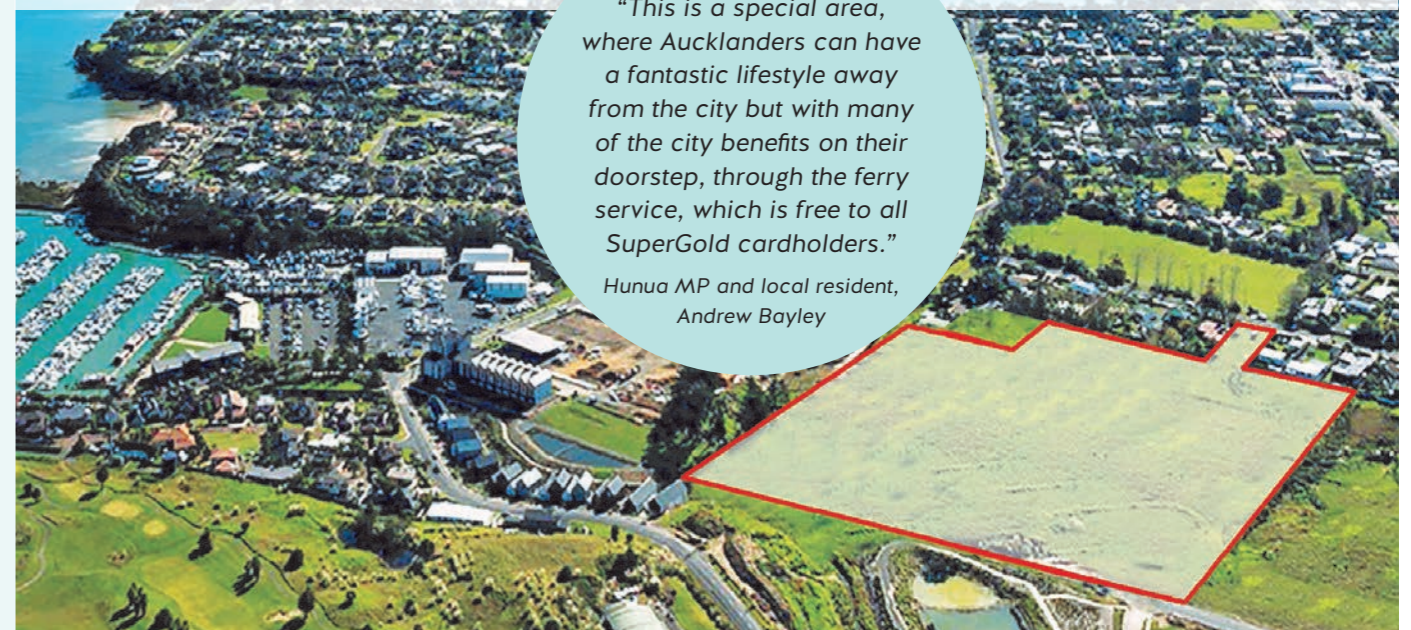
including waterfront villas and apartments



40-bed homestead care home

BEACHLANDS

Beachlands



“This is a special area, where Aucklanders can have a fantastic lifestyle away from the city but with many of the city benefits on their doorstep, through the ferry service, which is free to all SuperGold cardholders.”

Hunua MP and local resident,
Andrew Bayley



175 homes

including waterfront villas and apartments



40-bed homestead care home

ACCELERATED GROWTH

COMPLETED DURING FY18

GREENWICH GARDENS

5 Greenwich Way, Unsworth Heights, Auckland




 62 homes

PAPAMOA BEACH VILLAGE

Corner of Parton Road and Te Okuroa Drive, Papamoa




 30 homes

SOMERVALE

33 Gloucester Rd, Mount Maunganui



 69-bed homestead care home

 16 care apartments

OAKRIDGE VILLAS

30 Oakridge Drive, Kerikeri



 29 homes

PINESONG MANUKAU BUILDING

66 Avonleigh Rd, Green Bay, Auckland



 48 homes

ACCELERATED GROWTH

UNDER CONSTRUCTION FY19

GULF RISE

Hibiscus Coast Highway, Red Beach



35 homes



20 apartments

CRESTWOOD

38 Golf Road, New Lynn, Auckland



13 homes

AVENUES

10th Avenue, Tauranga



30-bed homestead care home

EDGEWATER VILLAGE (formerly Pakuranga Village)

14 Edgewater Drive, Pakuranga, Auckland



44 apartments



24-bed homestead care home

PAPAMOA BEACH VILLAGE

Cnr Parton Road & Te Okuroa Drive, Papamoa Beach



40-bed homestead care home

GREENWICH GARDENS



96 homes

Not all projects will be completed in FY19.
All images of buildings shown are artists' impressions.

COMMERCIAL INTENSITY

ADDING VALUE THROUGH VILLAGE INVESTMENT

REGENERATION AND REMEDIATION

Since 2017, Metlifecare has been implementing a seven-year village regeneration and remediation plan, which will ensure its villages remain competitive and well-positioned to meet the future needs and expectations of residents.

The programme comprises investment projects aimed to modernise and future-proof our village housing. In the past year, we saw projects in various stages of implementation at five villages - Coastal Villas, Dannemora Gardens, Greenwood Park, Pinesong and Waitakere Gardens.

With Pinesong's regeneration project completed and Coastal Villas' betterment project well under way, we are seeing the value being added through this programme in sales and resales uplift.

In 2018 Metlifecare

- achieved an average pricing uplift of **29%** on occupation right agreements for remediated homes
- repurchased the occupation right agreements of **44 homes**, enabling residents to stay in their own villages while remediation and betterment projects are underway



Refurbishment of villas and apartments

The quality of Metlifecare's housing is maintained to a high standard through its refurbishment programme. With every villa and apartment refurbished before resale, the company ensures its portfolio remains modern, allowing maximum value to be captured on resale.

Significant efficiencies in the refurbishment programme over the past two years have resulted in the delivery of standardised, yet higher quality refurbishments at all villages, with reduced turnaround times and a lower cost per refurbishment. This includes new procurement arrangements in place for a standardised range of kitchens and bathrooms across all villages.



Upgrading communal spaces

Recognising the changing social needs of our future residents such as enhanced interest in café culture and wellness, Metlifecare is implementing a plan to refresh and modernise communal amenities at existing villages. This programme includes upgrading bars and cafés, gardens, swimming pools, leisure facilities and social spaces. In FY18 we upgraded 10 village communal spaces.



CUSTOMER EXPERIENCE

SETTING A NEW STANDARD IN CARE

Metlifecare has raised the bar with its new resident-directed care philosophy and homestead-style care homes. The success of this approach is already evidenced by strong demand, highly satisfied residents and family members, and outstanding Ministry of Health audit and certification results.

With state-of-the-art homestead-style care homes planned for all new villages as well as a number of existing villages, Metlifecare will double the number of care homes in its portfolio in the next five years. The next two care homes at The Avenues (Tauranga) and Papamoa Beach, will be completed during the first half of 2019.

Through its care clusters of neighbouring villages, Metlifecare can ensure residents have ready access to care services, either in their own village or close by. All resident care is supported by Metlifecare's integrated clinical care system, which enables residents' information to be electronically and instantly available and allows staff to spend more quality time with residents.

Growing our care offering

- Two new homestead-style care homes opened in FY18 at Greenwich Gardens and Somervale
- New integrated care offering certified at Pinesong, providing nine hospital care suites and 11 resthome care apartments
- Two new homestead-style care homes under construction at Papamoa Beach Village and The Avenues
- Seven additional care homes planned for new and existing villages

Continued improvement in quality

- 100% of care homes audited in FY18 achieved 'Gold Standard' four-year certification
- All operating care homes have three or four-year certification
- 158% increase in premium revenue

“Resident-directed care enables our residents to make choices about how they live in their care environment, as they would in their own home. It gives residents greater control over their decisions and, importantly, helps residents maintain connections within the village and in their community.”

Tanya Bish, Clinical Nurse Director

Pipeline of
9 care homes
in new and
existing villages

158%
increase in
premium
revenue

20%
reduction
in care staff
turnover

93%
satisfaction,
“Care Services” -
residents and families

95%
care occupancy
(excluding new
care homes)

*“The village is
beautifully presented
and my friends and
family all enjoy the
luxurious surroundings.”*

Greenwich Gardens
care resident

*“The caregivers are
excellent. Any requests
are dealt with immediately.
Nothing is a problem for
them. They are very
friendly and advise me of
any issues that come up.”*

Family member of resident
at The Orchards

CUSTOMER EXPERIENCE

PEOPLE ARE OUR BUSINESS

For a number of years, Metlifecare has led the sector in the way it engages and develops its staff.

With the need to attract and retain high calibre, skilled people being stronger than ever, the company is continuing to invest in its staff, with particular emphasis on learning and development, health and safety, and providing a rewarding and enjoyable workplace.

Investing in our People

FY18 initiatives and achievements included

- new pay equity rates were voluntarily extended to 75 home support workers
- \$700,000 was invested in learning and development
- one in three staff is involved in a long-term development programme
- more than 12,000 hours of learning and development provided, including
 - completion of the three-year **Leadership Development** programme (85 leaders)
 - completion of **Customer Service Principles** training by employees
 - completion of **resident-directed care training** by care home staff
- commencement of a company-wide wellbeing programme

Embedding Health & Safety

Metlifecare has developed clear health and safety principles which are at the forefront of company operations. FY18 initiatives and achievements included

- re-certification of AS/NZS 4801 – strong recognition of progress made over past 12 months
- contractor pre-qualification and compliance requirements have changed contractor profile and improved contractor performance
- Health and Safety in forefront of tender process and contractor documentation
- overall reduction in incidents, increase in hazardous observations and reporting of near misses
- 96% of incidents investigated and closed out within 30 days

“One of the things that makes Metlifecare a great place to work is development and training opportunities for staff.”
Engagement Survey 2018 participant

“Staff are unfailingly friendly and professional.”

Pinesong resident

80%

overall engagement maintained in the IBM ‘Best Places to Work’ survey

96%

satisfaction with staff performance in villages

Resident Satisfaction Survey 2018

Reduction in staff turnover

12%

“The staff by their pleasant, kind approach, make for a happy atmosphere.”

Oakridge Villas resident

“Metlifecare cares for it’s employees in terms of Health and Safety and supports our professional development.”

Engagement Survey 2018 participant

Q&A

with Chief Executive Glen Sowry

*Metlifecare's Chief Executive Officer Glen Sowry joined the Company in April 2016. Under his leadership **shareholder equity has grown 31%**. We ask Glen about this year's achievements and what lies ahead for Metlifecare.*



to improve the quality and value of our existing assets. We have recognised that, while still performing well, a number of our villages offered potential for improvement. For example, the average house prices in neighbourhoods surrounding some of our villages have grown dramatically as the local housing market has improved. That created an opportunity to invest in those villages, enabling us to keep pace with the communities we serve. This in turn will allow us to capture the increase in value.

As a result we've put a programme in place that will, over seven years, see significant reinvestment into our villages. While some of this will be for remediation, we are also using the opportunity to upgrade those homes and communal spaces, and we are confident that this investment will deliver an excellent return.

Q: What kind of projects does this involve?

A: For example, at our Pinesong village we identified an opportunity with an existing 19-apartment building that would otherwise have required a reasonably significant upgrade. Instead we knocked it down and replaced it with a fabulous 48-apartment building, with panoramic harbour views, that anyone would be happy to call home. This has unlocked enormous value for the village and created exceptional living for our residents. The project was completed on time and on budget, and will deliver a development margin in the region of \$6 million, net of all costs including buybacks.

On a smaller scale we are recognising the baby boomer interest in café culture and wellness by investing to refurbish or upgrade common areas such as cafés and recreational facilities, to ensure our villages have attractive spaces for residents and their families to use. Where we're upgrading residents' homes, we will bring them up to modern specification with features such as double

glazing, which adds considerable value on resale. At Coastal Villas, where we've been doing this the longest, we are achieving an average price uplift of 29% on resale.

Q: 44 homes were repurchased by Metlifecare during FY18 - what's behind this?

A: Our relationship with our residents is paramount, so the decision to repurchase the occupation right agreements while undertaking remediation and betterment work was a very easy one. Minimising resident disruption was our key consideration, and when we realised some people would need to temporarily move out of their homes, we repurchased a number of homes within the villages to enable them to remain within their village community. The repurchased homes will be progressively made available for resale.

