Metlifecare

2019 INTERIM REPORT

5 March 2019

We are continuing to achieve high levels of occupancy and strong price growth, demonstrating the competitiveness of Metlifecare's offering.

Kim Ellis, Chair

CONTENTS

COMPANY OVERVIEW

INTERIM GROUP FINANCIAL STATEMENTS

DIRECTORY

FIRST HALF
FINANCIAL HIGHLIGHTS

Net Profit After Tax	$24.5m
Underlying Profit Before Tax[1]	$41.7m
Underlying Operating Cash Flow[1]	$20.0m
Total Assets	$3.4b
Net Assets per Share	$6.97
Embedded Value per Unit[1]	$279k
Interim Dividend	3.75c per share

1. These are non-GAAP measures. The definitions of these and other non-GAAP financial measures in this report can be found on p38 of the 1H19 results presentation. A copy of the 1H19 results presentation can be found on www.metlifecare.co.nz/investor-centre/investor-presentations.

2. Ministry of Health Certification. Excludes new Pinesong village care suites.

FIRST HALF
OPERATING HIGHLIGHTS

100% of care homes audited achieved 3 or 4 year certification[2]

1 Development site acquired

16% Increase in ORA applications

New Zealand Aged Care Association Awards **WINNER** Jackson Van Interiors Built & Grown Environment Award

Development margin on new homes sold **23%**

Total homes sold **226**

Average new home selling price up **11%**

Average resale price up **7%**

Hibiscus Coast Village new café

CHAIR & CEO PERFORMANCE AND STRATEGY REVIEW

Glen Sowry
CEO

Kim Ellis
Chair

"Our selling prices are significantly higher than a year ago and we are consistently outperforming both broader market price growth and our valuations."

Welcome to Metlifecare's interim report for the first half of the 2019 financial year.

Your Board is pleased to report an improved operating result for the six months to 31 December 2018, driven by increased sales volumes and realised margins, and strong demand for our villages.

In the first half we continued our focus on improving Metlifecare's operating performance and investing in the future. As you will see, we have delivered on both counts.

While the housing market has moderated as expected, our selling prices are substantially higher than a year ago and we are consistently outperforming both market price growth and the prices assumed in the group's CBRE valuations. This is a positive reflection of the strength and desirability of Metlifecare's brand, the ongoing investment in our village environments and the quality experience enjoyed by our residents.

Our expansion programme has continued at pace, with a strong focus this year on our care offering. In July 2018 we opened our newest care home at Pinesong Village in Titirangi, with a further two new care homes to be completed in the Bay of Plenty later this year. We also look forward to welcoming the first residents to our new Gulf Rise village on Auckland's Hibiscus Coast, as well as opening two new apartment buildings at Greenwich Gardens on Auckland's North Shore.

Looking further out, we are making good progress with the construction of new villages in the fast-growing areas of Beachlands, East Auckland and Orion Point, Hobsonville; both of which are scheduled to open in 2020.

FINANCIAL REVIEW

A solid operating performance in the six-month period to 31 December 2018 lifted underlying profit before tax to a record $41.7 million, 15% higher than the same period last year. Revenue increased by 21% to $68.6 million, driven primarily by higher realised resales gains and development margins and increased care revenue.

These gains were partially offset by increased investment in property and maintenance, higher employee costs and a non-cash impairment[3] related to two new care homes currently under construction.

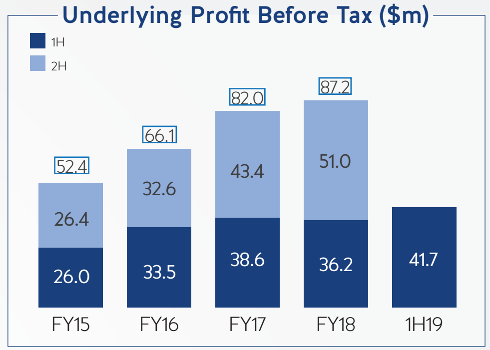
Underlying operating cash flow increased by 10% to $20.0 million during the period under review.

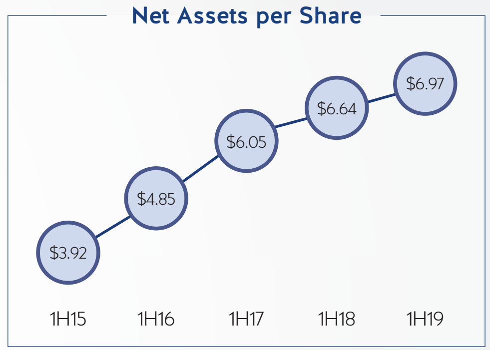
While the fair value of Metlifecare's investment properties grew by $29.6 million during the period, this growth has eased relative to previous years with moderating housing market price growth. Accordingly, reported net profit after tax, which includes the non-realised fair value increase in the company's assets, was $24.5 million, 57% lower than last year's $56.3 million.[4]

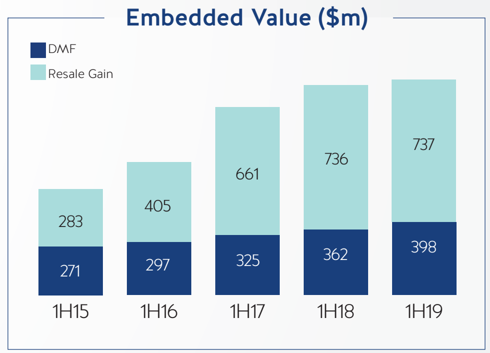
The value of the company's total assets at balance date was $3.4 billion, 11% higher than last year. Net assets per share were $6.97, 5% higher than last year.

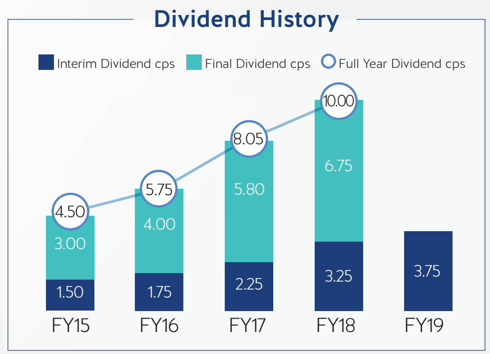
3 Refer Note 2.2 of the Interim Group Financial Statements.

4 All percentage changes are in relation to the prior comparable period (six months to 31 December 2017) unless otherwise stated.







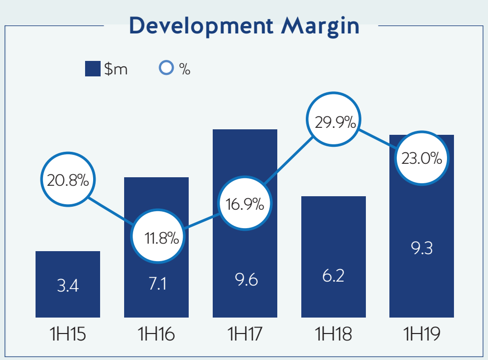


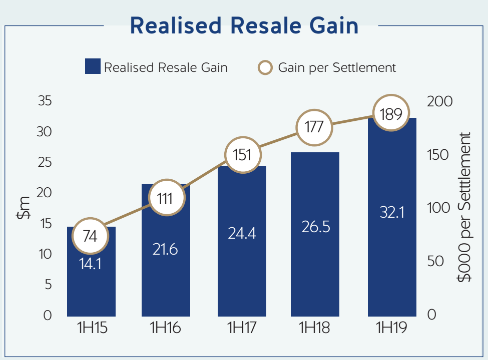
Metlifecare settled 170 resales of occupation right agreements during the period, up 13% on last year, with a further 77 homes under contract at balance date. The average selling price per resale rose 7% to $572,000, clearly outperforming the markets in which Metlifecare operates. These increases drove a 21% lift in realised resales gains to $32.1 million.

