Metlifecare

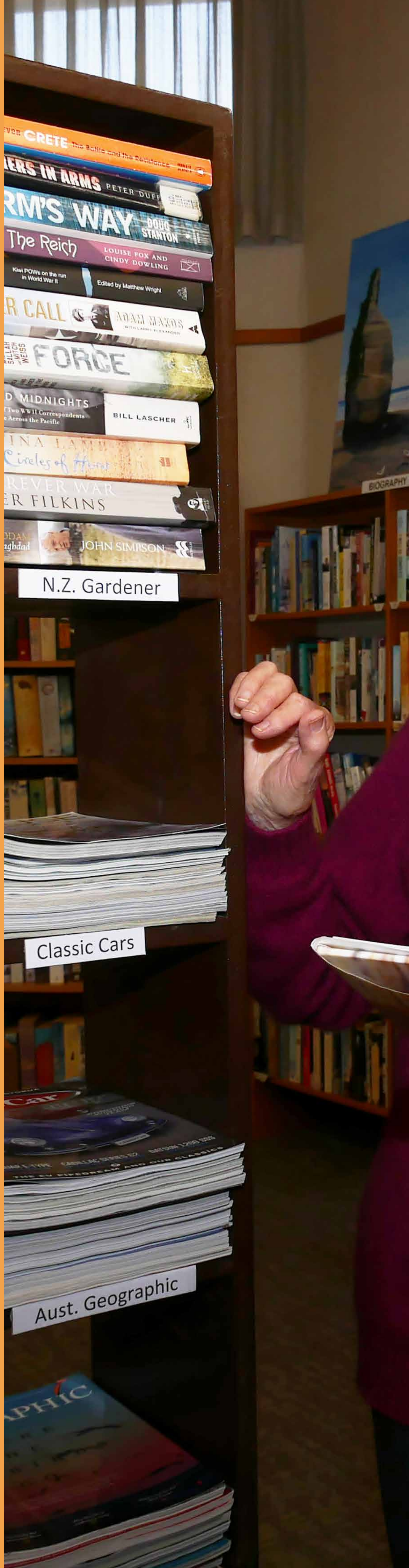
ANNUAL REPORT 2021

Contents

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

Paul McClintock
CHAIR
15 September 2021

Murray Jordan
DIRECTOR
15 September 2021



Metlifecare


WALKING WITH CAVEMEN
EYE-TO-EYE WITH

Paul McClintock

Chair & CEO report

We are pleased to present Metlifecare's Annual Report for the year ended 30 June 2021, a year of many notable achievements through the challenges of operating and living in pandemic times.

THE COMPANY could not have achieved what it has over the past year without the skills, experience and commitment of our 1,300 staff. We thank all of our team for their valued contribution during the year and look forward to building our new future together, stronger for the experience.

In light of the impact that COVID-19 has had on the business, our operating performance has been exceptional, and we have also made solid progress in our development growth programme. Our villages have become accustomed to quickly adapting to intermittent COVID-19 restrictions and we are proud of the way that everyone – staff and residents alike – have diligently looked after each other's safety and wellbeing during these times.

In transitioning from a publicly listed company to to a new owner, Asia Pacific Village Group Limited, an entity owned by funds represented by EQT Fund Management S.à r.l, the company has also experienced significant governance and leadership changes during the year. We thank our wider Metlifecare team for their continued focus on the delivery of quality care and support to our residents through this period.

Financial performance

As noted above, we are pleased to report a strong operating performance for the year, driven by substantially higher realised resales gains and higher operating revenue.

Operating revenue was $143.5 million, 7% higher than last year due to continued growth in Metlifecare's care revenue and strong deferred management fees. This, together with a 21% uplift in realised resales gains grew statutory operating cash flow to $119.3m for the year.*

**Excluding the receipt of the COVID-19 wage subsidy in FY20 ($7.1m) and the repayment of this subsidy in FY21 as set out in note 2.2 to the Group Financial Statements.*

Earl Gasparich

Reported net profit after tax was $304.4 million for the year, a significant uplift on last year's $33.7 million loss. This increase was driven primarily by a fair value gain of $335.5 million on our investment property portfolio. This increase reflects the reversal of COVID-19 related property valuation assumptions applied in the prior year and the completion of developments at Pohutukawa Landing.

Financial position

The company's balance sheet remains strong. Over the 12-month period, we invested $171 million in development activities, funded by borrowings and operating cash. Total assets increased by $507 million to $4.1 billion, underpinned by the growth in value of our investment properties and care homes. Net assets increased by $309 million or 20% to $1.8 billion.

During the year, the company's banking facilities were renegotiated and extended to $600 million (from $350 million) which, together with the existing $100 million retail bond, provided greater capacity as we drive development growth. Net debt increased to $358 million, with gearing (debt to valuation ratio) remaining low at 16.6%.

Villages

Last year we welcomed more than 450 new residents to the Metlifecare family, finishing the year with approximately 6,000 residents now calling a Metlifecare village home. Our new residents appreciate the security, support and social connections they receive from village life, particularly against the uncertainties of a global pandemic. With more and more people seeking this peace-of-mind, the upswell in interest resulted in record resales volumes for the year.

We have adapted well to operating in a pandemic world. During lockdown, our villages and care homes have adopted the mantra of 'no resident left behind' as our approach to safety and wellbeing. Many COVID-related initiatives have since become everyday practices at our sites.

Residents and staff are now well-versed in changing Alert Levels and we can quickly establish village 'bubbles' as required by the various Government restrictions. Our independent living residents can continue their daily routines and activities either socially distanced or via our online Virtual Village if greater restrictions are required. When we are at higher alert levels and villages are closed to the public, we also provide additional support with wellbeing calls and grocery deliveries, and residents are encouraged to stay connected with family and friends via Zoom and social media. We are proud of the ongoing efforts of our team to ensure that, indeed, no resident is left behind.

A number of our Executive team and other key employees recently had the privilege of attending the Metlifecare Resident Chair's conference and were very impressed with how engaged and committed our resident committees are. They not only have input into the calendar of social activities at a village but also work constructively with village management on issues and initiatives to improve life at our villages. Sustainability is a hot topic with our resident committees and some inspiring examples of work being done by our residents are provided on pages 8 and 9.

We were delighted to be declared the inaugural 5-star winner of Canstar Blue's 2021 Most Satisfied Customers Award in the Retirement Villages category post balance-date.

Care

Our care homes look after our most vulnerable residents and their health, safety and wellbeing is our priority. Led by our experienced clinical and care staff, we have continued to adapt our operating procedures to allow a quick response to changing alert levels and minimise the risk of transmission.

Digital communications are transforming our care home operations. While our strict health and safety protocols have at times limited visits from family and friends, many of our residents and their families have enjoyed learning how to stay connected digitally. For staff, communicating digitally with health professionals and suppliers has created new, flexible ways of working.

During the financial year, Ministry of Health full-certification audits were conducted at The Avenues and Crestwood. These resulted in a three-year certification for The Avenues and a four-year certification at Crestwood, which has successfully increased its capability from rest home only to dual care. Subsequently, The Orchards and Papamoa Beach Village were audited, with both care homes receiving a four-year certification. All of Metlifecare's care homes have either a three or four-year certification, with three-quarters having received the gold standard of four years. These results reflect the hard work and dedication of our clinical teams. It was wonderful to see Papamoa Beach care home, which includes Metlifecare's first purpose-built, secure dementia community, receive a four-year certification at its first full audit.

The success of Metlifecare's growing care home operation has strengthened our ambition to increase the provision of a full continuum of care to residents, through opening new homes and converting existing facilities.

Stepping up village development

It is wonderful to see solid progress with our new villages being made across multiple development sites.

In June, we opened our 26th village, Pohutukawa Landing on Auckland's Pohutukawa Coast, warmly welcoming our first residents. Having long campaigned for a local retirement village, the residents of Beachlands and Maraetai are delighted with how our village has been designed to reflect the area's unique landscape and lifestyle. Sales have been strong, with the next stage already 50% under application.

Development is also continuing with two new villages due to open at Fairway Gardens (Botany, Auckland) and Orion Point (Hobsonville Point, Auckland) in FY22. New homes and community amenities will also be completed at Pohutukawa Landing and Gulf Rise (Red Beach, Hibiscus Coast).

With the support of a sophisticated, targeted marketing approach, we are receiving high levels of interest at these villages, with pre-sales exceeding expectations.

We are also looking forward to completing a multi-year regeneration project at Edgewater village (Pakuranga, Auckland) in FY22, which will transform the site with a new community centre, care home and independent living apartments. Our next major regeneration is being planned for Somervale village (Mt Maunganui, Bay of Plenty).

Good progress has already been made with land acquisitions and we were pleased that agreements to acquire premium new village sites in Havelock North and Clevedon, South Auckland went unconditional post-balance-date, with the Clevedon site having now settled. We expect to announce further land acquisitions before the end of 2021.

Ahead of the vaccination curve

As the COVID vaccination programme was rolled out, Metlifecare's priority was to ensure all residents and staff could be offered vaccinations as soon and as safely as possible. Our Clinical team worked closely with local District Health Boards to make vaccination arrangements that would maximise access and minimise stress for our residents. We were very pleased to be approved to offer on-site vaccinations for the vast majority of our villages and care homes, and these are all largely now completed.

It is reassuring to know that we have provided residents, staff and their families with the additional peace of mind that comes from being fully vaccinated, as we continue to respond to the threat of Covid-19.

Creating future stakeholder value

Shortly following the ownership transition and the appointment of the new Board of Directors in November 2020, a strategic planning process was commenced to develop Metlifecare's Full Potential Plan. This process was designed to review the company's existing strategic plan and business transformation programme and to develop a bold, world-class strategy to create significant long-term value for our stakeholders.

Metlifecare's Board, representatives from the new ownership, Management and staff worked collaboratively to build this plan and to identify opportunities to grow, develop and operate more effectively over the next three to five years. This work has informed our new Plan, which focuses on key areas of value creation, including:

- **Development pipeline** – building a high-quality land bank across New Zealand, to support a ten-year development pipeline.
- **Portfolio growth** – substantially increase our village portfolio supported by a strong, efficient development engine that consistently delivers our desired number of new beds and units every year.
- **Care** – expanding our care proposition by increasing the offering of a full continuum of care across our village network and leveraging Metlifecare's reputation as an outstanding care provider.
- **Village modernisation** – to ensure our existing villages offer the levels of quality, comfort and community expected by the next generation of retirees.

With our rich history and well-established brand, we believe Metlifecare is well positioned to capture the strategic opportunities that we see in the growing aged care and retirement village sector.

Building a sustainable organisation

Underpinning the Full Potential Plan is a deep commitment to becoming a sustainable organisation. With the strong support of our residents, we have already taken some important steps towards this goal. While positive progress has been made, it has become clear that a more coordinated approach is required to reach our ambitious sustainability goals.

We are seeing continued shifts in the regulatory landscape as well as increasing societal expectations about the role we can play in influencing a wide range of social and environmental outcomes – we consider this to be an effective social licence to operate.