Q: What criteria do you use in deciding whether or not to purchase a site for a new village development? And what in particular attracted you to the two sites purchased in FY18?

A: Our team has done great work to identify, evaluate and secure the two new sites at Hobsonville and Beachlands. They have developed a powerful modelling tool that allows them to quickly evaluate opportunities and identify the real gems. Once a target site is identified, the Board's Development Committee becomes increasingly involved. While negotiations can take time, we're a long-term business with a long-term investment horizon, and we won't sign up for something if we're not 100% convinced it meets our strict criteria.

Q: Are you concerned that the market is becoming overcrowded? Is there still scope to increase the footprint within Auckland beyond the current level?

A: Auckland is continuing to grow, and our acquisitions in Beachlands and Hobsonville are examples of under-serviced areas that we are happy to expand into.

As our occupancy rates show, demand for our existing villages remains strong and this is partly due to their great locations in established communities. However we're not complacent, and our village reinvestment programme is one example of how we're constantly finding ways to improve and offer superior value to the market. While some areas of Auckland are potentially reaching a saturation point, we are still seeing opportunities. Having said that, we can and do evaluate opportunities in other parts of the country.

Q: With most of Metlifecare's villages in Auckland and that market potentially under pressure are you still happy to be an Auckland-centric operator?

A: Auckland's fundamentals are still very strong with continued undersupply of housing development and the escalating growth of our target demographic within the region. As we know, markets operate in cycles and while the Auckland market has moderated recently, it is still positive.

That doesn't mean we won't consider looking elsewhere for quality opportunities - we're doing that all the time. As a long-term asset owner, we are happy to be sitting on a high-quality portfolio with steady long-term growth. The future cash generating value of our portfolio is clearly demonstrated by its embedded value, which is the highest in the sector.

Q: Metlifecare delivered 254 new homes and care beds during the financial year. How confident are you that the team can deliver the 300+ promised from 2020?

A: We have invested heavily in our development capability over the past two years, and FY18's performance has demonstrated we can comfortably deliver multiple projects with over 250 homes per year and with a strong development margin.

Our development pipeline now takes us out six years, assuming a build rate of around 300 homes per year, and we have our planning in place to achieve that. We currently have 392 homes and care beds under construction (not all will be delivered this financial year) and you'll see us starting to go into consenting phase for our new sites at Botany, Hobsonville and Beachlands this year.

Q: Two new care homes were opened during the period and more are planned. What's driving this increase and what do you see as being the right mix of care to independent living within the portfolio?

A: When I first came to Metlifecare I was surprised to learn that while having access to care is important, only a small percentage of our residents actually need to transfer into a care home. We are well equipped to provide care for our residents on their terms and if they need that extra level of full-time care, almost all our villages can offer that - either on site or within their local village cluster. We also continue to have a strong focus on linking residents to support that they can access while living in their villa or apartment.

That said, we are recognising the future needs of the increasingly older demographic and are planning to build nine new care homes in the next seven years, both in new villages and in existing villages. In many respects we're fortunate to be able to invest in state-of-the-art homestead settings that are more like a family home, and support our resident-directed care approach extremely well. We have truly raised the bar on care and are continuing to innovate.

The merits of this approach are reflected by the very high occupancy and satisfaction rates for residents, their families and our staff, all of whom are telling us that we're on the right track.



OUR SUSTAINABILITY JOURNEY

Metlifecare is committed to creating a better future for our residents and their families, our staff, our suppliers, our shareholders and the communities we serve.

We operate a long-term business, in which we invest to develop village assets that will stand the test of time. So, it's only natural that Metlifecare has begun to formalise an approach to environmental, social and governance (ESG) matters as we continue to develop a sustainable business that will endure into the future.

THE PROCESS

Our first steps were to engage in a rigorous process which identified the environmental, social and governance issues that are material to Metlifecare, and have the potential to impact our stakeholders. These issues were considered and ranked to create our "Materiality Matrix". We will validate these findings with our external stakeholders and from there, we will identify goals and initiatives that we will implement as we continue on our sustainability journey.

The Board and Executive Team are committed to this process, and senior leaders will assume sponsorship roles to champion the initiatives that we will focus on.

Not surprisingly, the process so far has reinforced our belief that people are at the heart of our business. It's this driving force that is also behind our desire to contribute more positively to the wider community and environment that we share.

ALIGNMENT WITH OUR STRATEGY

It has also been pleasing to see the alignment of the key material aspects with the three pillars of our business strategy, and to see that many of the areas we have invested in will contribute to delivering a sustainable path forward.

Next year Metlifecare will celebrate an important milestone - the achievement of 35 years in business. We understand that to remain successful our growth depends on being a responsible corporate citizen. We are developing our sustainability framework with a view to reporting progress towards our goals over the coming year.

While it's still early days in terms of our sustainability journey and we recognise there are many opportunities for improvement, the following provide a snapshot of some initiatives undertaken to date.

ENVIRONMENTAL

- The introduction of electric pool cars for residents at new developments is a responsible step that has been well received
- Our communal gardens remain a very popular amenity at most villages, allowing sharing of produce and the composting of resident and kitchen waste to replenish the soil
- Where possible, construction waste such as plastic shrink wrap and metal is being recycled

- We install fixed-plumbed toilets at our construction sites to reduce chemical use
- Our Homestar™ 6 Star Green rated buildings have the environmental benefits of reduced energy usage, water capture, and waste management efficiencies. This also delivers social benefits for our residents through better health and wellbeing outcomes and reduced electricity costs
- Energy efficiency is a key design consideration for development and refurbishment projects, driving the use of LED lighting, double glazing and 2.6 R-rated insulation which exceeds code requirements

SOCIAL

- Our talent attraction and retention programmes are ensuring we find, develop and keep exceptional people who deliver on our promises for residents, their families and our shareholders
- Our workplace wellness strategy was created in consultation with staff. The first modules are due to be released and we're excited to see the positive impact
- Improvements in our health and safety programmes and our training and development initiatives are contributing to high levels of staff engagement
- The design of our community facilities, including upgrades in a number of villages ensures our shared spaces offer life-enhancing social experiences for residents and visitors
- Our flexible, resident-led approach encourages active involvement in the design of village programmes that residents are passionate about
- Each of our villages has its own sponsorship budget, with residents and staff working together to engage and fundraise for their local community. The opportunities this creates, particularly for inter-generational community engagement, is a key tenet of Metlifecare and a valued part of village life

- Metlifecare proudly supports the New Zealander of the Year Awards through sponsoring the Senior New Zealander category. We also support a number of charities, with total sponsorship and donations of over \$210,000 in the 2018 financial year



GOVERNANCE

- Our commitment to strong corporate governance saw us incorporate the NZX Corporate Governance Code recommendations
- Our Customer and Care principles are now well established with staff having completed customer service principles training
- Our homestead-model care homes have raised the bar in design and functionality and we've received outstanding results in our re-certification audits
- In recognition of our resident-led philosophy, the Care Committee framework was expanded to include total resident experience
- Our enhanced crisis management framework has been implemented during the year
- We committed to handling on-site development and rejuvenation work sensitively so that residents are able to remain within their village with minimal disruption



Aims Games competitor Sam Kilduff presents his billet Greenwood Park resident Elizabeth Glas with a thank you gift - photo credit Andrew Warner

"These are just a selection of the projects and activities already in place. As we continue our stakeholder consultation we will identify further opportunities to improve our environmental, social and governance outcomes and ensure we remain a sustainable and profitable business."

Glen Sowry,
Chief Executive Officer

OUR BOARD OF DIRECTORS

KIM ELLIS BCA (Hons), BEng(Hons) CHAIR, INDEPENDENT DIRECTOR

Appointed 25 August 2014

Kim is an experienced director and former Chief Executive Officer. He is currently the Chair of NZ Social Infrastructure Fund and the Sleepyhead Group, and a director of Freightways, Port of Tauranga, Fonterra Shareholders' Fund and Ballance Agri-Nutrients.

Kim was the Managing Director of Waste Management NZ Ltd for 13 years until 2006. Prior to that, he held a number of CEO positions.

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

CHRISTOPHER AIKEN BA INDEPENDENT DIRECTOR

Appointed 23 August 2012

Chris has over 26 years' experience in the property sector, and is currently Chief Executive Officer of HLC, which is running the development of approximately 50,000 homes under master plan across New Zealand. He is a member of the Auckland Urban Design Panel and is an adviser to Government agencies on large scale property matters.

Chris has also had an extensive technology career, and 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 LLB INDEPENDENT DIRECTOR

Appointed 1 August 2017

Mark is a professional director and former Chief Executive Officer who brings substantial experience in construction, property development and asset management to the Board. Until 2017 Mark was Chief Executive Officer of Meridian Energy, where he led the company through the largest Initial Public Offering in New Zealand's history. Prior to that, Mark spent 22 years at Fletcher Building and Fletcher Challenge, where he rose to the position of Chief Executive of Fletcher Building's Infrastructure Division.

Mark is currently a director of Auckland International Airport and Crown Infrastructure Partners, and a Trustee of the Auckland War Memorial Museum, where he Chairs the Future Museum Capital Programme Committee.

Mark is a member of the Nominations & Corporate Governance and Development Committees, and chairs the People & Remuneration Committee.

ROD SNODGRASS BCA INDEPENDENT DIRECTOR

Appointed 1 August 2017

Rod has broad experience in corporate strategy, business and product innovation, digital growth, transformation and disruption in the New Zealand communications and media sector. He became Chief Customer Officer at Vector in 2017, and previously held senior executive roles at Spark. Rod brings 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 NZ and AAPT and 3 Mobile in Australia.

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

CAROLYN STEELE BMS (Hons) NON-EXECUTIVE DIRECTOR

Appointed 13 December 2013

Carolyn has substantial experience in capital markets, mergers and 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. Prior to joining the Guardians in 2010, Carolyn spent more than ten years in investment banking at Forsyth Barr and Credit Suisse First Boston/First NZ Capital.

Carolyn is currently a director of WEL Networks, Ultrafast Fibre, Green Cross Health, the Halberg Disability Sport Foundation and is a Trustee of the New Zealand Football Foundation.

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



DR. NOELINE WHITEHEAD PhD, MN(Hons), PG Dip Health Sciences, RN INDEPENDENT DIRECTOR

Appointed 19 June 2013

Noeline is an experienced senior nurse and senior manager with more than 30 years in residential aged care. Noeline's previous roles include an Honorary Teaching Fellow at the University of Auckland, Director of Nursing at Bethesda Care, and a Clinical Nurse Director with Counties Manukau District Health Board.

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 Resident Experience & Care, Development and Nominations & Corporate Governance Committees.

ALISTAIR RYAN MCom (Hons) INDEPENDENT DIRECTOR

Appointed 23 August 2012

Alistair is an experienced director with wide corporate and financial experience in listed companies and his background includes a 16-year career at SKYCITY Entertainment Group where he held senior management roles, including Chief Financial Officer. Prior to SKYCITY, Alistair was a Corporate Services Partner with Ernst & Young, based in Auckland. He is currently a director of Evolve Education Group, Kingfish, Barramundi, Marlin Global, Kiwibank and Christchurch Casino. He is also a member of the FMA's Audit Oversight Committee.

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

OUR EXECUTIVE TEAM



TANYA BISH

MN (Hon), BCom, NZRCompN

CLINICAL NURSE DIRECTOR

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

Tanya and her team are responsible for all aspects of resident care and the customer experience provided in our care homes.

"I'm passionate about ensuring we assist our residents to live the way they choose, having control over their decisions and maintaining connections both within the village and in their community."

ANDREW PESKETT

BA (Hons) LLB

GENERAL COUNSEL & COMPANY SECRETARY

Andrew brings over 20 years' legal experience to Metlifecare, having worked in leading law firms in London and was in-house Legal Counsel at Beca, prior to joining the company in June 2007. He heads the legal and settlements teams and has dual responsibility for leading legal compliance and corporate governance, as well as leading the company's acquisitions, disposals and corporate transactions.

"I'm passionate about supporting the company's operational teams to deliver first-class service to customers in innovative ways, leadership of a high-performing team and driving value to our shareholders."

HUMA HOUGHTON

BA (Hons), CIPD, CFHRINZ, PGDip

GENERAL MANAGER HUMAN RESOURCES

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, designing and delivering transformational leadership development programmes.