Sales of new homes completed late in FY18 were pleasing, with 56 new occupation right agreements settled during the period; 70% higher than last year. An additional 50 homes were under contract at balance date. The average selling price increased by 11% to $723,000, generating an average development margin of 23%. The total realised development margin was $9.3 million, 50% higher than last year.

Metlifecare's balance sheet continues to be one of its key strengths. In the period under review, more than $140 million was invested in land purchases, village development and reinvestment projects, and care homes from borrowings and operating cash. Net debt at balance date was $254.8 million and gearing (net debt as a percentage of net debt plus equity) was 15%, retaining capacity to fund ongoing growth.

In December 2018 the company completed a review of its funding structure for the next phase of accelerated growth, resulting in the company's bank debt facility being increased to $450 million. A retail bond issue is also being explored with the purpose of replacing a portion of the bank debt to provide diversity of funding and tenor, subject to market conditions.





DIVIDEND

Consistent with Metlifecare's commitment to pay out 30% to 50% of underlying operating cash flows, the Board has declared an interim dividend of 3.75 cents per share for the six-month period ended 31 December 2018. The dividend is unimputed and will be paid on 22 March 2019, with a record date of 15 March 2019.

FINANCIAL SUMMARY	1H FY19	1H FY18	% CHANGE	FY18
Underlying profit before tax ($m)	**41.7**	36.2	15%	**87.2**
Net profit after tax ($m)	**24.5**	56.3	-57%	**125.1**
Underlying operating cash flow ($m)	**20.0**	18.2	10%	**54.7**
Dividend (cps)	**3.75**	3.25	15%	**10.00**
Total assets ($b)	**3.42**	3.09	11%	**3.29**
Fair value movement during period ($m)	**29.6**	59.8	-51%	**135.3**
Total equity ($b)	**1.49**	1.41	5%	**1.48**
Net debt ($m)	**254.8**	141.4	80%	**140.8**
Debt equity ratio	**15%**	9%	6ppts	**9%**
Net tangible assets per share ($)	**6.97**	6.63	5%	**6.93**
Embedded value per unit ($000)	**279**	277	1%	**281**

Artist's impression
Edgewater Village

ACCELERATED
GROWTH

DEVELOPMENT MOMENTUM CONTINUES

FY19 PROGRAMME ON TRACK

Metlifecare's development programme is on track to deliver the target of 215 new homes and care beds for the full financial year. While the programme is heavily weighted to the second half, the first six months saw the completion of Pinesong Village's new care home, where 20 care suites and care apartments now provide hospital and rest home level care, as well as nine new villas at Papamoa Beach Village.

The remainder of the year's construction programme includes the Puriri and Manuka buildings at Greenwich Gardens; new villas at Papamoa Beach and Crestwood villages; new care homes at Papamoa Beach Village and The Avenues; and 55 villas and apartments at Metlifecare's new Gulf Rise village, on Auckland's Hibiscus Coast.

We look forward to welcoming the first residents to Gulf Rise, our first 'next-generation' village. This village will showcase an entirely new approach to retirement living where village facilities connect with the local neighbourhood and integrate our residents within their community.

A further milestone will be the opening of Metlifecare's first dementia care centre at Papamoa Beach Village, featuring our existing award-winning 'homestead' design which enables a greater level of personalisation and socialisation for our residents.

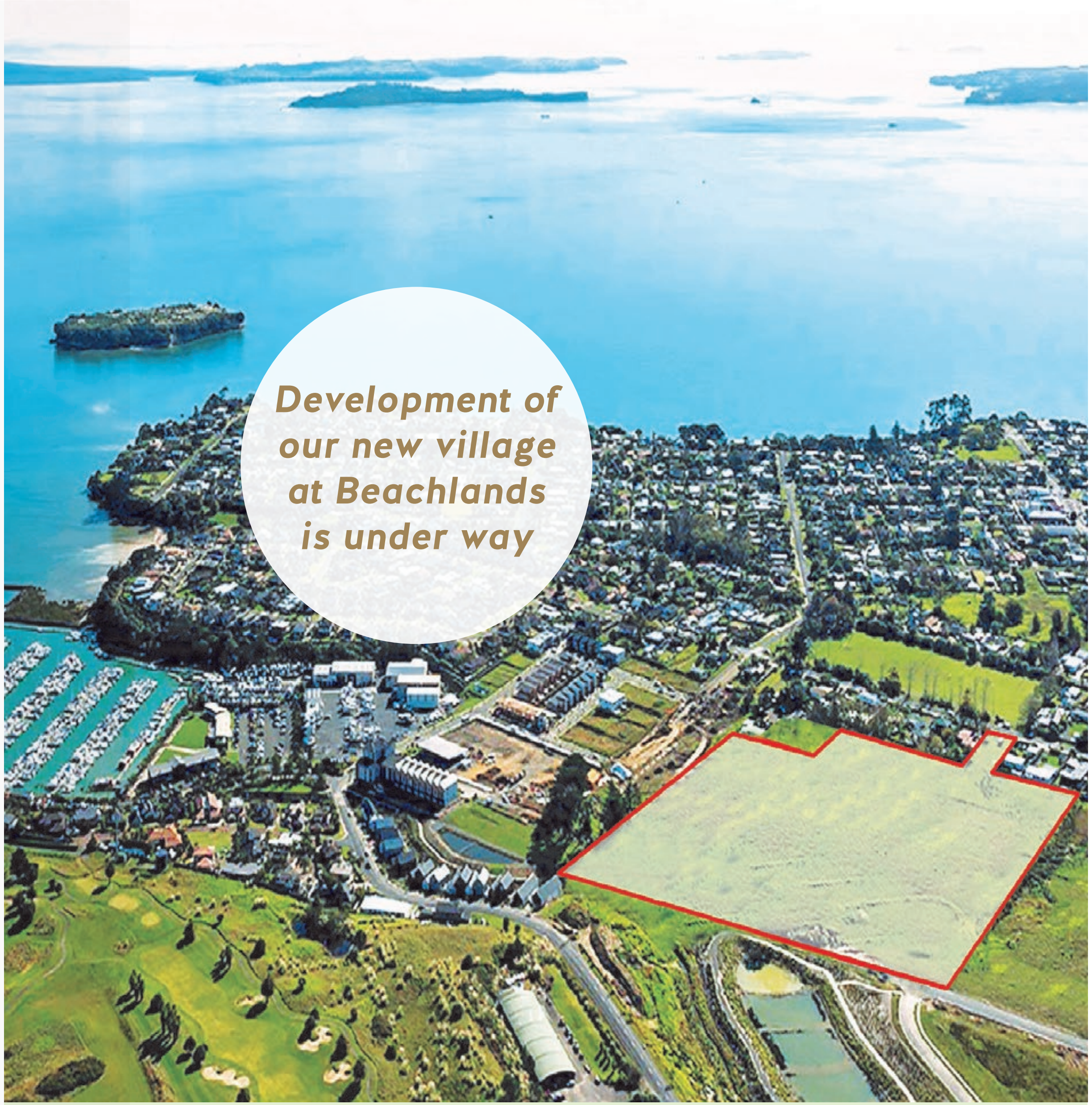
FUTURE TARGETED GROWTH

Metlifecare's development programme will continue in the FY20 year, with the planned opening of the first stages at the new Beachlands and Orion Point (Hobsonville) villages; new stages at Greenwich Gardens; apartments, village amenities and a care home at Gulf Rise; and the village regeneration project at Edgewater Village which will ultimately include new apartments, village amenities and a care home.