With the encouragement and broad support of Metlifecare's new owner, and drawing inspiration from previous successes in areas such as green buildings and resident projects, a fresh approach to sustainability is being formed. Our goal is to expand, advance and integrate many of our successful standalone initiatives into a larger, more comprehensive organisational environmental, social and governance (ESG) strategy.

Our ESG strategy will drive the introduction of new whole-of-business initiatives with ambitious new targets, signalling the intent to lead the industry in environmental, social and governance performance. We have provided further information about this intent on pages 6 to 9 of this report.

People

After completing the transition to new ownership and development of the new Full Potential Plan, Earl Gasparich joined as Chief Executive Officer in early June 2021 and Jonathan Wilde commenced as Chief Financial Officer in late August 2021. There have also been several other changes in Executive positions in recent months as we progress towards execution of the Full Potential Plan.

Governance

Metlifecare's new ownership has marked a new era for the company. Consistent with its strengths in health, aged care and building strong, sustainable communities, a new Board was appointed, with a wealth of expertise and experience in health, aged care, public policy, development and governance.

In the months since being appointed, the Board has overseen the development of the Full Potential Plan and has focused on ensuring that the company is well positioned to drive growth in the years ahead. Directors have also visited many of our villages and have valued the opportunity to meet with staff and residents, and to observe our excellent reputation for customer service. We are very excited about the potential we see in Metlifecare.

Summary

There is no doubt that the past year has been one of considerable change for Metlifecare with new ownership, new management and a new strategic vision for the company to reach its full potential. While there remain uncertainties associated with COVID-19, we are focused very clearly on delivering outstanding performance and growth as we execute our plans and are highly confident in reaching our future goals. We look forward to delivering outstanding outcomes to our residents, their families, our staff and stakeholders in the year ahead.

Building a sustainable business

Putting sustainability at the centre

As the first company in New Zealand to build retirement villages to the NZ Green Building Council's Homestar6 Green requirements, Metlifecare has long demonstrated its commitment to sustainability. We believe that long-term value creation comprises far more than financial returns to investors. We consider we have a duty to provide safe and secure living environments, to care for our residents, to contribute to our communities, and to minimise our environmental footprint, together forming our social licence to operate.

Changing stakeholder landscape

We are conscious of rising societal expectations about the role companies can play in influencing a wide range of social and environmental outcomes. Our staff and village residents are also increasingly engaged, seeking to champion many causes and make a difference in the future of the company, its communities, and the wider global context.

Issues like safety, diversity, waste, land use, greenhouse gas emissions and biodiversity preservation are receiving greater focus across many domains and industries. With improving scientific understanding of such impacts, investors and financial institutions are also increasingly focused on the linkages between environmental, social, and governance (ESG) issues and long-term company performance.

Into a new era

It is against this backdrop, and with the encouragement and support of a new owner, that a new era is taking shape for Metlifecare.

Drawing inspiration from previous successes in areas like green buildings, and resident and community projects, a fresh approach to sustainability is taking shape. The goal is to integrate, expand, and advance the company's ESG framework, bringing together many of the successful standalone initiatives being delivered in the business into a larger newly-developed organisational strategy.

Going forward, sustainability issues important to a wide group of stakeholders will take a central and strategic role in determining how Metlifecare operates.

We are in the process of developing a sophisticated sustainability strategy, led by an experienced and newly recruited sustainability manager and supported by expert advisors and key stakeholders. From there, whole-of-business initiatives will be developed, with ambitious targets focused on taking an industry-leading position.

Our roadmap

Over the next year, core priority areas will be embedded and new initiatives will be launched in standout areas like green buildings, supply chain, diversity, care and wellbeing, and community investment. The table opposite shows the high-level roadmap and core priority areas which will create the foundation for the company's sustainability framework, and will be reported against next year. We note that processes are already embedded in many of these areas under our existing framework.

A sound sustainability foundation	1. Alignment to UN Global Compact Principles and UN Sustainable Development Goals 2. Refreshed sustainability strategy, framework initiatives, policy and KPIs 3. Refreshed stakeholder materiality assessment	
Core KPI areas - performance targets and progress reporting	16 Peace, justice and strong institutions	Ethics and anti-corruption training
	5 Gender equality	Diversity
	8 Decent work and economic growth; 16 Peace, justice and strong institutions	Employee engagement
	7 Affordable and clean energy; 13 Climate action	Greenhouse Gas Emissions
	6 Clean water and sanitation	Water usage
	12 Responsible consumption and production	Waste to landfill
	3 Good health and well-being	Health & safety
	9 Industry, innovation and infrastructure; 11 Sustainable cities and communities	Building standards
	16 Peace, justice and strong institutions	Resident & data privacy
	16 Peace, justice and strong institutions	Regulatory compliance
	8 Decent work and economic growth; 12 Responsible consumption and production; 17 Partnerships for the goals	Supply chain

Interested stakeholders may wish to get in touch with us by emailing sustainability@metlifecare.co.nz or through our investor relations or social channels for more information.

The year's highlights

Our employees

In the retirement and aged care sector, the need to develop and retain skilled, high calibre people is stronger than ever. We consider ourselves fortunate to have a workforce that is richly diverse in life experience, background, gender and ethnicity, and believe that the company and our residents receive significant benefits from this.

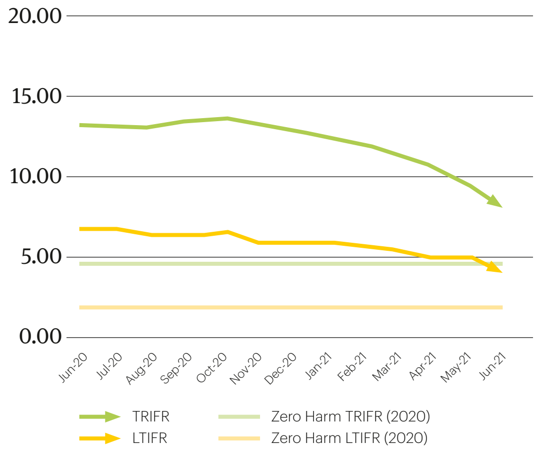
We have continued to invest in the development, safety and wellbeing of our people, and have been rewarded with some of the industry's highest staff retention levels.

During the year we introduced a new employee engagement measurement framework, with an employee net promoter score (eNPS) as the key indicator of employee engagement. Despite the many challenges our staff have faced in recent months, we were pleased to have strong participation in the survey and achieve an eNPS of +14, with standout areas being meaningful work, significance and goal setting. While this score compares well with industry benchmarks, we are targeting steady improvement in the coming year, and are now measuring this score quarterly.

Keeping our people safe

We are pleased to report an improved health and safety performance, with a clearly declining trend in both Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR) through the

Rolling TRIFR & LTIFR (Metlifecare) with 'Zero Harm' benchmark



Metlifecare – June 2021
TRIFR – 8.13 (Rolling) | 4.5 (June)
LTIFR – 4.06 (Rolling) | 4.5 (June)

year. This has resulted from improved engagement and alignment across our village network, as well as increased focus and training in key risk areas. During the year we were also awarded the highest status level (tertiary) in the ACC Accredited Employer Programme, an outstanding achievement.

Our villages

Demystifying dementia

A new brain health pilot initiative at Metlifecare's Papamoa Beach Village is uniting the community and breaking down stigmas that exist around cognitive impairment and dementia.

The brain health programme is focused on village residents, staff and the families of those living with dementia. It uses brain health 'Champions' to help participants better understand dementia and explore ways they can support those living with it, and also teach them how to be brain fit themselves.

Studies show that to be emotionally well, humans need to care about others. The programme encourages people to think about what they can do to help, and understand that by supporting people with dementia, they are helping themselves as well.

Feedback received from the pilot was overwhelmingly positive. The programme is now being actively rolled out across Metlifecare's other Bay of Plenty villages.

Ultimately Metlifecare hopes the programme can be expanded into the wider community to help New Zealanders as they navigate the aging process.

Forging strong community links

Becoming part of a thriving local community is extremely important to Metlifecare and we aim to establish strong relationships with local residents and organisations from the outset. Engaging with locals as we plan and design our villages has also helped us to shape them to appropriately reflect the unique attributes and culture of their surrounding communities.

At our newest villages at Gulf Rise (Red Beach), Pohutukawa Landing (Beachlands) and at the Fairway Gardens (Botany) site we have sought input from local communities on village names, design and amenities; and as our new villages have evolved, we have created events and initiatives to help bring the community together.

Working with local organisations can also help develop greater social connections for our residents outside the village as well as helping those organisations. For example, we have partnered with the Maraetai Bowling Club to provide resident memberships instead of building a bowling green within Pohutukawa Landing village. This has allowed us to turn the area previously designated for a bowling green into a social space for everyone to enjoy – a win-win for all.

Building greener

Sustainability is front of mind as we develop our next generation of care homes. The six new care homes expected to be built in the next three years will strive to achieve the NZ Green Building Council's 6-star Greenstar rating, which is considered a 'World Leadership' rating.

To achieve this certification, the care building must be designed and built in a way that optimises its efficiency and minimises its environmental footprint, while providing the most healthy and comfortable living experience for residents and staff.

All Greenstar buildings require high-quality insulation, ventilation and acoustics, and 6-star rating needs an even greater level of specification. A cross-laminated timber structural system - instead of traditional steel and concrete – will use renewable resources and achieve carbon sequestration. The use of prefabrication (bathroom pods and panelised facades) will significantly reduce construction waste and labour, which translates to less vehicular emissions from travel.

Greenhouse gas emissions will be significantly reduced from high-efficiency appliances, low-energy LED lighting, an intelligent building management system and a roof-mounted solar array to reduce stress on the grid.

While the environmental, comfort and health benefits are evident, this approach also makes sound commercial sense, delivering a substantial return on investment after eight years of operation.

We are looking forward to the opening of our first 6-star Greenstar rated care home at Gulf Rise, in the second quarter of 2023, which will be the first care home in New Zealand with this rating.

Residents leading the charge

Consistent with Metlifecare's market positioning of 'A place to be you', we strongly encourage residents to champion causes and initiatives that improve society or make peoples' lives better. Here are a few examples of the outstanding work done by residents at some of our villages. We consider ourselves fortunate to have so many talented and committed residents in the Metlifecare community.

Recycling and repurposing

Reducing waste is a cause dear to many peoples' hearts in our villages. At Pinesong in Auckland's Titirangi, a group of enterprising women have been turning thoughts into action for the past few years, with a recycled clothing venture called Nu2u. Led by resident Jean Piper, the weekly pop-up store has already raised more than $14,000 for St John by selling high-quality recycled clothing, jewellery, shoes and accessories donated by residents, to other residents.

Further north, Hibiscus Coast Village's Sustainability Group has focused on recycling household items that are no longer required by residents or their families. Group members had noticed that high-quality furniture, garden tools and other household items were being thrown away and could be repurposed either with other residents or through opportunity shops. Village management has provided storage space in the village, and the Salvation Army is being enlisted to take away items for resale.