Previously, Huma was the Executive General Manager Capability & Organisation Development for Z Energy, winning multiple awards for her work. She has also worked for large organisations including Deloitte, Vero and Spark.

"I'm passionate about enabling the ongoing growth and development of our people, to build a high performing organisation with unrelenting focus on exceptional service delivery."

RICHARD THOMSON

BCom, LLB (Hons), PGDip

CHIEF FINANCIAL OFFICER

Richard joined the Metlifecare team in September 2017 from Air New Zealand where he was Group General Manager Commercial, leading commercial strategies, including revenue management and pricing. Richard has also brought a strong blend of technical corporate finance skills and investment banking experience from previous roles at PwC and JPMorgan.

Richard and his team are responsible for Metlifecare's financial management as the company focuses on its growth, innovation and commercial performance agenda.

"I'm passionate about building a modern, progressive, intelligent business that is successful, thoughtful and engages positively with all those who are touched by it."

GLEN SOWRY

INSEAD AMP

CHIEF EXECUTIVE OFFICER

Glen has led Metlifecare since April 2016 and prior to his appointment, was Chief Executive Officer of Housing New Zealand with 67,000 properties across the country. Under Glen's leadership, Housing New Zealand substantially lifted its property development capability.

Glen has held a number of senior roles at Air New Zealand, Television New Zealand and Telecom. He spent ten years at Air New Zealand, initially as Head of Corporate Affairs and Government Relations, then leading the domestic and short haul international airlines where he oversaw a major financial and competitive turnaround of the Tasman network.

"I'm passionate about leading Metlifecare towards a successful future where we create environments that residents are proud to call home, where our staff love working and which create ever increasing value for our investors".

JULIE GARLICK

BCom, FCIM

GENERAL MANAGER MARKETING

Julie is an experienced senior marketing executive who brings a wealth of experience in reshaping organisations. She joined Metlifecare in October 2017 after four years as General Manager Marketing at SKYCITY Entertainment Group, where she oversaw its transformation into an entertainment, dining and accommodation leader. Prior to that, she had a similar role at The Warehouse Group.

Julie and her team are responsible for connecting with future and existing customers, and bringing Metlifecare's brand and customer proposition to life.

"I'm passionate about ensuring Metlifecare remains relevant in an increasingly demanding and competitive landscape by listening and responding to customers' ever-changing needs, dreams and wants."

RICHARD CALLANDER

GENERAL MANAGER OPERATIONS

Richard was appointed General Manager Operations in January 2015 after 16 years with SKYCITY Entertainment Group both in Australia and in New Zealand, where he was most recently the General Manager of its Queenstown casinos. Richard has extensive executive experience in customer service management and a proven track record delivering sustainable growth for shareholders and positive outcomes for key stakeholders.

Richard and his team are responsible for all aspects of village operations and delivering a high quality customer experience to Metlifecare's residents every day.

"I'm passionate about giving our residents an outstanding village experience, through committed teams, operational excellence and service innovation across all of our villages."

JAN MARTIN

BCom

GENERAL MANAGER SALES

Jan was appointed General Manager Sales in August 2009 and has brought extensive commercial, sales management and business development experience to Metlifecare. Prior to that Jan worked in both the United Kingdom and New Zealand, primarily in the property and telecommunications sectors.

Jan leads a team of highly trained and skilled sales staff who drive the sales of new village units and apartments and the resale of existing units to new residents. They are responsible for maximising the company's commercial outcomes and driving sustainable growth.

"I'm passionate about helping future residents make informed choices about entering into a retirement village lifestyle, and am privileged to lead a sales team who share my passions. All too often we hear from our residents that "I wished I'd moved sooner"."

CHARLIE ANDERSON

BCM

GENERAL MANAGER PROPERTY & DEVELOPMENT

Charlie was appointed General Manager Property & Development in July 2015. He has 24 years' property development and management experience, with a strong track record in managing large scale development projects across all property sectors in New Zealand and Australia during his career. Charlie has managed projects with a combined value of over \$3 billion.

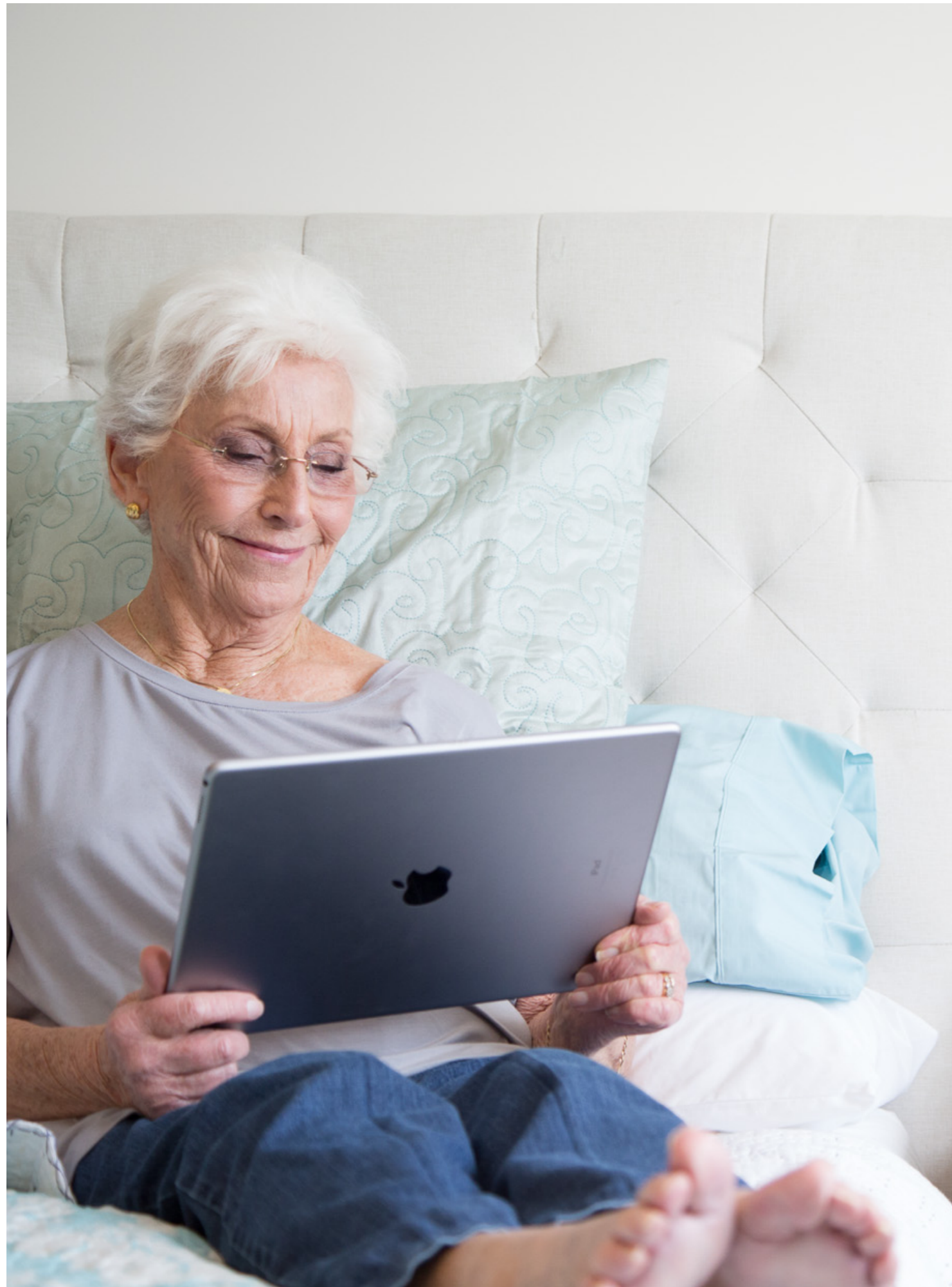
Charlie and his team are responsible for achieving Metlifecare's growth objectives through the acquisition and development of new sites to the delivery of well-designed villages.

"I'm passionate about creating villages with a real point of difference, through design innovation, building quality and strong connections with local communities. We endeavour to create places that anyone would want to live in, not just our residents."

Artist impression: Greenwich Gardens Kowhai building

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2018



Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

\$000	Note	30 June 2018	30 June 2017
Income			
Operating revenue	2.1	115,089	107,737
Other income	2.3	-	1,112
Interest income		184	244
Total income		115,273	109,093
Change in fair value of investment properties	3.1	134,926	258,757
Share of profit arising from joint venture, net of tax		1,953	2,561
Expenses			
Employee costs		(48,610)	(43,260)
Property costs	2.2	(24,689)	(23,135)
Other expenses	2.2	(26,638)	(23,800)
Residents' share of capital gains		(4,663)	(9,286)
Depreciation and impairment	3.3	(7,005)	(8,632)
Amortisation		(631)	(550)
Finance costs	4.6	(67)	(226)
Total expenses		(112,303)	(108,889)
Profit before income tax		139,849	261,522
Income tax expense	5.1	(14,764)	(9,979)
Profit for the year		125,085	251,543
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value movement of interest rate swaps, net of tax		(313)	-
Items that will not be reclassified to profit or loss:			
Share of other comprehensive income arising from joint venture, net of tax		22	40
Net gain / (loss) on revaluation of care homes, net of tax	4.5	364	(1,316)
Other comprehensive income / (loss), net of tax		73	(1,276)
Total comprehensive income		125,158	250,267
Profit attributable to shareholders of the parent company			
		125,085	251,543
Total comprehensive income attributable to shareholders of the parent company			
		125,158	250,267
Profit per share for profit attributable to the equity holders of the company during the year			
Basic (cents)	4.2	58.8	118.3
Diluted (cents)	4.2	58.7	118.1

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 2018

\$000	Note	Contributed Equity	Retained Earnings	Hedging Reserve	Revaluation Reserve	Employee Share Scheme Reserve	Total Equity
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
Balance at 1 July 2017		306,895	1,055,906	-	7,009	378	1,370,188
Comprehensive income							
Profit for the year		-	125,085	-	-	-	125,085
Other comprehensive income / (loss)		-	-	(313)	386	-	73
Total comprehensive income / (loss)		-	125,085	(313)	386	-	125,158
Employee share scheme	4.4	-	-	-	-	210	210
Transfer from employee share scheme reserve on vesting	4.4	129	-	-	-	(129)	-
Transfer from revaluation reserve		-	345	-	(345)	-	-
Dividends paid to shareholders	4.3	-	(19,281)	-	-	-	(19,281)
Balance at 30 June 2018		307,024	1,162,055	(313)	7,050	459	1,476,275


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

Consolidated Balance Sheet

as at 30 June 2018

\$000	Note	30 June 2018	30 June 2017
Assets			
Cash and cash equivalents		16,298	2,933
Trade receivables and other assets	5.2	20,870	8,766
Property, plant and equipment	3.3	52,727	48,246
Intangible assets		1,206	1,453
Investment properties	3.1	3,188,940	2,889,369
Investment in joint venture		10,929	9,825
Total assets		3,290,970	2,960,592
Liabilities			
Trade and other payables	5.3	72,034	49,893
Derivative financial instruments	5.5	434	-
Interest bearing liabilities	4.6	154,360	72,632
Deferred management fees		115,053	104,613
Refundable occupation right agreements	3.2	1,355,108	1,260,187
Deferred tax liability	5.1	117,706	103,079
Total liabilities		1,814,695	1,590,404
Net assets		1,476,275	1,370,188
Equity			
Contributed equity	4.1	307,024	306,895
Reserves		7,196	7,387
Retained earnings		1,162,055	1,055,906
Total equity		1,476,275	1,370,188

The Financial Statements presented are signed for and on behalf of Metlifecare Limited and were authorised by the Board for issue on 27 August 2018.