The pace of development will be flexible, ensuring delivery can be adapted to match changing market conditions.

EXPANSION OF BOTANY VILLAGE

The purchase of additional land from the Pakuranga Golf Club in October 2018 has enhanced Metlifecare's development pipeline, increasing the total area for the future Botany village by more than 40% and providing greater golf course frontage and views for the village. The highly desirable and tranquil site in the heart of East Auckland will now deliver around 200 independent living villas and apartments and a 40-bed homestead-style care home.



Development of our new village at Beachlands is under way

ENGAGING WITH THE BEACHLANDS COMMUNITY

Proactive community engagement and consultation has been an important feature of our design and consenting process, including a series of neighbourhood meetings to invite input from local residents. This feedback has been incorporated into aspects of our design and planning and will ensure that the new village becomes a welcome addition to the Pohutukawa Coast community.

COMMERCIAL
INTENSITY

INTELLIGENT VILLAGE INVESTMENT

Metlifecare's strong resales performance – in both sales volumes and selling prices - reflects the high, ongoing demand for our villages. Through careful, targeted investment, we are ensuring they remain competitive and relevant for our residents' future needs and expectations.

ADDING VALUE

Metlifecare's village remediation and regeneration programme, in which several villages are being modernised and future-proofed, remains on track for completion by mid-2023. The $62 million total investment, which includes the advancement of planned preventative maintenance and significant betterment, is already reflected in Metlifecare's CBRE valuation, and represents 4% of Metlifecare's net assets or 29 cents per share.

The additional value being created through this programme is already evident in projects such as the recently upgraded Rosecourt building at Waitakere Gardens, which has significantly enhanced the village environment and its marketability. Other housing upgrades are currently in various stages of implementation at our Coastal Villas, Dannemora Gardens, Greenwood Park and Pinesong villages.

Minimising disruption to residents remains a priority for this programme. We are pleased that we have been able to ensure all villages remain fully functional and that residents can remain living within their own village while renovations are under way.

UPGRADING AMENITIES

The FY19 programme also includes the upgrade of several village communal amenities. Residents recently celebrated the newly renovated café and bar areas at our Hibiscus Coast and Kapiti Villages, which will provide increased opportunities for village and family events as well as significantly enhancing the look and desirability of these villages.

"The additional value... is already evident in projects such as the recently upgraded Rosecourt building at Waitakere Gardens, significantly enhancing the village environment and its marketability."

Rosecourt building at Waitakere Gardens

CUSTOMER EXPERIENCE

ENHANCING VILLAGE LIFE

CARE GOING FROM STRENGTH TO STRENGTH

The high quality of Metlifecare's living environments, resident experience and care is ensuring continued high levels of occupancy of 97% for our villages and 95% in our care homes.

Metlifecare's care expansion continues at pace with the opening of our new Pinesong care home in July 2018, and another two new care homes at Papamoa Beach and The Avenues, Tauranga scheduled to open in August 2019. Our excellent quality of care is highlighted through external audits - all our established care homes have three or four-year Ministry of Health certification, with around two-thirds having received the gold-standard four-year certification.

Premium care revenue showed a significant increase on last year as new residents and their families recognised the benefits of Metlifecare's resident-directed care approach, which empowers residents to live the way they want, in a home-like, non-institutional environment. Existing and prospective village residents also appreciate the flexibility of choice we offer with different care homes available across our network, providing options at the time they may need care.

Metlifecare's innovative homestead-style care home at Greenwich Gardens was recognised as best in class at the New Zealand Aged Care Association Awards in September 2018 when it received the Jackson Van Interiors Built and Grown Environment award, as well as achieving four years' certification at its first full audit after opening. Greenwich Gardens has become the exemplar for all our future care homes, which will adopt the same model of care.

AN HOLISTIC APPROACH TO WELLBEING

In September 2018 Metlifecare was proud to launch phase one of a new wellbeing programme, 'Your Best You' at Greenwich Gardens village, led by our Wellness Ambassador Wayne 'Buck' Shelford. The programme is a joint initiative between Metlifecare and AUT (Auckland University of Technology) which aims to boost physical, social and cognitive wellbeing.

'Your Best You' incorporates six dimensions of wellbeing - physical, social, emotional, vocational, intellectual and spiritual. Consistent with Metlifecare's resident-led approach, the innovative programme is designed to be tailored to the unique needs of each village and its residents. Metlifecare is applying the learnings from phase one to further refine the programme for a company-wide launch, planned for later in 2019.

BUCK'S BACK!
'Your Best You' came alive at Greenwich Gardens, with our Wellness Ambassador, legendary All Black Buck Shelford being put through his paces. Developed with AUT, the programme embodies Metlifecare's commitment to our residents' wellbeing.

PEOPLE

We acknowledge and thank the entire team at Metlifecare for the way they bring to life our values of respect, passion, teamwork and integrity, and enhance the quality of our residents' lives on a daily basis.

The benefits of Metlifecare's industry-leading investment in its people are increasingly evident. With village and care staff having the opportunity to participate in our learning and development programmes, we are seeing increased skill levels, enhanced outcomes for our residents, and importantly, staff are appropriately rewarded for qualifications gained. Staff retention continues to improve, and we are attracting high calibre people whose values align with ours.

The company's health and safety performance also continues to improve, with a strong health and safety culture embedded within the organisation and its contractor partners. During the period, Metlifecare reported its lowest annual total ACC claims in five years (for the 2018 levy year) and has adopted the Accredited Employer programme which, in the event of injury, will enable better support and management of injured staff.

We are excited to be launching a new staff wellbeing programme at the same time as we introduce 'Your Best You' at our villages, giving everyone at Metlifecare the opportunity to be at their best through the dimensions of wellbeing.

OUTLOOK

Metlifecare is well positioned for a solid second half performance, with selling prices continuing to show growth, and ongoing high levels of occupancy and demand in our villages and care homes. In keeping with the trend of previous years, volumes for sales of existing and new homes are expected to be slightly weighted to the second half reflecting market seasonality.

Our flexible growth strategy is well on track, with planning under way for the next phase of accelerated development in FY20. This growth will continue to be supported by our strong balance sheet, with low gearing and attractive options in front of us to ensure an optimal funding structure.

We will continue to invest in care, resident programmes and the betterment of our housing and amenities to ensure the quality of our villages continues to delight our existing residents and attract new residents.