The group is next planning to improve the disposal of green waste, soft plastics, and batteries, as well as introducing a greenhouse and community garden plots into the village.

Growing for everyone

A team of gardeners at Greenwich Gardens are delighting residents with their communal garden, kickstarted by resident and keen gardener Jan Knight. With experience in conservation work, Jan has launched a range of conservation initiatives, introducing individual and community gardens, worm farms, composting, and stream regeneration.

"I might as well use my expertise here, as I've been gardening for 30 years now," says Jan. "The climate's changing - what you would put in five years ago you have to rethink, because you need crops that aren't going to need as much water."

The harvesting happens once a week, and the crops are bundled and sold to residents for a gold coin donation. That money is used to buy more plants, and the cycle continues. In a single day, the gardening group can replant 80 new crops, meaning there's always fresh produce making its way to residents.

The Dell Project

Over the past four years, Kapiti Village has set a high bar for sustainability at Metlifecare. Led by Metlifecare Sustainability Ambassador and resident Carolyn Lane, the village has gone predator free, launched a biodiversity birds and bees project, set up water catchment tanks, battery recycling and e-waste, weta hotels and worm farms.

Last year saw the completion of a major project led by another resident, Kert Snater. The project began three years ago when Kert rallied a group of residents to transform a green waste dump in the village into a new space called The Dell, which is now used for summer garden parties, barbeques, picnics and entertainment. After The Dell was finished, their attention turned to regenerating a stream running through part of the village, clearing wetlands, propagating natives and planting fruit trees, using bio-friendly fertilizer.

Kert says the project is very much appreciated by residents who use it for walkways, recreation and timeout. "When I stumbled over Kapiti Village, I couldn't believe my eyes. It was a dream come true, of living on my own lifestyle block as it were, and being able to contribute to the sustainability of the Kapiti woodlands."

Regenerating the Alexander Stream

After noticing the Alexander Stream reserve adjacent to Greenwich Gardens being choked by pampas grass, weed trees and scrub, a group of village residents decided to drive a regeneration project for the benefit of the wider community.

Over five years they have worked with Auckland Council Parks, firstly to clear the unwanted species from the reserve, and then to plant around 1,500 native plants on the Alexander Stream reserve and neighbouring Barbados reserve. The residents have subsequently mulched and weeded to ensure the plants are being kept in the best possible health. Most recently, they joined with the Auckland Council Parks team and students from nearby Westminster School to plant a further 1,800 plants on Barbados Reserve.

Greenwich Gardens' village community considers itself fortunate to have parks and bush walks within walking distance of the village. Thanks to the efforts of their fellow residents, they can also enjoy a natural haven right next door.

Celebrating International Day of Friendship *at Metlifecare*

Throughout the first half of 2021, fabulous village friendships were celebrated with a raft of heartwarming stories and a special friendship-themed issue of *The Villager* magazine, featuring cover stars The Fab Five (photo top left) from The Avenues. On International Day of Friendship, Friday 30 July, Metlifecare villages connected via Zoom for a Virtual Happy Hour, an event that was much enjoyed by all.

Our board of directors

Paul McClintock AO

CHAIR

Paul McClintock AO is currently the Chair of St Vincent's Health, Australia's largest not-for-profit hospital and aged care operator, I-MED Radiology, and Laser Clinics Australia. Paul has chaired a number of healthcare related companies including Medibank, Affinity Health, Sydney Health Partners, Woolcock Institute for Respiratory Medicine and has been a director of Central Sydney Area Health.

Dr Jonathan Coleman

Dr Jonathan Coleman is currently a director of Evolution Healthcare (formerly Acurity Health Group). Prior to this he was Chief Executive Officer of Acurity for two years. He was a Member of the New Zealand Parliament for 12 years, serving as a Cabinet Minister in the John Key/Bill English Government for nine of those years. He held a number of senior portfolios over that period including Immigration, Broadcasting, State Services, Defence, Associate Finance and Sport. He was Minister of Health from 2014 to 2017.

Murray Jordan

Murray Jordan is currently a director of Chorus, Metcash, SkyCity, Southern Cross Medical Care Society, Southern Cross Hospitals, Stevenson Group and the Starship Foundation. Previously he was the Managing Director of Foodstuffs North Island. Prior to his role as Managing Director of Foodstuffs North Island, Murray was GM of Sales and Performance and GM of Property Strategy for Foodstuffs, and formerly was GM of AMP's New Zealand unlisted property portfolio.

Ken Lotu-Iiga

Ken Lotu-Iiga is currently the Programme Director at Kāinga Ora, the Government's housing agency. Ken has significant experience in the New Zealand building, construction and development sectors, including 25 years at Fletcher Building and its predecessor companies, culminating as GM of Fletcher Residential, New Zealand's largest developer of residential housing in New Zealand. Ken is also on the Board of Trustees for the Cancer Society and Auckland Grammar School.

Maggie Owens

Maggie Owens was most recently an Operational Director for Bupa New Zealand, one of the largest operators of retirement living and aged care services in New Zealand. Maggie held a variety of roles during her 11-year tenure at Bupa, including director of Independent Living and Acting Chief Operating Officer for 14 months. Maggie is past President of the Retirement Villages Association working in the retirement living and aged care sector for over 30 years and began her career as a Registered Nurse.

Ken Wong

Ken Wong is a Partner and Head of Asia Pacific, Infrastructure at EQT Partners. Ken has experience in infrastructure and private equity investments in the healthcare, technology, media, telecommunications and consumer sectors.

Metlifecare Fairway Gardens courtyard, artist impression

Group Financial Statements

For the year ended 30 June 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

$000	Note	30 June 2021	30 June 2020
Income			
Operating revenue	2.1	**143,520**	134,006
Interest income		**78**	111
Total income		**143,598**	134,117
Change in fair value of investment properties	3.2	**335,515**	(74,791)
Share of profit arising from joint venture, net of tax		**1,573**	1,638
Expenses			
Employee expenses	2.2	**(71,761)**	(50,262)
Property costs	2.2	**(29,732)**	(27,429)
Other expenses	2.2	**(56,194)**	(32,436)
Change in fair value of residents' share of capital gains		**(5,036)**	(3,553)
(Impairment)/reversal of impairment	3.4	**(888)**	1,714
Depreciation	3.4	**(4,712)**	(4,451)
Amortisation		**(517)**	(637)
Finance expense	4.5.3	**(4,680)**	(4,452)
Total expenses		**(173,520)**	(121,506)
Profit/(loss) before income tax		**307,166**	(60,542)
Income tax (expense)/benefit	5.1.1	**(2,796)**	26,870
Profit/(loss) for the year		**304,370**	(33,672)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Loss on cash flow hedges		**(156)**	(109)
Items that will not be reclassified to profit or loss:			
Share of other comprehensive income arising from joint venture, net of tax		**314**	28
Gain/(loss) on revaluation of care homes, net of tax	4.4.1	**2,967**	(207)
Other comprehensive income, net of tax		**3,125**	(288)
Total comprehensive income/(loss)		**307,495**	(33,960)
Profit/(loss) attributable to shareholders of the parent company		**304,370**	(33,672)
Total comprehensive income/(loss) attributable to shareholders of the parent company		**307,495**	(33,960)
Profit/(loss) per share for profit attributable to the equity holders of the company during the year			
Basic (cents)	4.2	**142.9**	(15.8)
Diluted (cents)	4.2	**142.8**	(15.8)

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 2021

$000	Note	Contributed equity	Retained earnings	Hedging reserve	Revaluation reserve	Employee share scheme reserve	Total equity
Balance at 1 July 2019		307,137	1,267,886	(1,112)	7,537	645	1,582,093
Comprehensive loss							
Loss for the year		-	(33,672)	-	-	-	(33,672)
Other comprehensive loss		-	-	(109)	(179)	-	(288)
Total comprehensive loss		**-**	**(33,672)**	**(109)**	**(179)**	**-**	**(33,960)**
Employee share scheme		-	-	-	-	465	465
Transfer from employee share scheme reserve		-	51	-	-	(51)	-
Dividends paid to shareholders	4.3	-	(15,360)	-	-	-	(15,360)
Balance at 30 June 2020		307,137	1,218,905	(1,221)	7,358	1,059	1,533,238
Balance at 1 July 2020		**307,137**	**1,218,905**	**(1,221)**	**7,358**	**1,059**	**1,533,238**
Comprehensive income							
Profit for the year		**-**	**304,370**	**-**	**-**	**-**	**304,370**
Other comprehensive income		**-**	**-**	**(156)**	**3,281**	**-**	**3,125**
Total comprehensive income		**-**	**304,370**	**(156)**	**3,281**	**-**	**307,495**
Transfer from employee share scheme reserve	4.1	**1,396**	**-**	**-**	**-**	**(313)**	**1,083**
Shares forfeited	1.4	**-**	**1,078**	**-**	**-**	**(746)**	**332**
Dividends paid to shareholders	4.3	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2021		**308,533**	**1,524,353**	**(1,377)**	**10,639**	**-**	**1,842,148**

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

Consolidated Balance Sheet

As at 30 June 2021

$000	Note	30 June 2021	30 June 2020
Assets			
Cash and cash equivalents		**4,240**	5,238
Trade receivables and other assets	5.3	**23,789**	19,071
Derivative financial instruments	5.6.1	**-**	1,469
Property, plant and equipment	3.4	**67,456**	60,001
Intangible assets		**1,536**	1,010
Investment properties	3.2	**3,966,496**	3,471,707
Investment in joint venture		**14,341**	12,454
Total assets		**4,077,858**	3,570,950
Liabilities			
Trade and other payables	5.4	**55,731**	44,738
Derivative financial instruments	5.6.1	**1,913**	3,166
Interest bearing liabilities	4.5	**357,736**	301,830
Deferred management fees		**144,871**	134,568
Refundable occupation right agreements	3.3	**1,671,889**	1,553,410
Deferred tax liability	5.2	**3,570**	-
Total liabilities		**2,235,710**	2,037,712
Net assets		**1,842,148**	1,533,238
Equity			
Contributed equity	4.1	**308,533**	307,137
Reserves		**9,262**	7,196
Retained earnings		**1,524,353**	1,218,905
Total equity		**1,842,148**	1,533,238

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

The Group Financial Statements presented are signed for and on behalf of Metlifecare Limited and were authorised by the Board for issue on 20 August 2021.