K. R. Ellis
Chair
27 August 2018


A. B. Ryan
Director
27 August 2018

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

Consolidated Cash Flow Statement

For the year ended 30 June 2018

	30 June 2018	30 June 2017
\$000		
Cash flows from operating activities		
Receipts from residents for management fees, village and care fees	88,065	83,017
Receipts from residents for sale of new refundable occupation right agreements	61,836	82,498
Receipts from residents for resale of refundable occupation right agreements	183,599	163,187
Payments to residents for refundable occupation right agreements	(111,009)	(107,861)
Payments to suppliers and employees	(99,779)	(88,155)
Net GST received	882	1,210
Interest received	114	180
Interest paid	(59)	(260)
Buyback costs for off-market units associated with regeneration and remediation	(12,975)	(4,561)
Net cash inflow from operating activities	110,674	129,255
Cash flows from investing activities		
Net repayments from / (advances to) joint venture	197	(185)
Dividends received from joint venture	875	427
Proceeds from disposal of investment property	-	7,966
Payments for property, plant and equipment	(11,463)	(16,197)
Payments for intangibles	(381)	(551)
Payments for investment properties	(143,570)	(99,564)
Capitalised interest paid	(5,453)	(3,626)
Net cash outflow from investing activities	(159,795)	(111,730)
Cash flows from financing activities		
Dividends paid	(19,281)	(13,308)
Net proceeds from / (repayment of) borrowings	81,767	(7,842)
Net cash inflow / (outflow) from financing activities	62,486	(21,150)
Net increase / (decrease) in cash and cash equivalents	13,365	(3,625)
Cash and cash equivalents at the beginning of the financial year	2,933	6,558
Cash and cash equivalents at the end of the financial year	16,298	2,933
Reconciliation of Profit after Tax with Cash Inflow from Operating Activities		
\$000		
Profit after tax	125,085	251,543
Adjustments for:		
Change in fair value of investment properties	(134,926)	(258,757)
Change in the fair value of residents' share of capital gains	4,663	9,286
Employee share scheme	210	262
Depreciation and impairment	7,005	8,632
Amortisation	631	550
Deferred tax expense	14,745	9,967
Loss on disposal of property, plant and equipment	471	39
Share of profit arising from joint venture, net of tax	(1,953)	(2,561)
<i>Changes in working capital relating to operating activities:</i>		
Trade receivables and other assets	(6,191)	(727)
Trade and other payables	910	3,470
Deferred management fees	10,440	11,093
Refundable occupation right agreements	89,584	96,458
Net cash inflow from operating activities	110,674	129,255

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

Notes to the Financial Statements

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, care homes and derivative financial instruments.

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* replaces the guidance for the classification and measurement of financial instruments in NZ IAS 39. NZ IFRS 9 simplifies the mixed measurement model under NZ IAS 39 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. There are no material changes to the classification and measurement of financial liabilities under NZ IFRS 9, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit and loss.

The Group has completed its initial assessment of the impact of adopting this standard and has concluded that there are likely no material adjustments to the measurement of financial instruments held by the Group. There will likely be no change in the classification of financial assets and adoption of the impairment model is not likely to have a material impact. Existing derivative financial instruments in designated hedging relationships will continue to be accounted for under NZ IAS 39. There will be some enhanced disclosures relating to impairment provisions and hedging arrangements required. The Group will apply this standard from 1 July 2018.

NZ IFRS 15 *Revenue* from contracts with customers 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. NZ IFRS 15 requires revenue recognition that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Group has completed its initial assessment of the impact of adopting this standard and there are likely to be no material adjustments to the recognition or measurement of revenue. There will be increased disclosures required.

The following is noted in relation to the main revenue streams:

- Rest home, hospital and service fee charges are governed by care admission agreements between individual care residents and Metlifecare. Fees are charged based on a daily rate, which reflects the point in time the goods or services are provided to the care resident;
- Village fees are detailed within each village resident's occupation right agreement and relate to the operating costs of the village. Fees are charged on a weekly basis reflecting the period a resident has occupied a unit or serviced apartment.

Rest home, hospital and service fees, and village fees will continue to be recognised on an accrual basis at the point in time the goods or services are provided. The Group will apply this standard from 1 July 2018.

Notes to the Financial Statements

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, care homes and derivative financial instruments.

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* replaces the guidance for the classification and measurement of financial instruments in NZ IAS 39. NZ IFRS 9 simplifies the mixed measurement model under NZ IAS 39 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. There are no material changes to the classification and measurement of financial liabilities under NZ IFRS 9, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit and loss.

The Group has completed its initial assessment of the impact of adopting this standard and has concluded that there are likely no material adjustments to the measurement of financial instruments held by the Group. There will likely be no change in the classification of financial assets and adoption of the impairment model is not likely to have a material impact. Existing derivative financial instruments in designated hedging relationships will continue to be accounted for under NZ IAS 39. There will be some enhanced disclosures relating to impairment provisions and hedging arrangements required. The Group will apply this standard from 1 July 2018.

NZ IFRS 15 *Revenue* from contracts with customers 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. NZ IFRS 15 requires revenue recognition that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Group has completed its initial assessment of the impact of adopting this standard and there are likely to be no material adjustments to the recognition or measurement of revenue. There will be increased disclosures required.

The following is noted in relation to the main revenue streams:

- Rest home, hospital and service fee charges are governed by care admission agreements between individual care residents and Metlifecare. Fees are charged based on a daily rate, which reflects the point in time the goods or services are provided to the care resident;
- Villages fees are detailed within each village resident's occupation right agreement and relate to the operating costs of the village. Fees are charged on a weekly basis reflecting the period a resident has occupied a unit or serviced apartment.

Rest home, hospital and service fees, and village fees will continue to be recognised on an accrual basis at the point in time the goods or services are provided. The Group will apply this standard from 1 July 2018.

Notes to the Financial Statements

1 GENERAL INFORMATION (continued)

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

NZ IFRS 16 *Leases* replaces the current guidance in NZ IAS 17. NZ IFRS 16 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 has completed its evaluation of the impact of adopting this standard and the following is noted:

- Operating leases will be recognised on the balance sheet as a right-of-use asset and a corresponding lease liability based on the discounted value of the operating lease commitments of approximately \$3.1m disclosed in note 5.8. The recognition exemption under NZ IFRS 16 for short-term or low-value assets of less than \$0.3m will be applied, and these costs will continue to be recognised on a straight-line basis in the statement of comprehensive income;
- Rental and operating lease expenses previously recognised on a straight-line basis within other expenses will be recognised as amortisation for right-of-use assets and finance costs for lease liabilities in the statement of comprehensive income. The Group is still quantifying the impact on the statement of comprehensive income;
- Operating lease payments previously recognised within operating cash flows will be presented within financing cash flows for principal repayments of the lease liability. There will be no impact to cash payments.

Occupation right agreements confer the right to occupancy of a unit or serviced apartment and are considered leases under NZ IFRS 16. There is no change to the recognition or measurement of occupation right agreements and the associated management fee revenue. Management fee revenue will continue to be recognised on a straight-line basis in the statement of comprehensive income over the average expected length of stay of residents. There will be amendments to disclosures and presentation required. The Group has elected to early adopt NZ IFRS 16 and will apply this standard from 1 July 2018 using the full-retrospective approach.

1.6 Comparative information

Where necessary, certain comparative information has been reclassified to conform to changes in presentation in the current year. Buyback costs for off-market units associated with regeneration and remediation reflect the settlement of existing occupation right agreements and have been determined to be operating cash flows in nature. \$4.6m of buyback costs have been reclassified in the prior period from investing activities to operating activities in the consolidated cash flow statement. Employee costs in the current year are stated net of capitalised labour costs. The comparatives have been presented on a basis consistent with the current year.

Notes to the Financial Statements

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, that 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 - management fees (note 2.1)
- Fair value of investment properties (note 3.1), care homes (note 3.3) and interest rate swaps (note 5.5)
- Deferred tax (note 5.1).

1.8 Fair value hierarchy

The Group measures investment property, care homes and interest rate swaps 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)
- 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.

Notes to the Financial Statements

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

2.1 Operating revenue	Page 48
2.2 Expenses	Page 49
2.3 Underlying Profit before taxation	Page 50

3 Investment property and other assets

3.1 Investment properties	Page 51
3.2 Refundable occupation right agreements	Page 54
3.3 Property, plant and equipment	Page 55

4 Shareholders' equity and funding

4.1 Contributed equity	Page 58
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5 Other disclosures

5.1 Income tax expense	Page 63
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5.10 Subsequent events	Page 72
5.11 Subsidiaries of the Group and Joint Venture Investment	Page 72

Notes to the Financial Statements

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, there are likely to be inconsistencies in the calculation of this alternative performance measure with other retirement village operators.

2.1 Operating Revenue

	30 June 2018	30 June 2017
\$000		
Management fees	52,371	48,821
Rest home, hospital and service fees and village fees	59,937	56,003
Other operating revenue	2,781	2,913
	115,089	107,737

Revenue recognition

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

Management fees

A management 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 management 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 management fees at the rate of 10% per annum for a maximum of three years.

The timing of the recognition of management fees is a critical accounting estimate and judgement. The management 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 2018 and 2017.

The management 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 management fee receivable.

At year end, the management fee receivable that has yet to be recognised in the statement of comprehensive income as management fee revenue is recognised as a deferred management 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 New Zealand 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 \$10.4m (2017: \$10.3m).

2.2 Expenses

	30 June 2018	30 June 2017
\$000		
Profit before income tax includes the following expenses:		
<i>Property costs</i>		
Utilities and other property costs	12,068	10,994
Repairs and maintenance on investment properties	11,660	11,381
Repairs and maintenance on property, plant, furniture and equipment	961	760
Total property costs	24,689	23,135
<i>Other expenses</i>		
Resident costs	6,256	5,418
Marketing and promotion	5,592	5,000
Other employment costs	3,314	3,206
Communication costs	2,920	2,367
Rental and operating lease expenses	569	551
Loss on disposal of property, plant and equipment	471	39
Donations	48	41
Doubtful debts	7	(2)
Other (no items of individual significance)	6,886	6,662
<i>Fees paid to PricewaterhouseCoopers New Zealand</i>		
Audit and review of financial statements	477	461
Tax compliance services	16	16
Advisory services - executive remuneration benchmarking advice	59	41
Advisory services - strategic procurement advice	23	-
Total fees paid to PricewaterhouseCoopers New Zealand	575	518
Total other expenses	26,638	23,800

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 2018	30 June 2017
Profit for the year	125,085	251,543
<i>Less non recurring items:</i>		
Other income - gain on sale	-	(1,112)
Profit for the year excluding non recurring items	125,085	250,431
<i>Less:</i>		
Change in fair value of investment properties	(134,926)	(258,757)
<i>Add:</i>		
Impairment of property, plant and equipment	3,849	6,170
Realised resale gains	62,309	55,326
Realised development margin	16,435	18,957
Tax expense	14,764	9,979
Underlying Profit before taxation	87,516	82,106

Underlying Profit before taxation, calculated consistently year-on-year, is determined from the net profit after tax of the Group 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 ended 30 June 2017. The resulting gain does not form part of the recurring operating performance of the business (refer note 3.1).

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

(c) Impairment of property, plant & equipment: impairments, and subsequent reversals of impairment losses, associated with care home 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 or payable to vacated residents for repayment of refundable occupation right agreements from the pre-existing portfolio recognised at the date of settlement. The reported measure allows for amounts payable to the vacated resident at balance date on units that have been resettled in the year.

(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 prorata apportionment of land on the basis of the historical cost or purchase price of the land;
- a prorata 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).

Notes to the Financial Statements

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 2018	30 June 2017
Opening balance	2,889,369	2,524,809
Capitalised subsequent expenditure	166,837	115,595
Investment properties under development transferred to property, plant and equipment	(1,353)	(3,245)
Investment property disposed of	(839)	(6,547)
Change in fair value recognised during the year	134,926	258,757
Closing balance	3,188,940	2,889,369

Investment properties are categorised as follows:

\$000	30 June 2018	30 June 2017
Development land measured at fair value	122,987	84,463
Retirement villages under development measured at cost	36,551	36,879
Retirement villages measured at fair value	3,029,402	2,768,027
Total investment properties	3,188,940	2,889,369

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.

Disposals

In the year ended 30 June 2018 the New Zealand Transport Authority requisitioned small parcels of land owned by the Group located in Albany and at the Greenwich Gardens village. 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.

Notes to the Financial Statements

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 \$1,000 psm (2017: \$52 psm and \$901 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	2018	2017
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%	2.6% - 3.1%
Pre-tax discount rate	12.5% - 15.0%	12.5% - 15.5%

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

	Adopted value *	Discount rate + 50 bp	Discount rate - 50 bp	Growth rates + 50 bp	Growth rates - 50 bp
30 June 2018	(ILU, SA, ILA)				
Valuation (\$000)	1,425,030				
Difference (\$000)		(51,370)	54,820	82,652	(82,652)
Difference (%)		(4%)	4%	6%	(6%)
	Adopted value *	Discount rate + 50 bp	Discount rate - 50 bp	Growth rates + 50 bp	Growth rates - 50 bp
30 June 2017	(ILU, SA, ILA)				
Valuation (\$000)	1,318,100				
Difference (\$000)		(46,800)	49,920	90,949	(68,541)
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 51 and 53 includes unsold stock.