Kim Ellis
Chair

Glen Sowry
CEO

Crestwood Village

INTERIM GROUP FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2018

$000	Note	Half year ended 31 December 2018 Unaudited	Half year ended 31 December 2017 * Unaudited
Income			
Operating revenue	2.1	**61,942**	56,476
Other income	6.2	**6,500**	-
Interest income		**132**	83
Total income		**68,574**	56,559
Change in fair value of investment properties	3.1	**29,579**	59,775
Share of (loss)/profit arising from joint venture, net of tax		**(459)**	783
Expenses			
Employee costs		**(26,500)**	(23,840)
Property costs	2.2	**(14,732)**	(12,532)
Other expenses	2.2	**(14,960)**	(12,865)
Residents' share of capital gains		**(1,576)**	(2,454)
Depreciation and impairment	2.2	**(9,933)**	(1,930)
Amortisation		**(319)**	(315)
Finance costs		**(1,314)**	(120)
Total expenses		**(69,334)**	(54,056)
Profit before income tax		**28,360**	63,061
Income tax expense		**(3,909)**	(6,718)
Profit for the period		**24,451**	56,343
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Loss on cash flow hedges		**(266)**	-
Other comprehensive loss, net of tax		**(266)**	-
Total comprehensive income		**24,185**	56,343
Profit attributable to shareholders of the parent company		**24,451**	56,343
Total comprehensive income attributable to shareholders of the parent company		**24,185**	56,343
Profit per share for profit attributable to the equity holders of the company during the period			
Basic (cents)		**11.5**	26.5
Diluted (cents)		**11.5**	26.4

* See note 5 for details about restatements for changes in accounting policies.

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

Consolidated Statement of Movements in Equity

For the half year ended 31 December 2018

$000	Contributed Equity	Retained Earnings	Hedging Reserve	Revaluation Reserve	Employee Share Scheme Reserve	Total Equity
Half year ended 31 December 2017						
Balance at 1 July 2017 (audited)	306,895	1,055,906	-	7,009	378	1,370,188
Changes in accounting policies *	-	87	-	-	-	87
Restated balance at 1 July 2017	306,895	1,055,993	-	7,009	378	1,370,275
Comprehensive income						
Profit for the period *	-	56,343	-	-	-	56,343
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive income	-	56,343	-	-	-	56,343
Employee share scheme	-	-	-	-	57	57
Transfer from employee share scheme reserve on vesting	66	-	-	-	(66)	-
Dividends paid to shareholders	-	(12,354)	-	-	-	(12,354)
Balance at 31 December 2017 (unaudited)	306,961	1,099,982	-	7,009	369	1,414,321
Half year ended 31 December 2018						
Balance at 1 July 2018 (audited)	**307,024**	**1,162,055**	**(313)**	**7,050**	**459**	**1,476,275**
Changes in accounting policies *	**-**	**148**	**-**	**-**	**-**	**148**
Restated balance at 1 July 2018	**307,024**	**1,162,203**	**(313)**	**7,050**	**459**	**1,476,423**
Comprehensive income / (loss)						
Profit for the period	**-**	**24,451**	**-**	**-**	**-**	**24,451**
Other comprehensive loss	**-**	**-**	**(266)**	**-**	**-**	**(266)**
Total comprehensive income / (loss)	**-**	**24,451**	**(266)**	**-**	**-**	**24,185**
Employee share scheme	**-**	**-**	**-**	**-**	**189**	**189**
Transfer from employee share scheme reserve on vesting	**113**	**-**	**-**	**-**	**(113)**	**-**
Dividends paid to shareholders	**-**	**(14,386)**	**-**	**-**	**-**	**(14,386)**
Balance at 31 December 2018 (unaudited)	**307,137**	**1,172,268**	**(579)**	**7,050**	**535**	**1,486,411**

* See note 5 for details about restatements for changes in accounting policies.

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

Consolidated Balance Sheet

As at 31 December 2018

$000	Note	31 December 2018 Unaudited	30 June 2018 * Audited	31 December 2017 * Unaudited
Assets				
Cash and cash equivalents		**2,357**	16,298	2,768
Trade receivables and other assets		**31,540**	20,870	10,357
Property, plant and equipment		**50,497**	54,769	54,677
Intangible assets		**1,189**	1,206	1,252
Investment properties	3.1	**3,320,140**	3,190,840	3,007,323
Investment in joint venture		**10,396**	10,929	9,981
Total assets		**3,416,119**	3,294,912	3,086,358
Liabilities				
Trade and other payables		**31,984**	72,034	26,523
Derivative financial instruments		**805**	434	-
Interest bearing liabilities	4.2	**256,567**	156,787	143,884
Deferred management fees		**121,875**	116,953	111,349
Refundable occupation right agreements		**1,397,507**	1,355,108	1,280,934
Deferred tax liability		**120,970**	117,173	109,347
Total liabilities		**1,929,708**	1,818,489	1,672,037
Net assets		**1,486,411**	1,476,423	1,414,321
Equity				
Contributed equity	4.1	**307,137**	307,024	306,961
Reserves		**7,006**	7,196	7,378
Retained earnings		**1,172,268**	1,162,203	1,099,982
Total equity		**1,486,411**	1,476,423	1,414,321

* See note 5 for details about restatements for changes in accounting policies.

The Interim Group Financial Statements presented are signed for and on behalf of Metlifecare Limited and were authorised for issue on 25 February 2019.

K. R. Ellis
Chair
25 February 2019

A. B. Ryan
Director
25 February 2019

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

Consolidated Cash Flow Statement

For the half year ended 31 December 2018

$000	Half year ended 31 December 2018 Unaudited	Half year ended 31 December 2017 * Unaudited
Cash flows from operating activities		
Receipts from residents for management fees, village and care fees	**50,046**	43,854
Receipts from residents for sale of new refundable occupation right agreements	**37,376**	20,273
Receipts from residents for resale of refundable occupation right agreements	**100,952**	80,690
Payments to residents for refundable occupation right agreements	**(79,248)**	(54,211)
Payments to suppliers and employees	**(59,814)**	(53,060)
Net GST received	**497**	970
Interest received	**83**	31
Interest paid	**(1,522)**	(122)
Net buyback costs for off-market units associated with regeneration and remediation	**(977)**	(11,093)
Net cash inflow from operating activities	**47,393**	27,332
Cash flows from investing activities		
Net advances to joint venture	**(508)**	(136)
Dividends received from joint venture	**-**	625
Payments for property, plant and equipment	**(4,703)**	(5,981)
Payments for intangibles	**(302)**	(110)
Payments for investment properties	**(138,243)**	(75,612)
Capitalised interest paid	**(3,296)**	(2,398)
Net cash outflow from investing activities	**(147,052)**	(83,612)
Cash flows from financing activities		
Dividends paid	**(14,386)**	(12,354)
Net proceeds from borrowings	**100,293**	68,639
Principal payments of lease liabilities	**(189)**	(170)
Net cash inflow from financing activities	**85,718**	56,115
Net decrease in cash and cash equivalents	**(13,941)**	(165)
Cash and cash equivalents at the beginning of the period	**16,298**	2,933
Cash and cash equivalents at the end of the period	**2,357**	2,768

Reconciliation of Profit after Tax with Cash Inflow from Operating Activities

$000		
Profit after tax	**24,451**	56,343
Adjustments for:		
Change in fair value of investment properties	**(29,579)**	(59,775)
Change in the fair value of residents' share of capital gains	**1,576**	2,454
Employee share scheme	**189**	57
Depreciation and impairment	**9,933**	1,930
Amortisation	**319**	315
Deferred tax expense	**3,892**	6,707
Loss on disposal of property, plant and equipment	**23**	5
Share of loss/(profit) arising from joint venture, net of tax	**459**	(783)
Changes in working capital relating to operating activities:		
Trade receivables and other assets	**(5,969)**	(731)
Trade and other payables	**(3,639)**	(2,650)
Deferred management fees	**4,915**	5,167
Refundable occupation right agreements	**40,823**	18,293
Net cash inflow from operating activities	**47,393**	27,332

* See note 5 for details about restatements for changes in accounting policies.