Paul McClintock AO
Chair
20 August 2021

Margaret Owens
Director
20 August 2021

Murray Jordan
Director
20 August 2021

Consolidated Cash Flow Statement

For the year ended 30 June 2021

$000	**30 June 2021**	30 June 2020
Cash flows from operating activities		
Receipts from residents for management fees	**41,140**	27,830
Receipts from residents for village, care and service fees	**81,916**	74,399
Receipts from residents for sale of new refundable occupation right agreements	**75,262**	78,091
Receipts from residents for resale of refundable occupation right agreements	**262,057**	188,763
(Repayment of)/receipt from Government for wage subsidy	**(7,100)**	7,100
Payments to residents for refundable occupation right agreements	**(189,685)**	(128,855)
Payments to suppliers and employees	**(146,059)**	(116,998)
Net GST received	**1,341**	352
Interest received	**67**	100
Interest paid	**(6,170)**	(3,147)
Bond issuance costs	**-**	(1,717)
Net buyback costs for regeneration and remediation	**(574)**	(2,804)
Net cash inflow from operating activities	**112,195**	123,114
Cash flows from investing activities		
Net repayments from joint venture	**46**	100
Dividends received from joint venture	**200**	125
Payments for property, plant and equipment	**(9,150)**	(10,825)
Payments for intangibles	**(1,042)**	(647)
Payments for investment properties	**(152,110)**	(111,523)
Deposit paid for land acquisition	**(760)**	-
Capitalised interest paid	**(8,033)**	(7,201)
Net cash outflow from investing activities	**(170,849)**	(129,971)
Cash flows from financing activities		
Dividends paid	**-**	(15,360)
Net proceeds/(repayments) from borrowings	**58,112**	(75,460)
Proceeds from bond issuance	**-**	100,000
Principal payments of lease liabilities	**(456)**	(516)
Net cash inflow from financing activities	**57,656**	8,664
Net (decrease)/increase in cash and cash equivalents	**(998)**	1,807
Cash and cash equivalents at the beginning of the financial year	**5,238**	3,431
Cash and cash equivalents at the end of the financial year	**4,240**	5,238

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

Consolidated Cash Flow Statement (continued)

For the year ended 30 June 2021

Reconciliation of profit/(loss) after tax with net cash inflow from operating activities

$000	30 June 2021	30 June 2020
Profit/(loss) after tax	**304,370**	(33,672)
Adjustments for:		
Change in fair value of investment properties	**(335,515)**	74,791
Change in the fair value of residents' share of capital gains	**5,036**	3,553
Employee share scheme	**1,415**	465
Depreciation and impairment	**5,600**	2,737
Amortisation	**517**	637
Deferred tax expense	**2,796**	(26,870)
Loss/(gain) on disposal of property, plant and equipment	**8**	(13)
Share of profit arising from joint venture, net of tax	**(1,573)**	(1,638)
Changes in working capital relating to operating activities:		
Trade receivables and other assets	**(5,112)**	1,797
Trade and other payables	**9,633**	828
Deferred management fees	**10,303**	8,297
Refundable occupation right agreements	**114,717**	92,202
Net cash inflow from operating activities	**112,195**	123,114

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

Notes to the Group Financial Statements

1 GENERAL INFORMATION

This section outlines the basis upon which the Group Financial Statements are prepared.

1.1 Reporting entity

The Group Financial Statements are for Metlifecare Limited (Metifecare or the Company) and its subsidiaries (together the Group).

Metlifecare is incorporated and domiciled in New Zealand. The address of its registered office is Level 4, 20 Kent Street, Newmarket, Auckland 1023.

As at 30 June 2021, the immediate parent of the Group is Asia Pacific Village Group Limited, a limited liability company incorporated in New Zealand. The ultimate parent is APVG TopCo Pte. Ltd., a Singapore entity. As at 30 June 2020, Metlifecare was listed on the NZX Main Board (NZX) and the Australia Securities Exchange (ASX) as a Foreign Exempt Listing. As outlined in *Note 1.4 - Significant transactions and events,* the Company's shares were delisted from the NZX and ASX on 3 November 2020.

Metlifecare is registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013 (FMCA). The Company has fixed-rate bonds listed on the NZX Debt Market.

The Group is in the business of owning, operating, and developing retirement villages and care homes for the elderly in New Zealand.

1.2 Basis of preparation

The Group Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and the FMCA. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other guidance as issued by the External Reporting Board, as appropriate to for-profit entities, and with International Financial Reporting Standards (IFRS).

The Group is a Tier 1 for-profit entity in accordance with *XRB A1 - Application of the Accounting Standards Framework.*

The Group Financial Statements have been prepared on the basis the Group is a going concern.

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

These Group Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, care homes and derivative financial instruments.

The functional and presentation currency is New Zealand dollars.

1.3 Key judgements and estimates

The preparation of financial statements in accordance with NZ GAAP requires the use of certain key accounting estimates and judgements. It also requires management to exercise their 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:

Note 2.1	Revenue recognition - management fees
Notes 3.2 and 3.4	Fair value of investment properties and care homes
Note 5.2	Deferred tax

1 GENERAL INFORMATION (continued)

1.4 Significant events and transactions

The following events and transactions occurred during the year.

Scheme of Arrangement

As disclosed in the Group Financial Statements for the year ended 30 June 2020, the Company entered into a Scheme Implementation Agreement (SIA) on 10 July 2020 under which Asia Pacific Village Group Limited (APVG) agreed to acquire 100% of the Company's shares for $6.00 per share pursuant to a court ordered scheme of arrangement under Part 15 of the Companies Act 1993 (the Scheme). The Scheme was conditional on shareholder approval and the satisfaction of other customary conditions including (amongst others) High Court approval and Overseas Investment Office (OIO) consent.

Following the High Court's decision to grant final orders approving the implementation of the Scheme on 20 October 2020, all of the Company's shares were delisted from the NZX and the ASX and transferred to APVG on 3 November 2020. The Company's bonds (MET010) remain quoted on the NZX Debt Market.

All sitting directors (at the time of de-listing) resigned and a new Board appointed in their place with effect from the implementation of the Scheme on 3 November 2020.

Following the receipt of final court orders approving the implementation of the Scheme, 522,928 of restricted shares were forfeited and 314,528 performance share rights (PSRs) vested in accordance with the Senior Management Share Scheme rules. The vesting of the PSRs has resulted in an expense of $1.1m in the Consolidated Statement of Comprehensive Income within employee expenses in the current year.

Group reorganisation

On 30 June 2021, the Group completed a reorganisation of its direct and indirect wholly owned subsidiaries (the Reorganisation). The Reorganisation simplifies the legal and reporting structure of the Group. The Reorganisation did not have any material adverse impact on the Group.

Prior to the Reorganisation, each of the Group's fully-operating retirement villages was owned by a separate subsidiary of Metlifecare. Following the Reorganisation, there is now one village operator company for all fully-operating villages, being Metlifecare Retirement Villages Limited (MRVL) which was previously known as Metlifecare Holdings Limited. The Reorganisation was largely implemented by way of short-form amalgamations under the Companies Act 1993.

The following entities (previously either wholly owned subsidiaries of Metlifecare or MRVL) amalgamated with MRVL as part of the Reorganisation (amalgamating entities). MRVL continues as the amalgamated company and has by law succeeded to all of the property, rights, powers and privileges, and to all the liabilities and obligations of each of the amalgamating entities. The amalgamating entities have been removed from the New Zealand register of companies.

- Forest Lake Gardens Limited
- Hibiscus Coast Village Holdings Limited
- Hillsborough Heights Village Holdings Limited
- Longford Park Village Holdings Limited
- Longford Park Village Limited
- Metlifecare 7 Saint Vincent Limited
- Metlifecare Bayswater Limited
- Metlifecare Coastal Villas Limited
- Metlifecare Crestwood Limited
- Metlifecare Dannemora Gardens Limited
- Metlifecare Gulf Rise Limited
- Metlifecare Highlands Limited
- Metlifecare Kapiti Limited
- Metlifecare LTIP Trustee Limited
- Metlifecare Oakridge Limited
- Metlifecare Papamoa Beach Limited
- Metlifecare Pinesong Limited
- Metlifecare Powley Limited
- Metlifecare Somervale Limited
- Metlifecare The Avenues Limited

Notes to the Group Financial Statements

1 GENERAL INFORMATION (continued)

1.4 Significant events and transactions (continued)

Group reorganisation (continued)

- Metlifecare Edgewater Limited
- Metlifecare Greenwich Gardens Limited
- Metlifecare Greenwood Park Limited
- Metlifecare The Orchards Limited
- Metlifecare The Poynton Limited
- Waitakere Group Limited

In addition, all of the assets and liabilities of Metlifecare Fairway Gardens Limited and Metlifecare Pohutukawa Landing Limited were transferred and assigned to MRVL. These entities, together with Metlifecare Orion Point Limited, are now dormant and are expected to be removed from the Companies Register in the twelve month period following 30 June 2021.

As a result of the Reorganisation, the Group now comprises:

- Metlifecare;
- Metlifecare's wholly owned subsidiaries, MRVL, Metlifecare Fairway Gardens Limited, Metlifecare Pohutukawa Landing Limited and Metlifecare Orion Point Limited; and
- Metlifecare Palmerston North Limited (the operator of the Metlifecare Palmerston North Village), which Metlifecare has a 50% ownership interest in as part of a joint venture arrangement.

The Reorganisation did not affect the assets over which the Metlifecare Group's secured lenders hold security. Refer to *Note 4.5 - Interest bearing liabilities* for details.

Impact of COVID-19

Background

On 11 March 2020, the World Health Organisation declared COVID-19 to be a global pandemic.

New Zealand has responded well to the virus with strong public health measures and a range of economic stimulus packages. However, the economic impact COVID-19 will have on the residential, retirement and aged care sectors in New Zealand is currently unknown and will largely depend on both the scale and longevity of the pandemic.

During the current financial year, the New Zealand Government has continued with localised increases in alert levels to suppress the transmission of the virus.

Impact on Group Financial Statements

Throughout the pandemic, the Group's primary focus has been to protect the safety of both residents and staff. When necessary, access restrictions on the operations of the Group's villages and care homes have been put in place, specifically the movement of staff and residents, and certain sales and marketing activity within the villages.

Certain key judgements and estimates are applied in the Group Financial Statements. In both the current and prior financial years, the Directors have considered the impact of COVID-19 on these key judgements and estimates.

The impact on the Group in the prior year was disclosed in the Group Financial Statements for the year ended 30 June 2020.

For the current financial year, the Directors have concluded that limited changes are necessary. The primary consideration is in relation to the valuation of the Group's investment property and property plant and equipment. For further details refer to *Note 3.1 – Valuation uncertainty.*

Further disclosure as to the impact of COVID-19 is included in the relevant notes.

1 GENERAL INFORMATION (continued)

1.5 Group structure

Wholly-owned subsidiaries

The Company has the following wholly-owned subsidiaries: Metlifecare Retirement Villages Limited, Metlifecare Fairway Gardens Limited, Metlifecare Orion Point Limited and Metlifecare Pohutukawa Landing Limited.

Joint venture

The Group has a 50% (2020: 50%) interest in joint venture company Metlifecare Palmerston North Limited (PAN). PAN is incorporated in New Zealand and has a balance date of 30 June. Its principal activity is the ownership and management of the Metlifecare Palmerston North retirement village.

Principles of consolidation

Subsidiaries

Subsidiaries are 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 are included in the consolidated financial statements from the date on which control commences until the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are eliminated unless the transaction provides evidence of 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 eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.6 Accounting policies

Accounting policies that summarise the measurement basis used and are relevant to the understanding of the Group Financial Statements are provided throughout the Notes to the Group Financial Statements. Other relevant policies are provided as follows.