Notes to the Financial Statements

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 (2017: 20 years) with stabilised departing occupancy assumptions set out below.

Stabilised departing occupancy - years	2018	2017
Serviced apartments	4.0 - 4.9	3.5 - 4.7
Independent living units and apartments	6.7 - 9.0	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 five year period (2017: \$44.1m 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 (2017: \$1.4m).

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 management fees and management 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:

	30 June 2018	30 June 2017
\$000		
Development land measured at fair value	122,987	84,463
Retirement villages under development measured at cost	36,551	36,879
Retirement villages measured at fair value per CBRE	1,556,450	1,398,941
Investment properties at valuation	1,715,988	1,520,283
Plus: Refundable occupation right agreements	1,713,214	1,577,075
Plus: Residents' share of capital gains	35,465	35,193
Plus: Deferred management fees	115,053	104,613
Less: Management fees receivable	(381,408)	(344,433)
Less: Occupation right agreement receivables	(9,372)	(3,362)
Total investment properties	3,188,940	2,889,369

Borrowing costs of \$5.5m (2017: \$3.6m) arising from financing specifically entered into for the construction of investment properties and care homes under development were capitalised during the year. Average capitalisation rates of 3.55% pa (2017: 3.60% 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.

Notes to the Financial Statements

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.2 Refundable Occupation Right Agreements

\$000	30 June 2018	30 June 2017
Refundable occupation right agreements	1,713,214	1,577,075
Residents' share of capital gains	35,465	35,193
Loans to residents	(12,163)	(7,648)
Management fees receivable	(381,408)	(344,433)
Total refundable occupation right agreements	1,355,108	1,260,187

Occupation right agreements 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 management fees, rest home/hospital fees, loans receivable, service fees and village fees. As the refundable occupation right is repayable to the resident upon vacation (subject to a new occupation right agreement for the unit or serviced apartment being issued to an incoming resident), the fair value is equal to the face value, being the amount that can be refunded.

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 - 9.0 years for independent living units (2017: 6.7 - 8.9 years); 7.2 - 8.7 years for independent living apartments (2017: 7.3 - 8.8 years); and 4.0 - 4.9 years for serviced apartments (2017: 3.5 - 4.7 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 2018	30 June 2017
Within 12 months	142,712	106,342
Beyond 12 months	1,212,396	1,153,845
	1,355,108	1,260,187

Notes to the Financial Statements

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 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)	(8,633)
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
Year ended 30 June 2018				
Opening net book amount	27,618	12,333	8,295	48,246
Revaluation of Care Homes	414	-	-	414
Transfers from investment properties	173	-	-	173
Additions	-	7,497	3,469	10,966
Transferred from construction work in progress	12,351	(13,318)	967	-
Disposals	-	-	(13)	(13)
Reduction in the revaluation of care homes	(54)	-	-	(54)
Depreciation and impairment	(4,135)	(209)	(2,661)	(7,005)
Closing net book amount	36,367	6,303	10,057	52,727
At 30 June 2018				
Cost or valuation	50,125	6,512	29,956	86,593
Accumulated depreciation and impairment losses	(13,758)	(209)	(19,899)	(33,866)
Net book value	36,367	6,303	10,057	52,727

Notes to the Financial Statements

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 11% to 14% (2017: 12.0% to 14.25%). 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.

Notes to the Financial Statements

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	30 June 2018	30 June 2017
Cost	37,700	24,034
Accumulated depreciation	(4,071)	(3,422)
Net book value	33,629	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.

An impairment loss, after reducing the carrying value of the assets by any associated revaluation, was recognised in the statement of comprehensive income in the depreciation and impairment line in respect to the following care homes:

\$000		30 June 2018	30 June 2017
The Avenues	Reduction in the value of land related to the new care home being constructed.	209	-
Somervale	The final construction costs for the new care home opened in November 2017 exceeded the initial valuation performed by CBRE.	3,919	1,200
Somervale	The existing care home was decommissioned resulting in an impairment loss.		1,118
Greenwich Gardens	Final costs attributed to the construction of the care home exceeded the initial valuation performed by CBRE.	-	2,563
Pakuranga	Decommissioned in March 2017 in preparation for the construction of a new care home at the Village.	-	1,736
Total		4,128	6,617

In the year ended 30 June 2018 an impairment loss of \$279,000 in respect to a previously recognised impairment was reversed to reflect the increase in the valuation of the care home (2017: \$446,000).

Notes to the Financial Statements

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 2018 Shares	30 June 2017 Shares	30 June 2018 \$000	30 June 2017 \$000
Total Issued and fully paid up capital (including treasury shares)				
Balance at beginning of the year	213,005,909	212,882,855	306,895	306,376
Shares issued net of transaction costs	126,381	123,792	129	519
Shares cancelled	-	(738)	-	-
Balance at end of the year	213,132,290	213,005,909	307,024	306,895

	30 June 2018 Shares	30 June 2017 Shares
Treasury shares		
Balance at beginning of the year	320,319	510,675
Shares issued under the senior executive share plan	126,381	123,792
Shares vesting under the senior executive share plan	(49,672)	(313,410)
Shares cancelled under the senior executive share plan	-	(738)
Balance at end of the year	397,028	320,319

	30 June 2018	30 June 2017
Net tangible assets per share (basic)	\$6.92	\$6.43

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 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
12 October 2017 - shares issued under the senior executive share plan	126,381
Balance as at 30 June 2018	213,132,290

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 (2017: nil).

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 is subject to achievement of performance hurdles.

Notes to the Financial Statements

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.2 Earnings Per Share

Basic

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

	30 June 2018	30 June 2017
Profit attributable to equity holders (\$000)	125,085	251,543
Weighted average number of ordinary shares on issue ('000s)	212,704	212,704
Basic earnings per share (cents)	58.8	118.3

Diluted

Diluted earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares adjusted for any shares to be issued under the share right scheme for which performance hurdles would have been met based upon the Company's performance up to the reporting date and to the extent to which they are dilutive.

	30 June 2018	30 June 2017
Profit attributable to equity holders (\$000)	125,085	251,543
Diluted weighted average number of ordinary shares on issue ('000s)	213,096	212,975
Diluted earnings per share (cents)	58.7	118.1

4.3 Dividends

	Cents per share	30 June 2018 \$000	30 June 2017 \$000
Recognised amounts			
Final dividend for 2016	4.00	-	8,515
Interim dividend for 2017	2.25	-	4,793
Final dividend for 2017	5.80	12,354	-
Interim dividend for 2018	3.25	6,927	-
Total dividends paid		19,281	13,308

On 27 August 2018 the directors approved a dividend of 6.75 cents per share amounting to \$14.4m. The dividend record date is 14 September 2018 and payment will occur on 21 September 2018.

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 2018 is nil (2017: nil). No tax payments were made during the year and dividends paid were unimputed.

Notes to the Financial Statements

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.4 Share-based Payments

Share Scheme

The Company operates a Senior Management Share Scheme ("the Scheme") which is intended to align the interests of executives and other senior management with the interests of shareholders and provide a continuing incentive to these employees over the long term.

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 and, in the future, other listed retirement village operators). Shares issued under the Scheme are entitled to dividends.

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 2018	30 June 2017
Share rights outstanding at 1 July	320,319	510,675
Granted during the year	126,381	123,792
Vested during the year	(49,672)	(313,410)
Cancelled during the year	-	(738)
Share rights outstanding at 30 June	397,028	320,319

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

	30 June 2018	30 June 2017
\$000		
Share based payment expense recognised in the consolidated statement of comprehensive income within 'employee expenses'	210	262
Accumulated employee share based payment expense recognised in the employee share scheme reserve	459	378

During the year ended 30 June 2018, 49,672 shares vested (2017: 313,410). \$129,000 of the previously recognised share based payment expense was transferred to share capital (2017: \$519,000).

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 executives and senior management 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.

Notes to the Financial Statements

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.5 Reserves

Revaluation Reserve

	30 June 2018	30 June 2017
\$000		
Balance at beginning of the year	7,009	8,285
Share of gain on revaluation of care home arising from joint venture, net of tax	22	40
Gain on revaluation of care homes	414	1,084
Tax on revaluation of care homes	4	(234)
Reduction in the revaluation of care homes (refer note 3.3)	(54)	(3,009)
Tax on reversal of revaluation of care homes	-	843
Transfer on reclassification of development land	(345)	-
Balance at end of the year	7,050	7,009

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

Hedging Reserve

The hedging reserve records the effective portion of accumulated changes in the fair value of interest rate swaps used in cash flow hedges. This is recognised in the profit or loss when the hedged item affects the profit or loss (refer note 5.5).

4.6 Interest Bearing Liabilities

	30 June 2018	30 June 2017
\$000		
Bank loans	154,668	72,902
Capitalised debt costs	(308)	(372)
	154,360	72,530
Finance leases	-	102
Total interest bearing liabilities	154,360	72,632

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.

On 15 December 2017 the bank facilities were renegotiated and extended. The maturities of the Core Revolving Credit Facility of \$175m (2017: \$75m), the Development Facility of \$175m (2017: \$175m) and the Working Capital Facility of \$2.0m (2017: \$2.0m) as detailed on page 62.

Proceeds from the sale of units that are funded from the Development Facility are required to be repaid against the Development Facility.

Notes to the Financial Statements

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.6 Interest Bearing Liabilities (continued)

Drawn Balances

\$000	Facility Limit	30 June 2018	30 June 2017
Core Facility	175,000	15,000	8,400
Development Facility	175,000	139,668	64,502
Working Capital Facility	2,000	-	-
Total	352,000	154,668	72,902
Investment property valuation (refer note 3.1)		1,715,988	1,520,283
Loan to Valuation Ratio		9.0%	4.8%

Maturities

\$000	Facility Limit	30 June 2018	30 June 2017
On demand	2,000	-	-
Between one and two years	83,333	70,333	66,734
Between two and three years	83,333	61,333	6,168
More than three years	183,334	23,002	-
Total	352,000	154,668	72,902

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 2018, the Group was in compliance with its financial covenants (2017: in compliance).

Finance Costs

\$000	30 June 2018	30 June 2017
Interest expense	3,708	2,419
Facility costs	1,812	1,434
Less: interest expense and facility costs capitalised	(5,453)	(3,627)
Total finance costs	67	226

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 2018 ranged from 3.46% to 3.66% per annum (2017: 3.17% to 3.98% per annum). Derivative financial instruments used to manage interest rate risk are set out in note 5.5.

Notes to the Financial Statements

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 2018	30 June 2017
(a) Income tax expense		
Current tax	19	12
Deferred tax	14,745	9,967
Income tax expense	14,764	9,979
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	139,849	261,522
Tax at the New Zealand tax rate of 28%	39,158	73,226
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non taxable income and non deductible expenditure	1,113	1,936
Capitalised interest	(1,527)	(1,016)
Non taxable impact of investment property revaluation	(37,779)	(72,452)
Movement in property valuations for deferred tax	13,462	9,769
Tax impact of change in depreciable tax base	(989)	42
Share of profit arising from joint venture	(547)	(717)
Other adjustments	(173)	(1,068)
Prior period adjustment	2,046	259
Income tax expense	14,764	9,979

The applicable tax rate was 28% (2017: 28%).

(c) Recognised deferred tax liability

The movement in the deferred tax balance comprises:

\$000	Balance 1 July 2017	Recognised in income	Recognised in Reserves	Balance 30 June 2018
Property, plant and equipment	(29)	(5,808)	(4)	(5,841)
Investment property	(132,185)	(10,342)	-	(142,527)
Deferred management fees	4,322	(2,501)	-	1,821
Recognised tax losses	21,050	4,205	-	25,255
Other items	3,763	(299)	122	3,586
Net deferred tax liability	(103,079)	(14,745)	118	(117,706)

\$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 management 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)

Notes to the Financial Statements

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 2018 (2017: 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 \$103.9m (2017: \$98.7m) 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 \$124.3m (2017: \$116.1m) included in the adopted treatment prior to the utilisation of any available tax losses at the time.