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

1 GENERAL INFORMATION

1.1 Reporting entity

Metlifecare Limited ("the Company") and its subsidiaries (together "the Group") own and operate retirement villages in New Zealand. Metlifecare Limited is a limited liability company, incorporated and domiciled in New Zealand. The address of its registered office is Level 4, 20 Kent Street, Newmarket, Auckland 1023. The interim group financial statements are for the consolidated group comprising Metlifecare Limited and its subsidiaries (together "the Group").

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

These financial statements have been approved for issue by the Board of Directors on 25 February 2019.

1.2 Going concern

In approving these interim group financial statements for issue the directors have considered and concluded that in the absence of any unanticipated deterioration of the Group's operating performance the Group will continue to meet all obligations under the funding facilities, including compliance with financial covenants and maintaining sufficient levels of liquidity. On this basis, the directors believe it remains appropriate that the interim group financial statements have been prepared under the going concern convention.

1.3 Basis of preparation

Metlifecare Limited is a company registered under the Companies Act 1993 and is a FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the NZX Main Board (NZX) and the Australian Securities Exchange (ASX) as a Foreign Exempt Listing. The interim group financial statements have been prepared in accordance with the requirements of the NZX listing rules and where required, the ASX listing rules.

These interim group financial statements for the half year reporting period ended 31 December 2018 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalent to International Accounting Standard 34 and International Accounting Standard 34 *Interim Financial Reporting.*

The interim group financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these interim group financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2018, prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The interim group financial statements for the six months ended 31 December 2018 and comparatives for the six months ended 31 December 2017 are unaudited. The interim group financial statements are presented in New Zealand Dollars ($), which is the Group's functional and presentation currency. All financial information has been presented in thousands, unless stated otherwise.

The consolidated balance sheet for the Group is presented on the liquidity basis where the assets and liabilities are presented in the order of their liquidity.

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

All accounting policies that materially affect the measurement of the consolidated statement of comprehensive income, the consolidated balance sheet and the consolidated cash flow statement have been applied on a basis consistent with those used in the audited financial statements for the year ended 30 June 2018, except for the adoption of new and amended standards as summarised in note 5.

Notes to the Interim Group Financial Statements

1 GENERAL INFORMATION (continued)

1.4 New Accounting Standards

The Group adopted all mandatory new and amended NZ IFRS Standards and Interpretations during the period including NZ IFRS 9 *Financial Instruments* and NZ IFRS 15 *Revenue from Contracts with Customers,* with no material impact on the accounting policies or disclosures of the Group. The Group elected to early adopt NZ IFRS 16 *Leases* from 1 July 2018. The impact of the changes in accounting policies on adoption of this new standard is summarised in note 5.

NZ IFRS 9 *Financial Instruments* replaces the guidance in NZ IAS 39 for the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

NZ IFRS 9 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. Trade and other receivables, and cash and cash equivalents that were previously classified as loans and other receivables under NZ IAS 39 are now classified at amortised cost.

Impairment of financial assets is assessed based on the expected credit loss model under NZ IFRS 9. The Group has applied the simplified approach permitted under NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of trade receivables. Expected lifetime losses have been measured by reviewing trade receivables based on type of debtor and days since resident departure. Application of the new impairment model has not had a material impact on the carrying value of expected credit losses and no adjustments have been made to the opening impairment provision balance.

The hedge accounting requirements of NZ IAS 39 will continue to be applied to existing derivative financial instruments in designated hedging relationships on transition.

NZ IFRS 15 *Revenue from Contracts with Customers* 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.

Adoption of NZ IFRS 15 has not had a material impact on the recognition or measurement of revenue by the Group. 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 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.

2 OPERATING PERFORMANCE

2.1 Operating Revenue

$000	**Half year ended 31 December 2018 Unaudited**	Half year ended 31 December 2017 Unaudited
Management fees	**27,036**	25,705
Rest home, hospital and service fees and village fees	**32,946**	29,153
Other operating revenue	**1,960**	1,618
	61,942	56,476

2 OPERATING PERFORMANCE (continued)

2.2 Expenses

$000	Half year ended 31 December 2018 Unaudited	Half year ended 31 December 2017 Unaudited
Profit before income tax includes the following expenses:		
Property costs		
Utilities and other property costs	**6,393**	6,093
Repairs and maintenance on investment properties	**7,778**	5,988
Repairs and maintenance on property, plant, furniture and equipment	**561**	451
Total property costs	**14,732**	12,532
Depreciation and impairment		
Depreciation expense	**1,947**	1,721
Impairment of care homes		
The Avenues	**4,702**	209
Papamoa Beach	**3,284**	-
Total depreciation and impairment	**9,933**	1,930
Other expenses		
Resident costs	**3,415**	3,248
Marketing and promotion	**3,840**	2,653
Other employment costs	**1,644**	1,484
Communication costs	**1,500**	1,376
Other (no items of individual significance)	**4,521**	4,036
Fees paid to PricewaterhouseCoopers New Zealand		
Review of interim group financial statements	**40**	40
Debt and treasury advisory services	**114**	-
Strategic procurement advisory services	**-**	23
Tax compliance services	**-**	5
Total fees paid to PricewaterhouseCoopers New Zealand	**154**	68
Debt and treasury advisory services costs capitalised	**(114)**	-
Total expensed fees for PricewaterhouseCoopers New Zealand	**40**	68
Total other expenses	**14,960**	12,865

The Avenues and Papamoa Beach care homes are expected to complete in June 2019. Impairment losses recognised in the period ended 31 December 2018 represent the impairment based on costs incurred to date and the expected valuation at completion.

A reduction in the value of land related to The Avenues care home resulted in an impairment loss of $0.2m in the period ended 31 December 2017.

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

Other expenses include Directors' fees. During the period ended 31 December 2018, $378,000 of Directors' fees were paid (2017: $364,000). This includes the amount of any GST incurred that is not recoverable from the taxation authority.

2 OPERATING PERFORMANCE (continued)

2.3 Underlying Profit before taxation

$000	Half year ended 31 December 2018 Unaudited	Half year ended 31 December 2017 Unaudited
Profit for the period	**24,451**	56,343
Less non-recurring items:		
Other income - settlement receivable	**(6,500)**	-
Profit for the period excluding non-recurring items	**17,951**	56,343
Less:		
Change in fair value of investment properties	**(29,579)**	(59,775)
Add:		
Impairment of property, plant and equipment	**7,986**	209
Realised resale gains	**32,147**	26,479
Realised development margin	**9,252**	6,180
Tax expense	**3,909**	6,718
Underlying Profit before taxation	**41,666**	36,154

Underlying Profit before taxation, is 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.

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 - settlement receivable:** refer to note 6.2 for further details.

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

(c) Impairment of property, plant and equipment: impairment associated with care home valuation changes are excluded as the Group is in the business of owning and operating care homes, not constructing the asset for resale (refer to note 2.2).