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:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs)

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.

Notes to the Group Financial Statements

1 GENERAL INFORMATION (continued)

1.6 Accounting policies (continued)

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, GST is recognised as part of the cost of the asset or as an expense, as applicable.

Foreign currency translation

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 Consolidated Statement of Comprehensive Income of each Group entity.

1.7 Segment information

The Group operates in one operating segment being the provision 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.

All revenue is earned, and all assets are held, in New Zealand.

1.8 Notes to the financial statements

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

Notes to the Group Financial Statements

2 OPERATING PERFORMANCE

This section provides information that the directors consider most relevant in the context of the operating performance of the Group including: revenue, property, employee and administration expenses.

2.1 Operating revenue

$000	**30 June 2021**	30 June 2020
Management fees	**63,379**	59,481
Rest home, hospital and service fees	**45,053**	40,553
Village fees	**31,366**	30,550
Other revenue	**3,722**	3,422
Total operating revenue	**143,520**	134,006

Management fees

▶ Recognition and measurement

Occupation right agreements (ORA) confer the right to occupancy of a unit or serviced apartment and are considered leases under *NZ IFRS 16 - Leases.* 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 ORA amount and accrues monthly, for a set period, based on the terms of the individual contracts. The current disclosure statement and ORA accrues management fees at the rate of 10% per annum for a maximum of three years.

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.

The management fee is payable in cash by the resident at the time of repayment (to the resident) of the refundable ORA amount due. The Group has the right of set-off to the refundable ORA 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.

▶ Key estimates and judgements

The timing of the recognition of management fees as lease income 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. The current assessments are as follows:

Expected average length of stay	**30 June 2021**	30 June 2020
Independent living units and apartments	**8 years**	8 years
Serviced apartments	**4 years**	4 years

At 30 June 2021, an increase of the average expected length of stay of residents by one year is estimated to reduce management fee revenue by $1.7m (2020: $1.9m) and a decrease of one year would increase management fee revenue by $2.1m (2020: $1.8m).

2 OPERATING PERFORMANCE (continued)

2.1 Operating revenue (continued)

Other revenue

▶ Recognition and measurement

Revenue is recognised in accordance with *NZ IFRS 15 - Revenue from Contract with Customers.*

Residential aged care and serviced apartment fees

Rest home, dementia, and hospital level of care fees are governed by DHB contracted care agreements. Individual agreements are held with each resident receiving certified care services. Service fees for services other than certified care are recognised on a monthly basis, dependent on the services provided to the serviced apartment resident.

Village fees

Village fees are detailed within each resident's ORA and relate to the operating costs of the village. Revenue is recognised based on the weekly fees charged, reflecting the period a resident has occupied a unit or serviced apartment.

Other revenue

Other revenue includes resident refurbishment recoveries and administration fees collected on ORA contracts issued prior to 2006. Revenue is recognised at the point in time the services are provided and agreed to by the resident.

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 certified residential aged care or hospital level care.

Revenue from the New Zealand Government, received via various District Health Boards, included in rest home, dementia and hospital fees, amounted to $12.9m (2020: $11.6m).

2 OPERATING PERFORMANCE (continued)

2.2 Expenses

The profit/(loss) before income tax includes the following expenses:

$000	30 June 2021	30 June 2020
Employee costs	**64,964**	57,059
Wage subsidy repaid/(received)	**6,797**	(6,797)
Total employee expenses	**71,761**	50,262
Utilities and other property costs	**14,987**	13,177
Repairs and maintenance on investment properties	**13,326**	12,917
Repairs and maintenance on property, plant, furniture and equipment	**1,419**	1,335
Total property costs	**29,732**	27,429
Resident costs	**7,666**	7,268
Marketing and promotion	**8,941**	5,608
Other employment costs (e.g. staff training and recruitment)	**1,628**	2,033
IT and communication costs	**3,672**	3,469
Legal costs	**6,269**	3,083
Consultant costs	**21,274**	4,236
Loss/(gain) on disposal of property, plant and equipment	**8**	(13)
Other village operating expenses	**3,781**	3,870
Director fees	**799**	743
Other operating expenses	**1,756**	1,625
Fees paid to PricewaterhouseCoopers New Zealand		
Audit and review of financial statements	**341**	445
Tax compliance services	**3**	69
Retirement sector research and training services	**56**	-
Total fees paid to PricewaterhouseCoopers New Zealand	**400**	514
Total other expenses	**56,194**	32,436

Wage subsidy

As part of its COVID-19 response plan, the New Zealand Government introduced a 12-week wage subsidy to support employers affected by COVID-19 to retain their employees. The Group assessed itself against the quantitative and qualitative criteria and as a result, during the prior financial year, received a wage subsidy of $7.1 million. Of this, $0.3m was determined to have been for casual employees who did not work during the subsidy period. Accordingly, it was accounted for in the prior year and repaid in the current year.

Whilst the Company did qualify for the subsidy by meeting the criteria prescribed by the New Zealand Government, the Directors deemed it in the spirit of the scheme to return the subsidy given financial conditions had stabilised, albeit market uncertainty still existed. Accordingly, the balance of the wage subsidy received was repaid on 23 November 2020. The repayment has been recognised as part of employee expenses in the current year.

3 INVESTMENT PROPERTY AND OTHER ASSETS

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

3.1 Valuation uncertainty

The property portfolio, comprising investment property (Note 3.2) and property, plant and equipment (Note 3.4), have been independently valued by CBRE Limited (CBRE) as at 30 June 2021 and 30 June 2020. The valuations represent a 'point in time valuation'.

Due to the impact of COVID-19 at the prior balance date, at 30 June 2020, CBRE made significant changes to key assumptions, including lower short-term growth rates, higher discount rates and increased discounts on unsold stock. Further, CBRE reported based on 'material valuation uncertainty', meaning less certainty and a higher degree of caution must be applied to the valuation.

At 30 June 2021, New Zealand was at Alert Level 1 and while New Zealand's borders remain largely closed, and immigration (which has formerly underpinned growth in the residential market) will be absent for some time, in CBRE's view the market had shown better than expected sentiment over the last six to twelve months.

Accordingly, for the June 2021 valuation, while the same overall approach was used for this valuation as in the prior year, the valuers highlighted that the key assumptions used in the valuation have almost all returned to pre COVID-19 levels and the unfavourable changes made to growth rates, discount rates and discounts on unsold stock at 30 June 2020 have largely been reversed.

In addition, at 30 June 2021, CBRE has reported on the basis of 'market uncertainty' meaning there remains uncertainty in the market because of the unknown longer-term economic impacts of COVID-19. CBRE states that the 'market uncertainty' has been included in order to be clear and transparent with all parties that, in the current extraordinary circumstances, there is a degree of uncertainty than would otherwise be the case and accordingly a degree of caution should be exercised when relying on the valuation.

Further, CBRE continue to state that values and incomes may change more rapidly and significantly than during standard market conditions and recommend their valuations are reviewed periodically over the coming months.

3.2 Investment properties

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 ORA. Investment properties are held for long-term yields.

The Group's investment properties, and movements for the year, are set out in the following tables.

$000	**30 June 2021**	30 June 2020
Opening balance	**3,471,707**	3,423,615
Additions	**159,291**	122,913
Disposals	**(17)**	(30)
Change in fair value	**335,515**	(74,791)
Closing balance	**3,966,496**	3,471,707

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.2 Investment properties (continued)

Investment properties are categorised as follows:

$000	**30 June 2021**	30 June 2020
Development land	**174,116**	166,453
Retirement villages under development	**161,586**	67,328
Retirement villages		
Valuation	**1,816,379**	1,553,578
Plus: Net liabilities to residents	**1,814,415**	1,684,348
Total investment properties	**3,966,496**	3,471,707

▶ Recognition and measurement

Valuation process and key inputs

CBRE undertook the valuation of investment properties in accordance with professional valuation standards 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 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. As part of the valuation process, 'market uncertainty' has been noted for the June 2021 valuation. In the prior year, 'material valuation uncertainty' was reported. Refer to *Note 3.1 - Valuation uncertainty* for further information.

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 as follows:

Land value	**30 June 2021**	30 June 2020
Per sqm	**$75 - $1,348**	$65 - $1,201

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

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 as its highest and best use.

Retirement villages under development

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, the carrying amount of cost less any impairment is considered to be the fair value. Impairment is determined by considering the value of work in progress and management's estimate of the asset value on completion.

3. INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.2 Investment properties (continued)

▶ Recognition and measurement (continued)

Retirement villages

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.*

Any developed but not yet sold stock (unsold stock) is valued based on recent comparable transactions, adjusted for disposal costs, holding costs and an allowance for profit and risk. This represents the fair value of the Group's interest in unsold stock at 30 June.

▶ Key estimates and judgements

The significant unobservable inputs used in the fair value measurement of the Group's portfolio of retirement villages are the property price growth rate and the discount rate. The following assumptions have been used to determine fair value:

Unobservable input	30 June 2021	30 June 2020
Nominal growth rate - anticipated annual property price growth over the cash flow period 0 - 5 years	**0.0% - 3.5%**	-2.0% - 3.5%
Nominal compound growth rate - anticipated annual property price growth over the cash flow period > 5 years	**2.7% - 3.2%**	2.5% - 3.0%
Pre-tax discount rate	**12.5% - 16.5%**	12.8% - 16.3%

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

30 June 2021	**Adopted value* (ILU, ILA, SA)**	**Discount rate + 50 bp**	**Discount rate – 50 bp**	**Growth rates + 50 bp**	**Growth rates – 50 bp**
Valuation ($000)	**1,701,150**				
Difference ($000)		**(61,930)**	**66,030**	**104,915**	**(97,302)**
Difference (%)		**(4%)**	**4%**	**6%**	**(6%)**

30 June 2020	Adopted value* (ILU, ILA, SA)	Discount rate + 50 bp	Discount rate – 50 bp	Growth rates + 50 bp	Growth rates – 50 bp
Valuation ($000)	1,416,000				
Difference ($000)		(52,770)	56,270	83,453	(82,941)
Difference (%)		(4%)	4%	6%	(6%)

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

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 (2020: 20 years) with stabilised departing occupancy assumptions set out below.

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.2 Investment properties (continued)

▶ **Key estimates and judgements**

Stabilised departing occupancy - years	30 June 2021	30 June 2020
Independent living units and apartments	**6.5 - 8.9**	6.5 - 8.7
Serviced apartments	**4.0 - 5.0**	4.0 - 5.0

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 $41.2m over a three year period (2020: $45.8m over a four year period). The increase in the allowance for remediation works reflects further 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 the forecast cash flows the Group's expected costs associated with seismic strengthening works of $1.9m (2020: $1.9m).