Notes to the Financial Statements

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 management fees, result in a taxable temporary difference. In determining the taxable temporary difference, the directors have used the contractual cash flows on the basis that the contractual arrangements for an occupation right agreement comprise two gross cash flows (being an occupation right agreement deposit upon entering the unit and the refund of this deposit upon exit) that are non-taxable and need to be excluded to determine the taxable temporary differences arising on investment properties.

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 management 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 management fee being receivable at the end of the ORA period as they believe it best represents the Group's contractual entitlement. Should the management fee be treated as received at the beginning of the ORA period an additional deferred tax liability of \$50.1m (2017: \$60.0m) would be recognised in the balance sheet. An additional current year tax expense of \$50.1m (2017: \$60.0m) and a corresponding reduction in net profit after tax of \$50.1m (2017: \$60.0m) would also be recognised.

Notes to the Financial Statements

5 OTHER DISCLOSURES (continued)

5.2 Trade Receivables and Other Assets

\$000	30 June 2018	30 June 2017
Trade receivables	5,290	4,673
Occupation right agreement receivables	9,372	3,362
Prepayments	720	174
Amounts due from related parties	15	212
Deposits paid for land acquisitions	2,790	-
Other receivables	2,683	345
Total receivables and other assets	20,870	8,766
Past due but not impaired receivables		
1 to 3 months	83	200
Over 3 months	305	170
	388	370

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 2018	30 June 2017
Trade creditors	7,249	5,746
Sundry creditors and accruals	58,692	38,974
Employee entitlements	6,093	5,173
Total trade and other payables	72,034	49,893

Recognised within sundry creditors and accruals at 30 June 2018 is the balance of the purchase price for Orion Point, Hobsonville (2017: the Botany site).

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.

Notes to the Financial Statements

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.

Financial liabilities at fair value through profit and loss - financial liabilities comprising Interest Rate Swaps. Interest Rate Swaps are recognised at fair value on the date a contract is entered into and are subsequently measured at fair value on each reporting date.

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 and not as trading or other speculative instruments.

(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.

Derivative financial instruments

The Group has entered into interest rate swaps to reduce its exposure to variability in floating rate interest payments for long term borrowings.

Interest rate swaps are recognised at fair value on the date a contract is entered into and are subsequently measured at fair value on each reporting date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows discounted using market rates at balance date. The Group has categorised interest rate swaps as Level 2 under the fair value hierarchy.

Notes to the Financial Statements

5 OTHER DISCLOSURES (continued)

5.5 Financial Risk Management (continued)

Cash flow hedges

The interest rate swaps are designated in cash flow hedging relationships. When an interest rate swap meets the criteria for hedge accounting, the effective portion of changes in the fair value of the interest rate swap is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the interest rate swap is recognised in profit and loss. The amount accumulated in equity is expected to be reclassified to finance costs at the same time as interest payments for long term borrowings are made.

At 30 June 2018, the Group has interest rate swap agreements in place with a total notional principal amount of \$55m (2017: nil), which are being used to cover approximately 36% (2017: nil) of the outstanding principal of bank loans. These agreements effectively change the Group's interest exposure on the principal covered by the interest rate swaps from a floating-rate position to a fixed-rate position, with an average contracted fixed interest rate of 2.57%.

The notional values of interest rate swaps outstanding at 30 June 2018 and their maturities are as follows:

\$000	30 June 2018	30 June 2017
Between one and two years	20,000	-
Between two and five years	35,000	-
Total interest rate swaps	55,000	-

The fair value losses of \$0.3m relating to the effective portion of cash flow hedges were recognised in other comprehensive income (2017: nil), with the corresponding amount recognised as a liability in the consolidated balance sheet at 30 June 2018 (2017: nil). The value of amounts reclassified from the hedging reserve to profit and loss was nil.

At 30 June 2018, it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profits after tax by approximately \$1.3m (2017: \$0.7m) and would decrease equity by \$1.3m (2017: \$0.7m).

(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.

Notes to the Financial Statements

5 OTHER DISCLOSURES (continued)

5.5 Financial Risk Management (continued)

(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 table below shows the maturity analysis of the Group's contractual undiscounted cash flows relating to financial liabilities.

\$000	Less than 1 year	Later than 1 year
30 June 2018		
Trade and other payables	72,034	-
Bank loans	350	154,668
Derivative financial instruments	347	694
Refundable occupation right agreements	1,355,108	-
	1,427,839	155,362
30 June 2017		
Trade and other payables	49,893	-
Bank loans	156	72,902
Finance leases	102	-
Refundable occupation right agreements	1,260,187	-
	1,310,338	72,902

The bank loans drawn under the committed bank facilities are typically drawn down for fixed periods of 1 to 3 months and renewed at the conclusion of each fixed period.

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 and reflects historical turnover calculations.

Notes to the Financial Statements

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 2018	30 June 2017
Salaries and other short-term employee benefits	3,809	3,307
Senior executive long term share plan	477	455
Total	4,286	3,762

(b) Transactions and balances

During the year ended 30 June 2018 the Group received repayment of \$15,000 from the joint venture company, Metlifecare Palmerston North Limited (2017: the Group advanced \$185,000 to the joint venture company).

As at 30 June 2018 the joint venture company owed \$197,000 to the Company (2017: \$212,000).

(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 2018 ranged from 3.46% to 3.66% per annum (2017: 3.17% to 3.53% per annum).

(d) Directors' fees

During the year ended 30 June 2018, \$741,000 of Directors' fees were paid (2017: \$686,000). This includes the amount of any unrecoverable GST. Directors' fees are included within 'Other expenses' in note 2.2.

Notes to the Financial Statements

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 2018	30 June 2017
Capital commitments		
Estimated commitments contracted for at balance date but not yet incurred	81,732	47,989
	81,732	47,989

\$000	30 June 2018	30 June 2017
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	647	477
Later than one year but not later than five years	2,301	1,762
Later than five years	184	584
	3,132	2,823

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.

Notes to the Financial Statements

5 OTHER DISCLOSURES (continued)

5.9 Contingencies

There are no material contingent liabilities as at 30 June 2018 (2017: nil).

5.10 Subsequent Events

On 19 July 2018 the Group settled the land purchase at Orion Point, Hobsonville for \$37.0m.
On 27 August 2018, the directors approved a dividend of 6.75 cents per share amounting to \$14.4m. The dividend record date is 14 September 2018 and payment will occur on 21 September 2018.
There are no further subsequent events between 30 June 2018 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	Metlifecare Oakridge Limited
Hibiscus Coast Village Holdings Limited	Metlifecare Edgewater Limited (previously Metlifecare
Hillsborough Heights Village Holdings Limited	Pakuranga Limited)
Longford Park Village Holdings Limited	Metlifecare Papamoa Beach Limited
Metlifecare 7 Saint Vincent Limited	Metlifecare Pinesong Limited
Metlifecare Bayswater Limited	Metlifecare Powley Limited
Metlifecare Coastal Villas Limited	Metlifecare Somervale Limited
Metlifecare Crestwood Limited	Metlifecare The Avenues Limited
Metlifecare Dannemora Gardens Limited	Metlifecare The Orchards Limited
Metlifecare Greenwich Gardens Limited	Metlifecare The Poynton Limited
Metlifecare Greenwood Park Limited	Private Life Care Holdings Limited
Metlifecare Gulf Rise Limited (previously Metlifecare	Vision Senior Living Investments Limited
Red Beach Limited)	Vision Senior Living Limited
Metlifecare Highlands Limited	Waitakere Group Limited
Metlifecare Kapiti Limited	

Dormant and non operating entities

Bay of Plenty Retirement Village Limited	Metlifecare Wairarapa Limited
Longford Park Village Limited	Provider Care NZ Limited
Metlifecare Merivale Limited	Vision (Christchurch) Limited
Metlifecare Oakwoods 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 (2017: 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.

Notes to the Financial Statements

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

The group financial statements comprise:

- the consolidated balance sheet as at 30 June 2018;
- 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 significant accounting policies.

Our opinion

In our opinion, the group financial statements of Metlifecare Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2018, 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) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the group 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, strategic procurement advice and executive remuneration benchmarking advice. The provision of these other services has not impaired our independence as auditor of the Group.

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 \$2.3 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 \$230,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have determined that there is 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 group financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the group financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the group 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 group 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 matter

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



Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties and care homes</p> <p>The Group's investment properties (refer to note 3.1 of the group financial statements) and care homes (refer to note 3.3 of the group financial statements) comprise a portfolio of retirement villages in the North Island of New Zealand and at \$3.2 billion represent the majority of the Group's assets as at 30 June 2018.</p> <p>Investment properties and care homes are carried at fair value. Investment properties under development that are not sufficiently progressed to enable fair value to be reliably determined are carried at cost spent on the development to date, less any impairment.</p> <p>The valuation of the Group's retirement village portfolio is inherently subjective due to inputs into the valuation that are unobservable through available market information and also considers the individual characteristics of each village, its resident profile and the expected future cash flows for that particular village.</p> <p>The valuations were carried out by an independent third party valuer, CBRE Limited (the Valuer).</p> <p>The valuation processes and related assumptions for investment properties and care homes are described in notes 3.1 and 3.3 of the group financial statements, respectively.</p> <p>Investment properties are recorded in the group financial statements at the value determined by the Valuer, adjusted for refundable occupation right agreements, residents' share of capital gains, deferred management fees, management fee receivables and occupation right agreement receivables, which are recognised separately on the balance sheet but reflected in CBRE's cash flow model valuation.</p> <p>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.</p>	<p>Our audit procedures included the following:</p> <p>External valuations</p> <p>We received 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 2018. We also assessed the Valuer's qualifications, expertise and their objectivity.</p> <p>From our discussions with management and the Valuer, and from our review of the valuation report, assumptions (including the discount rate, property price growth rate, stabilised occupancy periods, care home proforma earnings and capitalisation rates) were made to reflect each village's individual characteristics and its overall quality, geographic location and desirability as a whole.</p> <p>On a sample basis, we agreed village specific information supplied to the Valuer by the Group against underlying records held by the Group.</p> <p>Assumptions</p> <p>Our work over assumptions referenced above focused on villages where those 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.</p> <p>We have assessed the estimated cost of remediation works based on the reasonableness of calculations and assumptions used and corroborating the relevant information with third party assessments commissioned by management. We also assessed the reasonableness of management estimates of costs to complete developments that are practically complete and valued by the Valuer at 30 June 2018.</p> <p>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, known transactions and market data.</p> <p>Overall valuation estimates</p> <p>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 when considering the valuation of an individual investment property and care home's value to evaluate the valuations used by management.</p> <p>We also considered whether or not there was bias in determining individual valuations.</p> <p>Our audit procedures did not identify any issues that would indicate that the valuations adopted by the Group were outside an acceptable range.</p>



Information other than the group financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the group 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 the other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group 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 this 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 group financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the group 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 group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group 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 group financial statements

Our objectives are to obtain reasonable assurance about whether the group 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 group financial statements.

A further description of our responsibilities for the audit of the group 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:

Chartered Accountants
27 August 2018

Auckland

View from new Manukau Building, Pinesong Village

STATUTORY INFORMATION

CORPORATE GOVERNANCE STATEMENT

Approved by the Board of Metlifecare Limited (referred to as Metlifecare or the Company) on 5 September 2018. All references to year are to the financial year ended 30 June 2018.

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 and the NZX Corporate Governance Code 2017 (NZX Code).



FRAMEWORK

Metlifecare shares are listed on the NZX Main Board (NZX) and on the Australian Securities Exchange (ASX). Metlifecare has been listed on the NZX Main Board since July 1994, and the ASX since 2013, and has, to the best of its senior managers' knowledge and belief, at all times complied with its continuous disclosure obligations under the NZX Listing Rules, the ASX Listing Rules and the Financial Markets Conduct Act 2013 (as applicable). Metlifecare is an ASX Foreign Exempt company.

Metlifecare's 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 & Statement

- 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
- External Auditor Independence Policy
- Whistleblowing Policy

Charters

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

Constitution

- Metlifecare Constitution

The following section of this Corporate Governance Statement sets out each principle of the NZX Code with an explanation of how Metlifecare complies with each principle. Metlifecare considers that, as at 30 June 2018, it was in full compliance with the NZX Code.

PRINCIPLE 1

Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed 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, Whistleblowing Policy, Board Charter, Conflicts of Interest Policy and Trading Policy, all of which are available on the Company’s website. The Board policies are supported by other Company policies and standards that address issues such as privacy, delegated authority mandates, gifts and other similar matters.