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

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

3 INVESTMENT PROPERTY AND OTHER ASSETS

3.1 Investment Properties

$000	Half year ended 31 December 2018 Unaudited	Year ended 30 June 2018 Audited	Half year ended 31 December 2017 Unaudited
Opening balance	**3,190,840**	2,890,939	2,890,939
Capitalised subsequent expenditure	**99,744**	166,837	56,609
Investment properties under development transferred to property, plant and equipment	-	(1,353)	-
Investment properties disposed of	**(23)**	(839)	-
Change in fair value recognised during the period	**29,579**	135,256	59,775
Closing balance	**3,320,140**	3,190,840	3,007,323

Investment properties are categorised as follows:

$000	31 December 2018 Unaudited	30 June 2018 Audited	31 December 2017 Unaudited
Development land measured at fair value	**155,914**	122,987	86,969
Retirement villages under development measured at cost	**80,120**	36,551	74,450
Retirement villages measured at fair value	**3,084,106**	3,031,302	2,845,904
Total investment properties	**3,320,140**	3,190,840	3,007,323

Investment properties

Investment properties include completed freehold land and buildings, freehold development land and buildings under development comprising independent living units and apartments, 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 properties for all the reporting periods presented. CBRE's principal valuer, Michael Gunn, is an independent registered valuer and associate of the New Zealand Institute of Valuers and is appropriately qualified and experienced in valuing retirement village properties in New Zealand. The Group verifies all major inputs to the independent valuation reports. The fair value as determined by CBRE is adjusted for assets and liabilities already recognised in the balance sheet which are also reflected in the discounted cash flow model.

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

CBRE performed a "roll forward" of the valuation that was completed at 30 June 2018 for the period from 1 July 2018 to 31 December 2018. This involved the Group confirming the movements in the sales, resales and repurchases of occupation right agreements during the period, an assessment by the valuer of the general market conditions and the provisions of the impact of the changes where appropriate on the completed value of investment properties. The "roll forward" provides an assessment by the valuer of the financial impact of the changes for the six month period since the most recent full valuation. CBRE will perform a full valuation as at 30 June 2019.

Notes to the Interim Group 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 planned or economic, to expand the village and has assessed a value accordingly. This latter value, whilst identified as surplus land value, cannot be independently captured.

As a general rule, CBRE 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 properties is determined using inputs that are significant and unobservable, the Group has categorised investment properties 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	31 December 2018	30 June 2018	31 December 2017
Nominal growth rate - anticipated annual property price growth over the cash flow period 0 - 5 years	**0% - 3.5%**	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%	2.6% - 3.1%
Pre-tax discount rate	**12.5% - 15.0%**	12.5% - 15.0%	12.5% - 15.5%

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 with stabilised departing occupancy set out below.

Stabilised departing occupancy - years	31 December 2018	30 June 2018	31 December 2017
Serviced apartments	**3.8 - 4.9**	4.0 - 4.9	3.8 - 4.7
Independent living units and apartments	**6.4 - 8.9**	6.7 - 9.0	6.7 - 8.8

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.1 Investment Properties (continued)

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 $47.3m over a five year period (30 June 2018: $44.1m over a five year period; 31 December 2017: $47.4m 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 remaining cost of the required works. The estimates are based on currently available information.

CBRE has also included within its forecast cash flows the Group's expected costs associated with seismic strengthening works of $1.4m (30 June 2018: $1.4m; 31 December 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 fees receivable which are already recognised separately on the balance sheet and also reflected in the cash flow model. A reconciliation between the valuation amount and the amount recognised on the balance sheet as investment properties is as follows:

$000	**31 December 2018 Unaudited**	30 June 2018 Audited	31 December 2017 Unaudited
Development land measured at fair value	**155,914**	122,987	86,969
Retirement villages under development measured at cost	**80,120**	36,551	74,450
Retirement villages measured at fair value	**1,553,533**	1,556,450	1,447,356
Investment properties at valuation	**1,789,567**	1,715,988	1,608,775
Plus: Refundable occupation right agreements	**1,779,037**	1,713,214	1,617,846
Plus: Residents' share of capital gains	**35,163**	35,465	34,722
Plus: Deferred management fees	**121,875**	116,953	111,349
Less: Management fees receivable	**(397,797)**	(381,408)	(361,859)
Less: Occupation right agreement receivables	**(7,705)**	(9,372)	(3,510)
Total investment properties	**3,320,140**	3,190,840	3,007,323

Borrowing costs of $3.3m (30 June 2018: $5.5m; 31 December 2017: $2.2m) arising from financing specifically entered into for the construction of investment properties under development were capitalised during the year. Average capitalisation rates of 3.57% pa (30 June 2018: 3.55% pa; 31 December 2017: 3.50% pa) were used, representing the borrowing costs of the loans used to finance the projects.

Notes to the Interim Group Financial Statements

4 SHAREHOLDERS' EQUITY AND FUNDING

4.1 Contributed Equity

Shares	**Half year ended 31 December 2018 Unaudited**	Year ended 30 June 2018 Audited	Half year ended 31 December 2017 Unaudited
Issued and fully paid up capital			
Balance at beginning of the period	**213,132,290**	213,005,909	213,005,909
Shares issued net of transactions costs	**172,432**	126,381	126,381
Balance at end of period	**213,304,722**	213,132,290	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.

Treasury shares at 31 December 2018 of 522,928 (30 June 2018: 397,028; 31 December 2017: 420,401) 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.

$000	**Half year ended 31 December 2018 Unaudited**	Year ended 30 June 2018 Audited	Half year ended 31 December 2017 Unaudited
Issued and fully paid up capital			
Balance at beginning of the period	**307,024**	306,895	306,895
Shares issued	**113**	129	66
Balance at end of period	**307,137**	307,024	306,961

Net tangible assets per share	**31 December 2018 Unaudited**	30 June 2018 Audited	31 December 2017 Unaudited
Net tangible assets per share (basic)	**$6.97**	$6.93	$6.63

4.2 Interest Bearing Liabilities

$000	**31 December 2018 Unaudited**	30 June 2018 Audited	31 December 2017 Unaudited
Bank loans	**254,961**	154,668	141,541
Capitalised debt costs	**(632)**	(308)	(317)
	254,329	154,360	141,224
Lease Liability	**2,238**	2,427	2,660
Total interest bearing liabilities	**256,567**	156,787	143,884

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.

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.2 Interest Bearing Liabilities (continued)

On 20 December 2018 the bank facilities were renegotiated and extended. The maturities of the Core Revolving Credit Facility of $175m (30 June 2018: $175m; 31 December 2017: $175m) and the Development Facility of $275m (30 June 2018: $175m; 31 December 2017: $175m) are detailed below. At 30 June 2018 and 31 December 2017, a Working Capital Facility of $2.0m was available, repayable on demand and undrawn.

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

$000	31 December 2018 Facility Limit	31 December 2018 Unaudited	30 June 2018 Audited	31 December 2017 Unaudited
Core Facility	**175,000**	**123,333**	15,000	52,000
Development Facility	**275,000**	**131,628**	139,668	89,541
Total	**450,000**	**254,961**	154,668	141,541
Contractual maturity and drawn amounts				
Between one and two years	**83,333**	**83,333**	70,333	83,333
Between two and three years	**141,667**	**141,667**	61,333	56,208
More than three years	**225,000**	**29,961**	23,002	2,000
Total	**450,000**	**254,961**	154,668	141,541

5 CHANGES IN ACCOUNTING POLICIES

5.1 NZ IFRS 16 *Leases*

The Group has elected to early adopt NZ IFRS 16 *Leases* with a date of initial application of 1 July 2018. NZ IFRS 16 has been adopted using the full retrospective approach, as permitted under the specific transition provisions in the standard. Where presented in these interim group financial statements, comparatives for the year ended 30 June 2018 and 31 December 2017, and the opening balance sheet at 1 July 2017, have been restated.

(a) New accounting policy with effect from 1 July 2018

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.