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.3 Refundable occupation right agreements

$000	30 June 2021	30 June 2020
Refundable occupation right agreements	**2,150,923**	1,997,444
Residents' share of capital gains	**31,611**	32,780
Loans to residents	**(20,391)**	(19,996)
Management fees receivable	**(490,254)**	(456,818)
Total refundable occupation right agreements	**1,671,889**	1,553,410

▶ Recognition and measurement

Occupation right agreements (ORA) confer the right to occupancy of the unit or serviced apartment and are considered leases under *NZ IFRS 16 - Leases.* 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. This is refunded to the resident, subject to a new ORA 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, loans receivable, service fees and village fees. As the refundable occupation right is repayable to the resident upon vacation (subject to a new ORA for the unit or serviced apartment being issued to an incoming resident), the fair value is equal to the face value, being the amount that can be 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 ORA 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.

Estimated maturity

In determining the fair value of the Group's investment properties, CBRE estimates the established length of stay. These are set out as follows:

Established length of stay - years	30 June 2021	30 June 2020
Independent living units and apartments	**6.5 - 8.9**	6.5 - 8.7
Serviced apartments	**4.0 - 5.0**	4.0 - 5.0

Therefore, it is not expected that the full obligation to residents will fall due within one year.

Based on historical and expected turnover calculations, the estimated maturity of the total obligation refundable to residents, if sold, is as follows:

$000	30 June 2021	30 June 2020
Within 12 months	**187,091**	137,337
Beyond 12 months	**1,484,798**	1,416,073
Total refundable occupation right agreements	**1,671,889**	1,553,410

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.4 Property, plant and equipment

Property, plant and equipment comprises owner-occupied freehold land and buildings and plant and equipment operated by the Group for the provision of care services, and land and buildings that are to be developed into care homes in the future.

$000	Freehold land and buildings	Construction work in progress	Plant, furniture, equipment and motor vehicles	Right of use assets	Total
At 30 June 2019					
Cost or valuation	43,142	-	32,772	3,447	79,361
Accumulated depreciation/impairment losses	-	-	(24,180)	(1,788)	(25,968)
Net book value	43,142	-	8,592	1,659	53,393
Year ended 30 June 2020					
Opening net book value	43,142	-	8,592	1,659	53,393
Revaluation of care homes	(152)	-	-	-	(152)
Additions	454	6,000	3,080	-	9,534
Transferred from work in progress	3,231	(4,170)	939	-	-
Disposals	-	-	(37)	-	(37)
Reversal of impairment/(impairment)	1,811	-	(97)	-	1,714
Depreciation	(871)	-	(3,205)	(375)	(4,451)
Closing net book value	47,615	1,830	9,272	1,284	60,001
At 30 June 2020					
Cost or valuation	47,615	1,830	36,754	3,447	89,646
Accumulated depreciation/impairment losses	-	-	(27,482)	(2,163)	(29,645)
Closing net book value	47,615	1,830	9,272	1,284	60,001
Year ended 30 June 2021					
Opening net book amount	**47,615**	**1,830**	**9,272**	**1,284**	**60,001**
Revaluation of care homes	**3,801**	**-**	**-**	**-**	**3,801**
Additions	**5**	**4,244**	**5,214**	**-**	**9,463**
Disposals	**-**	**-**	**(209)**	**-**	**(209)**
Reversal of impairment/(impairment)	**2,365**	**(3,253)**	**-**	**-**	**(888)**
Depreciation	**(917)**	**-**	**(3,408)**	**(387)**	**(4,712)**
Closing net book value	**52,869**	**2,821**	**10,869**	**897**	**67,456**
At 30 June 2021					
Cost or valuation	**52,869**	**2,821**	**41,759**	**3,447**	**100,896**
Accumulated depreciation/impairment losses	**-**	**-**	**(30,890)**	**(2,550)**	**(33,440)**
Closing net book value	**52,869**	**2,821**	**10,869**	**897**	**67,456**

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.4 Property, plant and equipment (continued)

▶ Recognition and measurement

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.

Right-of-use assets relating to leases of office premises are capitalised and recognised within property, plant and equipment 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.

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

As part of the valuation process by CBRE, 'market uncertainty' has been noted for the June 2021 valuation. In the prior year, 'material valuation uncertainty' was reported. For to *Note 3.1 - Valuation uncertainty* for further information.

▶ Key estimates and judgements

CBRE determined the fair value of all care home assets using an earnings-based multiple approach where the normalised earnings before interest, tax, depreciation, amortisation and rent is capitalised at rates of between 12.5% to 13.8% (2020: 11.0% to 13.8%). The valuation prepared has been split between land, improvements, chattels and goodwill to determine the fair value of the assets. Goodwill of $10.2m (2020: $10.7m) in respect of care home assets included in the CBRE valuation is not recognised in the Group Financial Statements. The revaluation, net of applicable deferred income taxes, was recognised in other comprehensive income and is shown in the revaluation reserve in shareholders' equity.

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

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

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.4 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 2021**	30 June 2020
Net book value	**35,416**	35,346

Depreciation

▶ Recognition and measurement

Depreciation is provided on a straight line basis on property, plant and equipment, other than freehold land, at rates calculated to allocate the assets' cost or valuation, less estimated residual value, over their estimated useful lives, commencing from the time the assets are held ready for use, as follows:

- Freehold buildings	25 - 50 years
- Plant, furniture and equipment	3 - 10 years
- Motor vehicles	5 - 7 years

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

Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount, after reducing the carrying amount by any amount that the asset has been revalued. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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

In the year ended 30 June 2021, an impairment loss of $0.9m was recognised in the Statement of Comprehensive Income to reflect the valuation of the care homes (2020: an impairment loss reversal of $1.7m).

4 SHAREHOLDERS' EQUITY AND FUNDING

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

4.1 Contributed equity

The following table provides details of movements in the Group's issued shares, including treasury shares:

	30 June 2021 No. shares	30 June 2020 No. shares	**30 June 2021 $000**	30 June 2020 $000
Balance at beginning of the year	**213,304,722**	213,304,722	**307,137**	307,137
Shares issued net of transaction costs	**314,528**	-	**1,396**	-
Shares cancelled	**(522,928)**	-	**-**	-
Balance at end of the year	**213,096,322**	213,304,722	**308,533**	307,137

	30 June 2021 No. shares	30 June 2020 No. shares
Treasury shares		
Balance at beginning of the year	**522,928**	522,928
Shares cancelled under the senior management share plan	**(522,928)**	-
Balance at end of the year	**-**	522,928

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 (2020: nil).

Treasury shares

Treasury shares related to shares issued under the Senior Management Share Plan that were held on trust by the Group. These shares were accounted for as treasury shares by the Group until such time as they were cancelled or vested to members of the senior executive team. The vesting of these shares were subject to achievement of performance hurdles or approval of the Scheme (for details refer to *Note 1.4 - Significant events and transactions).*

Following receipt of final court orders approving the Scheme in October 2020, 522,928 of treasury shares were cancelled and 314,528 Performance Share Rights vested. $1.1m has been expensed in the Consolidated Statement of Comprehensive Income from the Performance Share Rights fully vesting in the year ended 30 June 2021.

Net tangible assets

	30 June 2021	30 June 2020
Net tangible assets per share	**$8.64**	$7.18

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.

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.2 Earnings per share

Basic

	30 June 2021	30 June 2020
Profit/(loss) attributable to equity holders ($000)	**304,370**	(33,672)
Weighted average number of ordinary shares on issue (No. 000s)	**212,994**	212,782
Basic earnings per share (cents)	**142.9**	(15.8)

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

Diluted

	30 June 2021	30 June 2020
Profit/(loss) attributable to equity holders ($000)	**304,370**	(33,672)
Diluted weighted average number of ordinary shares on issue (No. 000s)	**213,164**	213,305
Diluted earnings per share (cents)	**142.8**	(15.8)

Diluted earnings per share is calculated by dividing the profit/(loss) 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.

4.3 Dividends

$000	cents per share	30 June 2021	cents per share	30 June 2020
Final dividend for 2019	-	-	7.25	15,360
Total dividends paid ($000)		-		15,360

No dividends have been declared or paid in relation to the year ended 30 June 2021. In the prior financial year, due to prevailing economic climate at the time of signing the financial statements and in accordance with the terms of the Scheme (refer to *Note 1.4 - Significant events and transactions),* no dividends were declared in relation to that financial year.

4.4 Reserves

4.4.1 Revaluation reserve

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

$000	30 June 2021	30 June 2020
Balance at beginning of the year	**7,358**	7,537
Share of gain on revaluation of care home (from joint venture, net of tax)	**314**	28
Gain/(loss) on revaluation of care homes	**3,801**	(152)
Tax on revaluation of care homes	**(834)**	(55)
Balance at end of the year	**10,639**	7,358

4.4.2 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 to *Note 5.6 - Financial risk management).*

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.5 Interest bearing liabilities

The following table sets out the Group's interest bearing liabilities.

$000	30 June 2021	30 June 2020
Bank loans	**260,455**	202,343
Retail bond	**100,000**	100,000
Capitalised debt costs	**(3,928)**	(2,178)
	356,527	300,165
Lease liabilities	**1,209**	1,665
Total interest bearing liabilities	**357,736**	301,830
Investment property valuation (refer Note 3.2)	**2,152,081**	1,787,359
Debt to valuation ratio	**16.6%**	16.9%

▶ **Recognition and measurement**

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 Consolidated 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.

Lease liabilities

Lease liabilities relating to leases of office premises 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. Lease payments associated with low-value assets, and for lease terms of 12 months or less, are recognised on a straight-line basis as an expense in profit or loss.

4.5.1 Bank loans

The bank loans comprise a Core Revolving Credit Facility, Development Facility and Working Capital Facility. These facilities were established on 8 March 2012 and last renegotiated on 22 December 2020. At this time, the overall facility limits were increased and the maturity date extended. The facility limits, amounts drawn and maturities thereof are set out below.

Bank loans - Facility limits and drawn debt

	30 June 2021		30 June 2020	
$000	Facility limit	Drawn	Facility limit	Drawn
Core facility	**200,000**	**95,000**	150,000	98,333
Development facility	**400,000**	**165,455**	200,000	104,010
Working capital facility	**12,000**	**-**	2,000	-
Total	**612,000**	**260,455**	352,000	202,343

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.5 Interest bearing liabilities (continued)

Bank loans - Maturities

$000	**30 June 2021**	30 June 2020
On demand	**-**	-
Between one and two years	**-**	141,666
Between two and three years	**-**	-
More than three years	**260,455**	60,677
Total	**260,455**	202,343

4.5.2 Retail bond

On 30 September 2019, the Group issued $100m of guaranteed, secured, unsubordinated fixed-rate bonds with a coupon rate of 3.00% per annum, maturing on 30 September 2026. Proceeds from the bond issue were used to repay a portion of the Group's existing bank debt and to provide diversity of funding and tenor.

The retail bond is secured on an equal ranking basis with certain other secured creditors including Metlifecare's bank lenders. As of 30 June 2021, the bonds had a fair value of $102.5m (2020: $104.9m).