Code of Ethics

The Code of Ethics describes the practices that all employees are expected to follow to help maintain confidence in the Company’s integrity. It governs the conduct of the Company and includes details on the responsibility of employees to report concerns. All directors, executives, managers, staff and contractors acting on behalf of the Company are required to maintain high standards of ethical behaviour in all decision making and in their conduct. A copy of the Code of Ethics and training on this document is provided, particularly to new staff on induction.

The Company’s Whistleblowing Policy provides a mechanism by which serious wrongdoings can be reported and investigated.

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 may:

- have access to the senior management team, via the

Chief Executive Officer, to request relevant information or explanations

- have access to internal and external auditors without management present, to seek explanations or additional information
- with prior notification to the Chair, seek professional advice (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.

Trading Policy

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 & Performance

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

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’s 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 (via Chief Executive Officer’s recommendations)
- 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 the well-being of Metlifecare’s residents and staff
- 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.

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 86.

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 undertook this process when appointing Mark Binns and Rod Snodgrass in the year to 30 June 2018. 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 32 and 33.

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, independence, judgment and the ability to work with other directors.

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. The current directors 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 and six years (approximately) which is considered

acceptable. Director profiles and committee memberships are set out on pages 32 and 33.

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. An extensive programme of village visits is now undertaken by new directors. Directors are encouraged to undertake continuing education and development of further skills to remain current on how to best perform their duties as directors of an issuer. Training undertaken in the last twelve months has included attendance at various Institute of Directors courses. A separate annual budget has been set aside for director education.

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 measurable 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 and recognises that diversity across a wide range of areas is important. The measurement of diversity objectives will be an area of increased focus in future years.

The gender breakdown of the Board and employees is as follows:

	as at 30 June 2018		as at 30 June 2017	
	Male	Female	Male	Female
Board	5	2	3	2
Officers*	5	4	5	4
Employees	262	846	255	788

*Persons who report to the Board or CEO

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 also engages an external provider, Propero, to undertake a performance evaluation approximately every two years to assess director, Board and committee performance. The most recent review was conducted from May 2018 and the resulting report has been issued recently.

The Company has a People & 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 3.

The People & 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 reviews the performance of Executive Team members annually by way of one-on-one interviews and the People & Remuneration Committee considers the Chief Executive Officer’s evaluations.

PRINCIPLE 3
Board Committees

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

Committee Charters

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

- Audit & Risk Committee Charter

- People & Remuneration Committee Charter (name changed from Remuneration Committee on 24 April 2018)
- Nominations & Corporate Governance Committee Charter
- Development Committee Charter
- Resident Experience & Care Committee Charter (name changed from Care Committee on 24 April 2018)

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.

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, 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
- internal and 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, Carolyn Steele and Kim Ellis. All members are non-executive directors, a majority (two) 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.

The Audit & Risk Committee meets at least four times a year and invites members of management to attend

meetings and provide appropriate information and explanations as required.

People & Remuneration Committee

The Committee’s 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 People & Remuneration Committee are Mark Binns (Chair), Kim Ellis and Alistair Ryan. All members of the Committee are independent.

The People & Remuneration Committee meets at least four times a year and invites members of management to attend meetings and provide appropriate information and explanations as required.

Nominations & Corporate Governance Committee

The Nominations & Corporate Governance Committee’s responsibilities are set out above under Principle 2. The current members of the Nominations & Corporate Governance Committee are all the members of the Board, a majority of whom (six) are independent.

Development Committee

The Development Committee is responsible for:

- providing advice to the Board on proposals relating to major acquisitions and construction developments, remediation, refurbishment and long-term maintenance works, design of new-build villas, apartments and care homes; and safety of the products and services that are utilised by all relevant persons including employees, contractors, residents and others
- monitoring and reporting to the Board on information provided by management on health and safety in the development environment to ensure that Metlifecare has, and implements, processes for complying with its duties and obligations under the Health and Safety at Work Act 2015

The Development Committee’s responsibilities include reviewing (and recommending to the Board):

- development plans and business cases prepared by management
- development feasibilities and programme(s)
- development, land bank and design updates prepared monthly by management to assess whether the development outcomes targets and feasibilities are being achieved and are consistent with those approved by the Board
- 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

- business cases for land acquisitions proposed by management, including price, terms and structure
 - business cases for land divestments proposed by management, including price, terms and structure
 - 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
- providing oversight of Metlifecare's quality of customer and care service delivery
 - assisting the Board to identify and manage key risks in relation to the provision of care services to residents and the safe operation of the care and village environments
 - in conjunction with the Development Committee, considering proposals for new care facilities or upgrades of existing care facilities in relation to appropriate fit with the Committee's philosophies and financial viability
 - requesting, receiving and reviewing the Company's clinical governance system, clinical risk and quality plan annually
 - reviewing serious complaints, reportable events and significant adverse events related to service delivery

Resident Experience & Care Committee

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

- supporting innovation and assisting management and Board to set strategy in relation to enhancement of the resident customer experience and care services models, environments and systems
- setting targets and key performance indicators for improving customer insights, enhancement of the resident customer experience and the Company's care service delivery performance

Takeovers

The Board has established an internal Takeover Response Manual that establishes protocols that set out the procedure to be followed if there is a takeover offer for Metlifecare, and which include the option of establishing an independent Board sub-committee comprised of non-interested directors. The manual is reviewed and updated annually/more often as required.

PRINCIPLE 4

Reporting and Disclosure

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

Market Disclosure Policy

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 and confirms by specific resolution 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 receives a representation from the Chief Executive Officer, the Chief Financial Officer and the General Counsel/Company Secretary 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 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.

Key Governance Documents

The Company's Board and Committee Charters, all Policies and Charters detailed above, media releases, annual and interim reports and other investor-focused material are available on the Company's website.

Non-Financial Disclosure

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

The Company manages these risks via the risk management framework set out below under Principle 6 – Risk Management.

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, were the first retirement villages in New Zealand to have homes that are 6 Homestar™ Built certified. The Company is a member of the New Zealand Green Building Council (NZGBC). The Homestar™ accreditation system was established by the NZGBC with the certification process administered by independent assessors. The Company is introducing electric cars into certain villages for use by residents.

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. More recently, in July 2018, the Company identified its material Environmental, Social and Governance "ESG" factors and formed a materiality matrix. Further information regarding the Company's approach to "ESG" is set out on page 30.

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

Director remuneration is paid in the form of directors' fees. The total monetary sum of fees approved for directors is currently \$723,000 (plus GST (if any)) as resolved at the Company's Annual Shareholders' Meeting on 24 October 2017. A breakdown of the Chair's and

Attendance at Board and Committee Meetings in the Year Ended 30 June 2018

		BOARD ATTENDANCE		COMMITTEE ATTENDANCE				
Total number of meetings held		6	2	7	6	1	11	5
Director		Board	Board Other	Audit & Risk	People & Remuneration (formerly Remuneration Committee until April 2018)	Nominations & Corporate Governance	Development	Resident Experience & Care (formerly Care Committee until April 2018)
Name	Commencement of original appointment							
K Ellis	25 August 2014	6	2	7	6	1	11	N/A
C Aiken	23 August 2012	6	2	N/A	N/A	-	10	N/A
M Binns	1 August 2017	6	2	N/A	5*	N/A	7*	N/A
A Ryan	23 August 2012	6	2	7	3*	1	1*	N/A
R Snodgrass	1 August 2017	6	2	N/A	N/A	N/A	9*	5
C Steele	13 December 2013	6	2	7	3*	-	N/A	5
N Whitehead	19 June 2013	6	2	N/A	N/A	1	11	5

*These directors were only Committee members for part of the year to 30 June 2018. 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 (including the Chair) are welcome to, and often do, attend Committee meetings for which they are not a member.

directors' fees are set out on page 93. Directors do not currently receive any remuneration in the form of Metlifecare shares. Metlifecare distinguishes the structure of non-executive directors' remuneration from that of any executive directors and senior executives. The Company has a Remuneration Policy that includes provisions on director remuneration. The People & Remuneration Committee is responsible for reviewing and recommending to shareholders, the level and type of remuneration for directors. The director fee pool is reviewed by the People & Remuneration Committee to ensure it is appropriate. When the Board considers a change to the director fee pool is appropriate, the change is recommended to shareholders in a transparent manner in the Company's Notice of Meeting.

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 93.

CEO and Executive Remuneration

Chief Executive Officer remuneration is recommended by the People & 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 People & 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.

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. The STI scheme has recently been reviewed and re-written. The measures now more closely align with rewarding adherence to company values and other more subjective measures as well as fewer, more meaningful, strategy-aligned goals.

Chief Executive Officer remuneration is reviewed annually and is disclosed separately on page 96.

Executive remuneration is reviewed annually and the levels of remuneration are generally disclosed on page 96.

Equity-Based Remuneration

The Company currently has a Long Term Incentive Plan (LTIP). The final grant under the existing LTIP will take place in 2018 and will have a three-year test period. Shares for this grant vest if the Total Shareholder Return (TSR) is greater than or equal to the average of (a) the fiftieth percentile of NZX Top 50 companies and (b) the fiftieth percentile of other NZX listed retirement village operators (provided that a positive absolute (per year) TSR hurdle is also met; this hurdle was previously 8% per year). The LTIP 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. It is intended that a new plan be adopted in 2019.

PRINCIPLE 6

Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that appropriate processes are in place to identify and manage potential and material risks.

Risk Management Framework

The Board is ultimately 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 above under the heading "Audit & Risk Committee".

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 and internal 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.

Health and Safety

The Company takes its responsibility for the health and safety of residents and staff seriously. The Board has over-arching responsibility for providing oversight in this area. Key health and safety risks and outcomes are

included and highlighted in monthly Board reports and are generally discussed at Board Meetings.

An external health and safety review was concluded in 2017 which provided continuous improvements in this area, particularly in line with the Health and Safety at Work Act 2015.

Key risks include serious incidents on construction sites, traffic management and maintenance of a high standard of health and safety culture at the Company's villages.

The Company has AS/NZS 4801 accreditation.

PRINCIPLE 7

Auditors

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

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, the Audit & Risk Committee, or the Board in accordance with the Auditor Independence Policy.

The fee paid to the auditor in 2018 for audit services was \$477,000. Non-audit fees were \$98,000. The provision of non-audit services comprised:

- tax compliance services – \$16,000
- advisory services relating to executive remuneration benchmarking and strategic procurement advice – \$82,000

The Company's external auditor for the 2018 Financial Statements, PricewaterhouseCoopers, will be available to answer questions on the audit and the auditor's independence at the Company's Annual Shareholders' Meeting on 18 October 2018.

Internal Audit Function

The Audit & Risk Committee oversees an internal audit plan that is intended to:

- support the development and maintenance of governance and risk management processes

- challenge the Executive's and the Board's assessment of risk and the controls in place to manage the identified risks
- evaluate and test the effectiveness of controls in place to manage the identified risks

PRINCIPLE 8

Shareholder Rights and Relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

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 of the Company's communications 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.

Each shareholder in the Company has one vote per share owned. NZX's Listing Rules set out when shareholders have the right to vote on major decisions. 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.

The Company issues its Notices of Meeting at least 28 days prior to the Company's annual meeting(s) of shareholders.