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets are capitalised at the commencement date of the lease and comprise the initial lease liability, plus any initial indirect costs incurred and restoration costs, less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities are measured based on the present value of the fixed and variable lease payments, less any cash lease incentives receivable. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

Payments associated with leases of low-value assets, and for leases with a lease term of 12 months or less are recognised on a straight-line basis as an expense in profit or loss.

5 CHANGES IN ACCOUNTING POLICIES (continued)

5.1 NZ IFRS 16 *Leases* (continued)

(b) Adjustments recognised on adoption of NZ IFRS 16

On adoption of NZ IFRS 16, the Group has recognised a right-of-use asset within property, plant and equipment and a corresponding lease liability within interest bearing liabilities in relation to leases which had previously been classified as operating leases under the principles of NZ IAS 17 *Leases,* except where the recognition exemptions were applied to short-term leases and leases of low-value assets. The liabilities were measured at the present value of the remaining lease payments, discounted at a rate of 7.5%. This is an estimated discount rate based on similar assets with similar tenure in proximity to the office premises. At 31 December 2018, a right-of-use asset of $1.9m and a corresponding lease liability of $2.2m has been recognised.

Occupation right agreements confer the right to occupancy of a unit or serviced apartment and are considered leases under NZ IFRS 16. On adoption of NZ IFRS 16, the Group has recognised an adjustment for recognition of management fees relating to transfers from an independent living unit or apartment to another independent living unit or apartment or a serviced apartment, deferring the management fees historically recognised into later periods. 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. As a result, investment properties and deferred management fees have been impacted.

$000	1 July 2017
Operating lease commitments disclosed as at 30 June 2017	2,823
Discounted at the date of initial application	2,101
Add: finance lease liabilities recognised as at 30 June 2017	102
Add: adjustment for lease variations	724
(Less): low-value and short-term leases recognised on a straight-line basis as expense	(47)
Lease liability recognised as at 1 July 2017	2,880

The impact of the adoption of NZ IFRS 16 on the Group's consolidated balance sheet, consolidated statement of comprehensive income and consolidated cash flow statement for those comparatives presented within the interim group financial statements, including the opening balance sheet at 1 July 2017, are presented below. The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated Balance Sheet

$000		30 June 2018	31 December 2017	1 July 2017
Property, plant and equipment	Increase	2,042	2,234	2,425
Investment properties	Increase	1,900	1,595	1,570
Total assets	Increase	3,942	3,829	3,995
Interest bearing liabilities	Increase	2,427	2,608	2,778
Deferred management fees	Increase	1,900	1,595	1,570
Deferred tax liability	Decrease	533	447	440
Total liabilities	Increase	3,794	3,756	3,908
Net assets	Increase	148	73	87
Retained earnings	Increase	148	73	87
Total equity	Increase	148	73	87

5 CHANGES IN ACCOUNTING POLICIES (continued)

(b) Adjustments recognised on adoption of NZ IFRS 16 (continued)

Consolidated Statement of Comprehensive Income

$000		Half year ended 31 December 2017
Operating revenue	Increase	25
Total income	Increase	25
Change in fair value of investment properties	Decrease	25
Other expenses	Decrease	272
Depreciation and impairment	Increase	191
Finance costs	Increase	102
Total expenses	Increase	21
Profit before income tax	Decrease	21
Income tax expense	Decrease	7
Profit for the year	Decrease	14
Total comprehensive income	Decrease	14
Profit per share for profit attributable to the equity		
Diluted (cents)	Decrease	0.1

Consolidated Cash Flow Statement

$000		Half year ended 31 December 2017
Payments to suppliers and employees	Decrease	272
Interest Paid	Increase	102
Net cash inflow from operating activities	Decrease	170
Principal payments of lease liabilities	Increase	170
Net cash inflow from financing activities	Increase	170

6 OTHER DISCLOSURES

6.1 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.

Information about major customers

Included in total income are operating revenues derived from the New Zealand Government being the Group's largest single source of income.

The Group derives care fee revenue in respect of eligible Government subsidised aged care residents who receive rest home or hospital level care. Government aged care subsidies received from the Ministry of Health included in rest home, hospital and service fees, and villages fees amounted to $6.0m (31 December 2017: $4.7m). There are no other individually significant customers.

6.2 Other Income - Settlement Receivable

In December 2018 an agreement was reached for a settlement payment of $6.5m associated with building matters on certain buildings. The settlement amount of $6.5m was received in January 2019.

6.3 Contingencies

Contingent liabilities

There are no material contingent liabilities as at 31 December 2018 (30 June 2018: nil; 31 December 2017: nil).

6.4 Commitments

$000	**31 December 2018 Unaudited**	30 June 2018 Audited	31 December 2017 Unaudited
Capital commitments			
Estimated commitments contracted for at balance date but not provided for to purchase, construct or develop investment properties	**90,357**	81,732	31,361
	90,357	81,732	31,361

6.5 Subsequent Events

On 25 February 2019, the directors approved an unimputed dividend of 3.75 cents per share amounting to $8.0m. The dividend record date is 15 March 2019 with payment to be made on 22 March 2019.

6.6 Subsidiaries of the Group

On 7 December 2018, the following subsidiaries were amalgamated into Metlifecare Holdings Limited (previously Vision Senior Living Limited), with no impact on the transactions or balances presented in the interim group financial statements.

- Bay of Plenty Retirement Village Limited
- Metlifecare Merivale Limited
- Metlifecare Oakwoods Limited
- Metlifecare Wairarapa Limited
- Private Life Care Holdings Limited
- Provider Care NZ Limited
- Vision (Christchurch) Limited
- Vision Senior Living Investments Limited

Independent review report

To the shareholders of Metlifecare Limited

Report on the interim group financial statements

We have reviewed the accompanying interim group financial statements of Metlifecare Limited (the Company) and its controlled entities (the Group) on pages 20 to 35, which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of movements in equity and the consolidated cash flow statement for the period ended on that date, selected accounting policies and notes to the interim group financial statements.

Directors' responsibility for the interim group financial statements

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

Our responsibility

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

A review of interim group financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim group financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of tax compliance and debt and treasury advisory services. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim group financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and of its financial performance and cash flows for the period then ended, in accordance with IAS 34 and NZ IAS 34.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

Who we report to

This report is made solely to the Company's Shareholders, as a body. Our review work has been undertaken so that we might state to the Company's Shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
25 February 2019