Security for bank debt and retail bond

Metlifecare and Metlifecare Orion Point Limited have each granted a first-ranking general security interest over its assets and (in the case of Metlifecare) a first-ranking mortgage over its land in favour of the Security Trustee (New Zealand Permanent Trustees Limited). The Security Trustee holds the security for the benefit of Metlifecare's bondholders, bank lenders and hedge providers pursuant to a Security Trust Deed.

Metlifecare Retirement Villages Limited (MRVL), the operator of the Group's fully operational retirement villages, Metlifecare Fairway Gardens Limited (FAI) and Metlifecare Pohutukawa Landing Limited (POH) have each provided a negative pledge in favour of the Group's lenders and certain finance parties pursuant to which each entity has 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 relevant majority beneficiaries under the negative pledge deeds. MRVL, FAI and POH have also granted first-ranking security over their assets and (in the case of MRVL) a second-ranking mortgage over its land in favour of Metlifecare by way of intragroup general security deeds and intragroup mortgages.

Registered mortgages or an encumbrance in favour of the Statutory Supervisors of MRVL are recognised as first charges over the freehold land and buildings of MRVL to protect the interests of the residents in the event of failure by MRVL (as operator of the villages) to observe obligations under the Deeds of Supervision, ORA and Lifecare Agreements.

Financial covenants

The Group must comply with certain financial covenants under the Debt Facility Agreements. In addition, under the terms of the Bond, Metlifecare must also comply with a Loan to Valuation ratio (<50%). The financial covenants that the Group must comply with include:

- A maximum Loan-to-Valuation ratio (<50%).
- A minimum interest ratio (which is broadly the ratio of cash flow available for debt servicing, excluding cash flows associated with the current remediation programme, to interest costs in respect of the previous 12 months) of two times.

For the year ended 30 June 2021, the Group was compliant with its financial covenants (2020: in compliance).

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.5 Interest bearing liabilities (continued)

4.5.3 Finance expense

$000	**30 June 2021**	30 June 2020
Interest costs	**7,746**	8,539
Facility costs	**4,967**	3,114
Less: Interest and facility costs capitalised	**(8,033)**	(7,201)
Total finance expense	**4,680**	4,452

▶ Recognition and measurement

Interest on bank borrowings is charged using the BKBM Bill Rate, plus a margin and line fee. A fixed coupon rate of 3.00% is incurred on the retail bond. Interest rates charged during the year ended 30 June 2021 ranged from 2.84% to 3.19% per annum (2020: 3.04% to 3.55% per annum). Derivative financial instruments used to manage interest rate risk are set out in *Note 5.6 - Financial risk management.*

Interest and facility costs of $8.0m (2020: $7.2m), arising from financing drawn for the construction of investment properties and care homes under development, were capitalised during the year. Average capitalisation rates of 3.08% per annum (2020: 3.35% per annum) were used, representing the borrowing costs used to finance the projects.

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/(benefit)

5.1.1 Income tax expense/(benefit)

$000	**30 June 2021**	30 June 2020
Current tax	**-**	-
Deferred tax	**2,796**	(26,870)
Income tax expense/(benefit)	**2,796**	(26,870)

5.1.2 Numerical reconciliation of income tax benefit to prima facie tax

$000	Note	**30 June 2021**	30 June 2020
Profit/(loss) before income tax		**307,166**	(60,542)
Tax at the New Zealand tax rate of 28%		**86,006**	(16,952)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Non taxable income and non deductible expenditure		**7,065**	1,110
Capitalised interest		**(2,249)**	(2,016)
Non taxable impact of investment property revaluation		**(93,944)**	20,942
Movement in property valuation		**9,732**	(31,772)
Adjustment for timing difference of provisions		**(522)**	(1,222)
(Re-recognised)/unrecognised tax losses		**(3,292)**	3,292
Taxable impact of tax losses forfeited (Shareholder Continuity Breach (SHC))	5.2	**(37,552)**	-
Taxable impact of tax losses reinstated (Business Continuity Test (BCT))	5.2	**37,552**	-
Prior period adjustment		**-**	(252)
Income tax expense/(benefit)		**2,796**	(26,870)

5.1.3 Other tax matters

$000	**30 June 2021**	30 June 2020
Income tax paid during the financial year	**-**	-
Unrecognised tax losses	**-**	3,292
Imputation credits available	**-**	-

▶ Recognition and measurement

The income tax expense for the year is the tax payable on the current year'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 Group Financial Statements, and changes to available tax losses.

5 OTHER DISCLOSURES (continued)

5.2 Deferred tax

$000	Balance 1 July 2020	Recognised in income	Recognised in reserves	Balance 30 June 2021
Property, plant and equipment	**(641)**	**(601)**	**(834)**	**(2,076)**
Investment property	**(36,118)**	**(14,928)**	**-**	**(51,046)**
Deferred management fees	**-**	**-**	**-**	**-**
Recognised tax losses	**33,113**	**12,776**	**-**	**45,889**
Other items	**3,646**	**(43)**	**60**	**3,663**
Net deferred tax liability	**-**	**(2,796)**	**(774)**	**(3,570)**

$000	Balance 1 July 2019	Recognised in income	Recognised in reserves	Balance 30 June 2020
Property, plant and equipment	(3,971)	3,384	(54)	(641)
Investment property	(59,505)	23,387	-	(36,118)
Deferred management fees	440	(440)	-	-
Recognised tax losses	32,345	768	-	33,113
Other items	3,833	(229)	42	3,646
Net deferred tax liability	(26,858)	26,870	(12)	-

▶ Recognition and measurement

Deferred tax arises as a result of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for unless they arise on a business combination.

▶ Key estimates and judgements

NZ IAS 12 - Income Taxes provides that there is a rebuttable presumption that investment property measured at fair value under *NZ IAS 40 - Investment Property* and *NZ IFRS 13 - Fair Value Measurement* 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 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, that being a long-term owner and operator of integrated retirement village and aged care facilities.

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. The Group has recognised deferred tax in relation to the present value of cash flows with a future tax consequence as provided by the Group's independent valuer, CBRE. The Group considers it appropriate to recognise and measure deferred tax based on the deferred management fees under Occupation Right Agreements (ORA) being receivable at the end of the ORA period as that best represents the Group's contractual entitlement and is consistent with the CBRE's cash flow model used in the valuation of investment property.

Included within the CBRE valuation is 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.

5 OTHER DISCLOSURES (continued)

5.2 Deferred tax (continued)

▶ Key estimates and judgements (continued)

Tax losses

As at 30 June 2020, the Group had total accumulated tax losses of $130m. Due to the change in ownership of Metlifecare that occurred during this financial year *(refer to Note 1.4 - Significant events and transactions),* under laws enacted at that time, the tax losses accumulated prior to the change in ownership were forfeited.

However, tax losses are now subject to the Business Continuity Test (BCT), enacted on 1 April 2021. This allows companies to carry forward tax losses that may previously have been forfeited due to shareholder continuity breaches, provided there is no major change in the Company's business activities within five years (or less if losses are used earlier) of the change in ownership. The Group meets the criteria set out in the BCT for the purposes of carrying forward tax losses.

A reconciliation of the Group's accumulated tax losses is set out as follows:

$000	**30 June 2021**	30 June 2020
Balance at the beginning of the year	**130,019**	116,416
Losses accumulated until 3 November 2020	**4,096**	-
Tax losses forfeited on 3 November 2020 (SHC Breach)	**(134,115)**	-
Tax losses reinstated on 1 April 2021 (BCT)	**134,115**	-
Tax losses accumulated from 4 November 2020 to 30 June 2021	**29,777**	-
Tax losses accumulated during the year	**-**	13,603
Balance at end of the year	**163,892**	130,019

Tax depreciation for buildings

On 25 March 2020, the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act 2020 received Royal assent. This Act restored building depreciation deductions for non-residential buildings for tax purposes. As a result, in the prior year, $20.7m of deferred tax was reversed in the Consolidated Statement of Comprehensive Income, with a corresponding reduction in the deferred tax liability related to care facilities and common buildings.

5.3 Trade receivables and other assets

$000	**30 June 2021**	30 June 2020
Trade receivables	**6,882**	6,617
Provision for doubtful receivables	**(130)**	(44)
	6,752	6,573
Occupation right agreement receivables	**8,860**	6,162
Prepayments	**3,126**	2,983
Amounts due from related parties	**101**	146
Deposits paid for land acquisition	**760**	-
Retentions and other receivables	**4,190**	3,207
Total receivables and other assets	**23,789**	19,071

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

5 OTHER DISCLOSURES (continued)

▶ Recognition and measurement

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis and a provision for doubtful debts is made when there is evidence that the Group will not be able to collect the receivable. In determining the provision, the Group applies the simplified approach to measuring expected credit losses as prescribed by *NZ IFRS 9 - Financial Instruments,* which permits the use of lifetime expected credit losses. To measure the expected credit losses, the Group considers historic, current and forward looking information to the type of debtor and the days since resident departure. There are no overdue debtors considered impaired that have not been provided for.

5.4 Trade and other payables

$000	**30 June 2021**	30 June 2020
Trade creditors	**6,002**	4,142
Sundry creditors and accruals	**37,932**	28,606
Revenue in advance	**4,435**	4,320
Employee entitlements	**7,362**	7,670
Total trade and other payables	**55,731**	44,738

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

▶ Recognition and measurement

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that a future outflow of cash or other benefit will be required and a reliable estimate can be made of the amount of the obligation.

5.5 Financial instruments

NZ IFRS 9 - Financial Instruments established 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 assets. The Group holds the following categories of financial instruments:

- Financial assets at amortised cost - financial assets comprising cash and cash equivalents, and trade receivables and other assets (excluding prepayments).
- Financial liabilities at amortised cost - financial liabilities comprising trade and other payables (excluding employee entitlements), interest bearing liabilities and refundable ORA.
- Financial liabilities at fair value through profit or loss - financial liabilities comprising interest rate swaps.

5.6 Financial risk management

The Group is exposed to a variety of financial risks: market risk (including interest rate risk), credit risk, liquidity risk, and capital 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 covering overall risk management and treasury and financial markets risks.

5 OTHER DISCLOSURES (continued)

5.6 Financial risk management (continued)

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.

5.6.1 Market risk (cashflow and fair value interest rate risk)

Nature of 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.

Risk management

The cash flow and 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.

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 or loss. In these hedge relationships, ineffectiveness may arise due to changes in the counterparty and the Company's own credit risk on the fair value of the derivatives, and differences in critical terms between the swaps and the bank loans. 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 2021, the Group has interest rate swap agreements in place which are used to cover a portion 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.

The following table sets out key metrics in relation to the Group's interest rate swaps at balance date.

$000	**30 June 2021**	30 June 2020
Notional value of interest rate swap agreements	**90,000**	105,000
Outstanding bank loan principal covered by swap agreements	**35%**	52%
Average contracted fixed interest rate	**2.13%**	2.17%

Derivatives in hedging relationships are designated based on a hedge ratio of 1:1. The hedge ratio is based on the interest rate swap notional amount to hedge the same notional amount of bank loans.