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 2018, 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 Limited	Director
	FSF Management Company Limited	Director
	Freightways Limited	Director
	Ballance Agri-Nutrients Limited	Director
	New Zealand Social Infrastructure Fund Limited	Director
	+ Sleepyhead Group Limited	Director
C.G. Aiken	Murray Aynsley Properties Limited	Director
	Alumnus Properties Limited	Shareholder
	HLC	Officer
	Cameron Trust	Trustee
	Hurstmere Property Trust	Trustee
	+ Catalina Advisory Limited	Director/Shareholder
	* Sequoia Advisory Limited	Director/Shareholder
A.B. Ryan	Barramundi Ltd	Director
	Christchurch Casinos Limited	Director
	Kingfish Limited	Director
	Marlin Global Limited	Director
	* New Zealand Racing Board	Board Member
	Evolve Education Group Limited	Director
	FMA's Audit Oversight Committee	Member
	+ Kiwibank Limited	Director
	* Lewis Road Creamery Limited	Director
C.M. Steele	Steele Family Trust	Trustee
	Halberg Disability Sport Foundation	Director
	New Zealand Football Foundation	Trustee
	Green Cross Health Limited	Director
	WEL Networks Limited	Director
	+ Ultrafast Fibre Limited	Director

Director	Entity	Nature of Interest
Dr N.B. Whitehead	* The University of Auckland	Officer
	* Bethesda Care Limited	Officer
	* Simple Solutions Consultancy Limited	Director/Shareholder
	+ PASS Consultants	Director/Officer
# M.J. Binns	Auckland International Airport Limited	Director
	Auckland War Memorial Museum	Trustee
	Crown Infrastructure Partners Limited	Director
	* Meridian Energy Limited	Officer (CEO)
	* Powershop New Zealand Limited	Director
	* Meridian Energy International Limited	Director
	* Meridian Limited	Director
	* Three River Holdings No. 1 Limited	Director
	* Three River Holdings No. 2 Limited	Director
	* Meridian Energy Captive Insurance Limited	Director
	* Dam Safety Intelligence Limited	Director
	* Ingenia Communities Limited	Shareholder
# R.J. Snodgrass	The Exponential Agency Limited	Director/Shareholder
	Jucy Group Limited (NZ)	Director
	SMX Limited (NZ)	Director
	Genoapay Limited	Director/Shareholder
	Springboard Trust	Trustee
	Vector	Officer

Notes:
 * Interest ceased during the year.
 + New.
 # Appointed to Board 1 August 2017, all interests new in the year to 30 June 2018.

(b) Specific Disclosures

Chris Aiken identified that, in his capacity of the Chief Executive Officer of HLC, he has had other business dealings with one of the vendors of the Beachlands property acquisition. As previously advised, Dr. Noeline Whitehead's daughter, Tanya Bish is a member of the Executive Team.

(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 2018 three directors, Rod Snodgrass, Alistair Ryan and Noeline Whitehead, 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 1 March 2018, Rod Snodgrass purchased 5,000 shares at \$5.99 per share.
- Alistair Ryan made the following share purchases:
 - on 28 March 2018, 390 shares at \$5.91 per share; and
 - on 29 March 2018, 1,610 shares at \$5.93 per share,a total of 2,000 shares.
- On 1 June 2018 Noeline Whitehead purchased:
 - 2,286 shares at \$5.95 per share; and
 - 1,714 shares at \$6.02 per share,a total of 4,000 shares.

Five directors (in *italics* below) had relevant interests in the ordinary shares in the Company as at 30 June 2018.

Directors’ Interests	Number of Shares
Ellis Trust (<i>K.R. Ellis</i> and MK Trustee 2015 Limited as Trustees)	165,000
Annette Ellis Trust (A.M. Ellis* and MK Trustee 2015 Limited as Trustees) - interested director <i>K.R. Ellis</i>	15,000
<i>A.B. Ryan</i>	10,404
Cameron Trust (<i>C.G. Aiken</i> and W.A. Aiken as Trustees)	9,051
<i>R.J. Snodgrass</i>	5,000
<i>N.B. Whitehead</i>	4,000

*(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 100. Mark Binns and Rod Snodgrass were appointed as independent directors from 1 August 2017, confirmed through formal election by shareholders at the Annual Shareholders’ Meeting on 24 October 2017.

Remuneration and other benefits received by directors during the year to 30 June 2018:

Director	Director Fees \$
K.R. Ellis	165,000
A.B. Ryan	96,250
C.M. Steele	96,250
C.G. Aiken	95,000
Dr N.B. Whitehead	87,500
M.J. Binns	82,292
R.J. Snodgrass	80,000

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	165,000
Non-Executive Director Base Fee (Directors excluding Chair) – C.G. Aiken, M.J. Binns (from 1 August 2017), A.B. Ryan, R.J. Snodgrass (from 1 August 2017), C.M. Steele and Dr N.B. Whitehead	82,500 (total 495,000)*
Chair Audit & Risk Committee – A.B. Ryan	12,500
Chair Development Committee – C.G. Aiken	12,500
Chair Resident Experience & Care Committee – C.M. Steele	7,500
Chair People & Remuneration Committee – C.M. Steele until 31 December 2017 then M.J. Binns	7,500
Committee Member Fee (Committee Members excluding Nominations & Corporate Governance Members and Chair of each Committee)	2,500 (total 17,500)*
Total Allocated	717,500*
Unallocated	5,500*
Pool	723,000

* Based on seven directors for full year – during the period 1 July to 31 July 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 2018. The fees set out below to G.R. Sowry, R.C.A. Thomson and J.R. Callander were paid to Metlifecare Limited.

Director	Director Fees \$
J.R. Callander	5,000
K.T. Hindle	5,000
J.E. Hughes	5,000
R.E. Mellish	5,000
G.R. Sowry	5,000
R.C.A. Thomson (appointed 28 September 2017)	5,000

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	Resigned Directors
Bay of Plenty Retirement Village Limited Forest Lake Gardens Limited 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 Dannemora Gardens Limited Metlifecare Edgewater Limited (previously Metlifecare Pakuranga Limited – name change effective 23 August 2018) Metlifecare Greenwich Gardens Limited Metlifecare Greenwood Park Limited Metlifecare Gulf Rise Limited (previously Metlifecare Red Beach Limited – name change effective 7 April 2018) Metlifecare Highlands Limited Metlifecare Kapiti Limited Metlifecare Merivale Limited Metlifecare Oakridge Limited Metlifecare Oakwoods Limited Metlifecare Papamoa Beach 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	G.R. Sowry, R.C.A. Thomson (appointed 28 September 2017)	T.M. van der Meijden (ceased 28 September 2017)

Company Name	Directors	Resigned Directors
Metlifecare Wairarapa Limited Private Life Care Holdings Limited Provider Care NZ Limited Vision (Christchurch) Limited Vision Senior Living Investments Limited Vision Senior Living Limited Waitakere Group Limited	G.R. Sowry, R.C.A. Thomson (appointed 28 September 2017)	T.M. van der Meijden (ceased 28 September 2017)
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 2018

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

Company Name	Directors	Resigned Directors
Metlifecare Palmerston North Limited	J.R. Callander K.T. Hindle J.E. Hughes R.E. Mellish G.R. Sowry R.C.A. Thomson (appointed 28 September 2017)	T.M. van der Meijden (ceased 28 September 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 for the period to 30 June 2018 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 paid in the financial year ended 30 June 2018 was in relation to performance delivered for the year to 30 June 2017 and had a potential value of 30% of base salary. In order to be eligible for the STI, a financial “gateway” target had to first be met following which the Board assessed the STI on the basis of 75% organisational KPIs and 25% individual KPIs. The STI for the period 1 July 2017 to 30 June 2018 will be paid in this current financial year. The scheme was reset to 40% of base salary and is based on the achievement of organisational (70%) and individual (30%) goals. These included asset delivery, sales and other profitability metrics as well as innovation in customer experience and long-term strategic asset management and were set in order to ensure that the Chief Executive Officer was 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 performance incentive is designed to align senior executive remuneration with financial outcomes for shareholders for the longer term. Shares were 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 88

For the year ended 30 June 2018, Mr Sowry received:

Base Salary	STI	LTIP	Kiwisaver	Total Remuneration
\$595,074*	\$203,431**	\$193,050 (shares issued not vested)	\$23,973	\$822,478

*FY18 actual salary paid including annual leave
**Actual STI paid for FY17

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 the value of shares transferred to employees under the Metlifecare Long Term Incentive Plan during the year ended 30 June 2018.

Remuneration	Number of Employees	Remuneration	Number of Employees
\$100,000 - \$110,000	11	\$230,000 - \$240,000	1
\$110,000 - \$120,000	10	\$240,000 - \$250,000	1
\$120,000 - \$130,000	7	\$270,000 - \$280,000	1
\$130,000 - \$140,000	8	\$310,000 - \$320,000	1
\$140,000 - \$150,000	5	\$330,000 - \$340,000	2
\$150,000 - \$160,000	3	\$340,000 - \$350,000	1
\$160,000 - \$170,000	2	\$370,000 - \$380,000	1
\$170,000 - \$180,000	4	\$460,000 - \$470,000	2
\$180,000 - \$190,000	1	\$500,000 - \$510,000	1
\$190,000 - \$200,000	3	\$820,000 - \$830,000	1
\$220,000 - \$230,000	1	Total Number of Employees Paid	67

Donations

The Company paid a total of \$48,171 in donations in the year to 30 June 2018. This included \$34,520 to various Residents’ Committees to enable residents to pay for specific items and \$5,000 to the Wellington Free Ambulance.

NZX Waivers

No waivers were granted by the NZX in favour of the Company, or relied on, in the 12 month period to 30 June 2018.

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 12 July 2018)

REGISTERED SHAREHOLDER		Number of Shares	% Shares
1	New Zealand Central Securities Depository Limited (NZCSD)	157,320,767	73.81
2	FNZ Custodians Limited	9,016,734	4.23
3	JBWere (NZ) Nominees Limited	5,696,661	2.67
4	Forsyth Barr Custodians Limited	2,886,505	1.35
5	Custodial Services Limited	2,321,714	1.08
6	New Zealand Depository Nominee Limited	1,478,471	0.69
7	Custodial Services Limited	1,347,777	0.63
8	Custodial Services Limited	1,208,729	0.56
9	PT (Booster Investments) Nominees Limited	1,131,555	0.53
10	Investment Custodial Services Limited	1,092,728	0.51
11	FNZ Custodians Limited	896,932	0.42
12	Custodial Services Limited	786,193	0.36
13	Custodial Services Limited	578,110	0.27
14	JBWere (NZ) Nominees Limited	470,373	0.22
15	Craig John Thompson	452,046	0.21
16	Metlifecare LTIP Trustee Limited	397,028	0.18
17	MA Janssen Limited	386,000	0.18
18	FNZ Custodians Limited	380,152	0.17
19	Forsyth Barr Custodians Limited	354,322	0.16
20	Custodial Services Limited	283,032	0.13
TOTAL		188,485,829	88.36

As at 12 July 2018, 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	19.88
2	Citibank Nominees (New Zealand) Limited	15,036,893	7.06
3	BNP Paribas Nominees (NZ) Limited	13,703,127	6.43
4	JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct	13,262,870	6.22
5	HSBC Nominees (New Zealand) Limited	11,480,705	5.39
6	Accident Compensation Corporation	9,853,814	4.62
7	HSBC Nominees (New Zealand) Limited A/C State Street	6,447,133	3.02
8	MFL Mutual Fund Limited	6,420,318	3.01
9	ANZ Wholesale Trans-Tasman Property Securities Fund	6,308,012	2.96
10	ANZ Wholesale Australasian Share Fund	6,069,229	2.85

Spread of Holdings

(as at 12 July 2018)

Size of holdings	Number of shareholders	%	Number of shares held	%
1 – 1,000	1,252	27.83	699,850	0.33
1,001 – 5,000	2,099	46.65	5,412,431	2.54
5,001 – 10,000	601	13.36	4,394,585	2.06
10,001 – 100,000	486	10.8	11,223,507	5.27
100,001 and over	61	1.36	191,401,917	89.8
TOTAL	4,499	100.00	213,132,290	100.00

Substantial Product Holders

The entities who, under section 293 of the Financial Markets Conduct Act 2013, were Substantial Product Holders in the Company as at 30 June 2018 were:

Substantial Product Holders	Shares	%
New Zealand Superannuation Fund Nominees Limited	42,156,178	19.78
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and OnePath Funds Management Limited (Australia)	23,008,382	10.80
Investment Services Group Limited	13,701,326	6.43

Notes:

- 1 The total number of voting securities of the Company on issue at 30 June 2018 was 213,132,290 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 2018	30 June 2017
\$6.92	\$6.43

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
Julie Garlick
General Manager Marketing
Huma Houghton
General Manager Human Resources
Jan Martin
General Manager Sales
Andrew Peskett
General Counsel & Company Secretary
Richard Thomson
Chief Financial Officer

Registered Office (New Zealand)

Level 4, 20 Kent Street
Newmarket, Auckland 1023
Postal Address: PO Box 37463
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

Postal Address: GPO Box 2975
Melbourne, Victoria 3001, Australia
Investor Enquiries:
Telephone: +61 3 9415 4062
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



Hillsborough Heights Village Petanque and Bowls area

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. **Edgewater Village** 14 Edgewater Drive, Pakuranga, Auckland. Ph 09 577 1600. **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. **Gulf Rise** Hibiscus Coast Highway, Red Beach, Auckland. Ph 021 599 550. **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. **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.