Auckland

DIRECTORY

Directors

Kim Ellis - Chair

Chris Aiken

Mark Binns

Alistair Ryan

Rod Snodgrass

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

Bankers

ANZ Bank New Zealand Limited

Bank of New Zealand

ASB Bank Limited

Westpac New Zealand Limited

Auditor

PricewaterhouseCoopers
PwC Tower
188 Quay Street
Auckland 1142

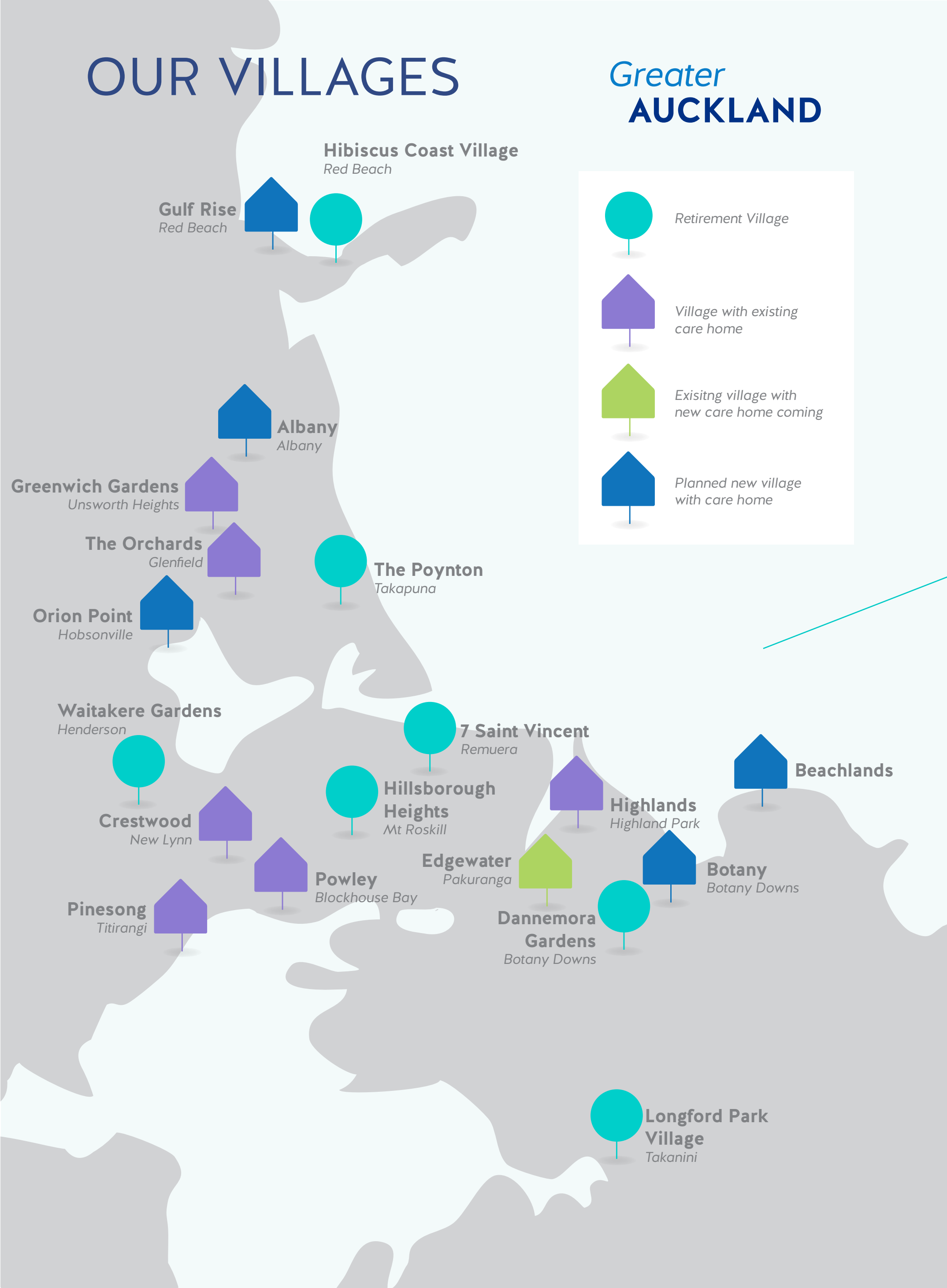
Stock Exchange Listings

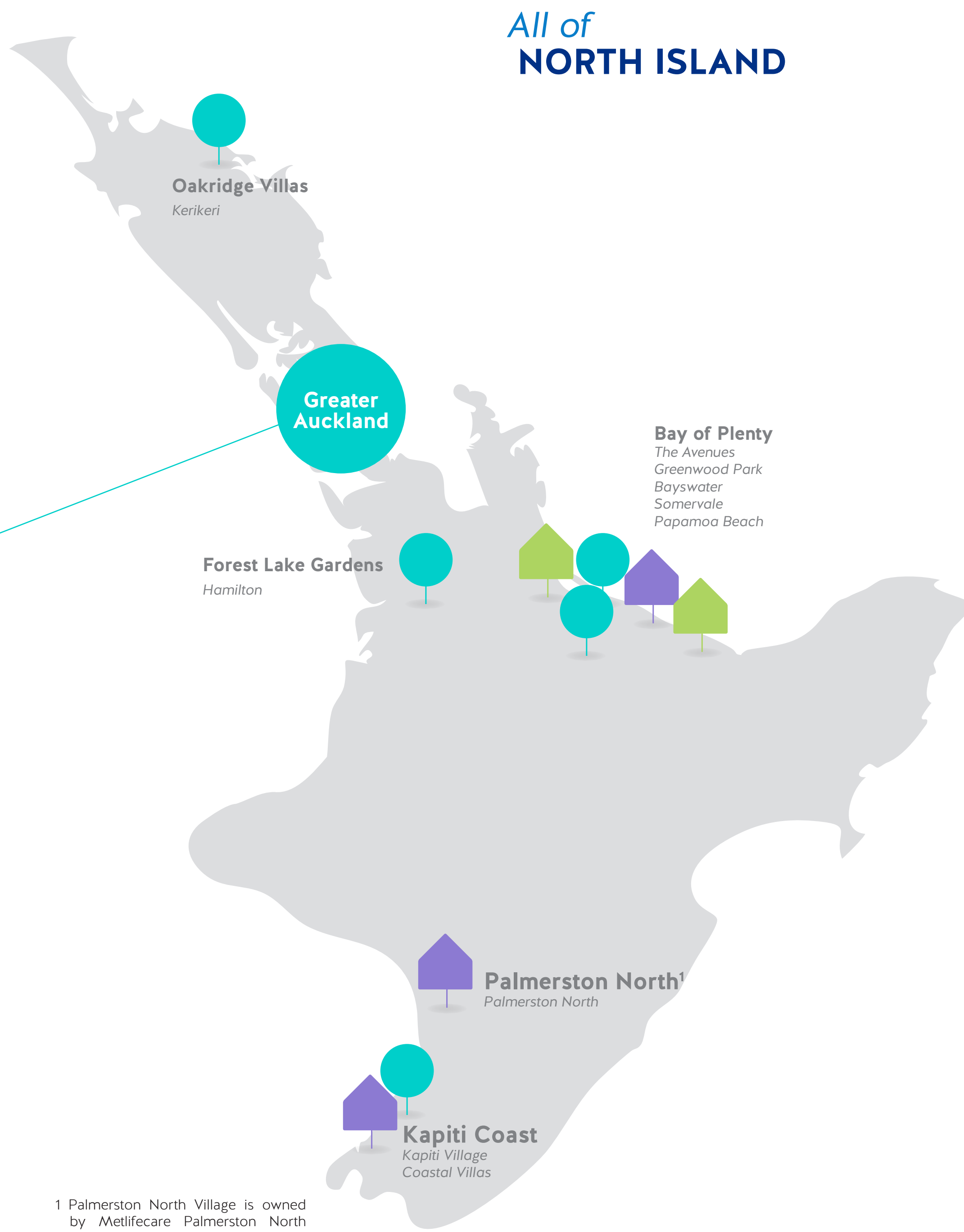
NZX Main Board

ASX Official List
– ASX Foreign Exempt Listing

Pinesong Village

OUR VILLAGES





1 Palmerston North Village is owned by Metlifecare Palmerston North Limited, a joint venture company 50% owned by Metlifecare Limited.

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** 89 Symes Drive, 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** 35 Cobham Road, 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.

Metlifecare