5 OTHER DISCLOSURES (continued)

5.6 Financial risk management (continued)

5.6.1 Market risk (continued)

The notional values of the interest rate swaps outstanding at balance date and their maturities are:

$000	**30 June 2021**	30 June 2020
Less than one year	**-**	15,000
Between one and two years	**20,000**	-
Between two and seven years	**70,000**	90,000
Total interest rate swaps	**90,000**	105,000

Net fair value losses of $0.2m relating to the effective portion of cash flow hedges were recognised in other comprehensive income (2020: $0.1m), with the corresponding liability of $1.9m recognised in the Balance Sheet as at 30 June 2021 (2020: net liability of $1.7m). The value reclassified from the hedging reserve to profit or loss was nil.

Interest rate sensitivity

At 30 June 2021, it is estimated that a general increase of half a percentage point in interest rates would reduce the Group's profits after tax (before any capitalisation) and equity by approximately $1.2m (2020: half a percentage point $1.1m). The above numbers deduct the tax effect of 28%.

5.6.2 Credit risk

Nature of risk

Credit rate risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

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.

Risk management

Cash and cash equivalents - The Group's cash and cash equivalents are deposited with one of the major trading banks. Non performance of obligations is not expected due to the Standard & Poor's AA- credit rating of the counterparty considered.

Derivative financial instruments - 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.

Trade receivables - 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. Assessment of any provision required for the impairment of trade receivables is detailed in *Note 5.3 - Trade and other receivables.* No collateral is held with respect to any financial assets.

Concentrations of credit risk

The Group's trade receivables represents 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. As New Zealand Government entities, none of these entities are considered a credit risk. The values attached to each financial asset in the balance sheet represent the maximum credit risk.

5 OTHER DISCLOSURES (continued)

5.6 Financial risk management (continued)

5.6.3 Liquidity risk

Nature of risk

Liquidity risk is the risk that the Group may not be able to meet it's financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Risk management

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. Cash proceeds from the sale of units and apartments that are funded from the Development Facility are repaid against the Development Facility, otherwise surplus cash held by the operating entities is used to repay debt in the Working Capital and Revolving Core Facilities.

As part of the Group's treasury activities and liquidity management, all wholly-owned subsidiaries interact through intercompany accounts with Metlifecare on a daily basis. This encompasses receipts from residents, payments to suppliers, and receipts and payments to residents under ORA.

Maturity profile of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the earliest possible maturity date at balance date. The amounts are contractual undiscounted cash flows, which includes interest through to maturity and assumes all other variables remain constant.

$000	Consolidated Balance sheet value	Contracted cashflows (principal and interest) Less than 1 year	Later than 1 year	Total
30 June 2021				
Derivative financial instruments	**1,913**	**1,020**	**2,080**	**3,100**
Lease liabilities	**1,209**	**641**	**855**	**1,496**
Trade and other payables	**48,369**	**48,369**	**-**	**48,369**
Retail bond	**100,000**	**2,718**	**111,565**	**114,283**
Bank loans	**260,455**	**6,971**	**283,843**	**290,814**
Refundable occupation right agreements	**1,671,889**	**187,091**	**1,484,798**	**1,671,889**
Total	**2,083,835**	**246,810**	**1,883,141**	**2,129,951**

$000	Consolidated Balance sheet value	Contracted cashflows (principal and interest) Less than 1 year	Later than 1 year	Total
30 June 2020				
Derivative financial instruments	3,166	1,145	1,886	3,031
Lease liabilities	1,665	617	1,439	2,056
Trade and other payables	37,068	37,068	-	37,068
Retail bond	100,000	2,782	114,619	117,401
Bank loans	202,343	5,738	209,407	215,145
Refundable occupation right agreements	1,553,410	137,337	1,416,073	1,553,410
Total	1,897,652	184,687	1,743,424	1,928,111

5 OTHER DISCLOSURES (continued)

5.6 Financial risk management (continued)

5.6.3 Liquidity risk (continued)

Bank loans drawn under the committed bank facilities are typically drawn down for fixed periods of one month and renewed at the conclusion of each fixed period.

The refundable ORA is repayable to the resident on vacation of the unit or serviced apartment or on termination of the ORA, subject to a new ORA for the unit or serviced apartment being issued to an incoming resident. In determining the fair value of the Group's investment properties, CBRE estimate the stabilised occupancy period for residents. Based on these turnover calculations, the expected maturity of the total refundable obligation to refund residents is shown in *Note 3.3 - Refundable occupancy right agreements.*

5.6.4 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.

5.7 Related parties

5.7.1 Key management personnel compensation

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.

$000	**30 June 2021**	30 June 2020
Salaries and other short-term employee benefits	**4,710**	4,186
Senior executive long term share plan	**1,264**	810
Termination benefits	**1,620**	-
Total	**7,594**	4,996

Directors are remunerated through directors' fees and expenses. Refer to *Note 2.2 - Expenses.*

5.7.2 Joint venture transactions and balances

During the year ended 30 June 2021, the Company and the joint venture company, Metlifecare Palmerston North Limited (PAN), undertook the following transactions and had the following closing balances:

$000	**30 June 2021**	30 June 2020
Transactions		
Management fees charged by Metlifecare to PAN	**158**	175
Repayment of advances by PAN to Metlifecare	**46**	100
Balances		
Advances due by PAN to Metlifecare	**101**	146

5 OTHER DISCLOSURES (continued)

5.7 Related parties (continued)

Management fees charged by Metlifecare to PAN are agreed in advance under the terms of the Joint Venture Agreement at a fixed level that can be amended from time to time with consent of the joint venture partners.

Advances due from PAN are interest-free and 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.

5.8 Commitments

$000	**30 June 2021**	30 June 2020
Capital commitments		
Estimated commitments to develop and construct certain sites	**222,898**	75,074
Total commitments	**222,898**	75,074

5.9 Subsequent events

COVID-19

Following the announcement of a positive case of COVID-19 in the community, New Zealand entered a Government-directed 'Alert Level 4' lockdown at 11.59pm on 17 August 2021. The final length of the lockdown is still to be determined and will be based on the extent of any transmission of the disease in the community.

At the time of issuing these financial statements the country remained at Alert Level 4.

The Company's primary focus in responding to the lockdown is the protection and safety of both our residents and staff. Access restrictions are in place at all our villages and additional measures to support our residents and staff have been employed.

The Government-mandated lockdowns will place restrictions on the operation of the Company's villages and care homes, specifically the movement of residents and staff including the ability of new residents to enter villages. This has had no impact on the Company's financial statements for the year ended 30 June 2021 at the time of issuing these financial statements.

Land acquisitions

On 2 July 2021, Metlifecare's agreement with a third party to acquire land in Havelock North for future development went unconditional. Final settlement of this acquisition is expected in December 2021. Deposits totalling $0.8m were made in the year ended 30 June 2021 (Refer to *Note 5.3 - Trade receivables and other assets).*

On 18 August 2021, Metlifecare's agreement with a third party to acquire land in South Auckland for future development for $21.8m went unconditional. Final settlement of this acquisition is expected in September 2021.

Independent auditor's report

To the shareholder of Metlifecare Limited

Our opinion

In our opinion, the accompanying consolidated 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 2021, 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).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 30 June 2021;
- 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 consolidated financial statements, which include significant accounting policies and other explanatory information.

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 consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for 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 services and retirement sector research and training services. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

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

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T: +64 9 355 8000, pwc.co.nz

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of investment properties and care homes The Group's retirement village portfolio, as disclosed in notes 3.1, 3.2 and 3.4 of the consolidated financial statements, includes investment properties of $4.0 billion and care homes (encompassing freehold land and buildings) of $52.9 million and represents the majority of the assets held by the Group as at 30 June 2021. 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 less any impairment. The valuation of the Group's retirement village portfolio is inherently subjective due to, amongst other factors, inputs into the valuations that are unobservable, through available market information and also considers the individual characteristics of each village, its location, its resident profile and the expected future cash flows for that particular village. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement, is why we have given specific audit focus and attention to this area. The valuations were performed by independent third party, registered valuer, CBRE Limited (the Valuer). The Valuer engaged by the Group is a well known firm, with experience in the sector in which the Group operates. As discussed in the notes to the financial statements, the 'material valuation uncertainty' clause has been removed from all of the independent valuations as of 30 June 2021. However, the valuation refers to market uncertainty, which means there is a degree of uncertainty than would otherwise be the case.	The valuation of investment properties and care homes is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. We held discussions with management to understand the movements in the Group's investment properties and care homes portfolios, changes in the condition of each property, the controls in place over the valuation process, and the ongoing impact that COVID-19 has had on the Group's portfolios. In assessing the investment properties and care homes valuations, we read the valuation report for all properties. We also held separate discussions with the Valuer in order to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included key assumptions such as the capitalisation rate, discount rate, market rental, rental growth rate, terminal yield and proforma earnings, where applicable. We also sought to understand and consider restrictions imposed on the valuation process (if any) and the market conditions at the balance date. We assessed the Valuer's qualifications, expertise and their objectivity and we found no evidence to suggest that the objectivity of the Valuer, in their performance of the valuations, was compromised. We confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the fair value of investment properties and care homes at 30 June 2021. We carried out procedures, on a sample basis, to test whether specific information supplied to the Valuer by the Group reflected the underlying records held by the Group.

Description of the key audit matter	How our audit addressed the key audit matter
In determining a valuation, the Valuer took into account property specific information such as current unit pricing, current and anticipated residential property growth rates and discount rates for investment properties, and capitalisation rates and proforma earnings for care homes. The Valuer then applied these assumptions in conjunction with available market data and transactions, to arrive at a range of valuation outcomes, from which a point estimate was derived. Due to the unique nature of each property, the assumptions applied took into consideration the individual property characteristics at a resident level, as well as the qualities of the property as a whole, including estimates for forecast remediation works.	We have reviewed the estimated cost of remediation works by assessing the reasonableness of calculations and assumptions used through corroborating the relevant information with third party assessments commissioned by management, where applicable. 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 2021 through review of quantity surveyor reports. We engaged our own in-house valuation specialist to critique and independently assess the work performed and assumptions used by the Valuer on a sample basis. In particular, we compared the assumptions used by the Valuer to our in-house valuation specialist's knowledge gained from reviewing valuations of similar properties, known transactions and market data. We considered whether or not there was a bias in determining significant assumptions in individual valuations and found no evidence of bias. It was evident from our discussions with management and the Valuer, and from our review of the valuation report that close attention had been paid to each village's individual characteristics and its overall quality, geographic location and desirability as a whole. We considered the appropriateness of disclosures made in the financial statements.

Our audit approach

Overview

Overall group materiality: $2,870,000, which represents approximately 2% of total operating revenue.

We chose total operating revenue as the 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 performed a full scope audit over the consolidated financial information of the Group.

As reported above, we have one key audit matter, being valuation of investment properties and care homes.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated 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 consolidated financial statements as a whole.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the consolidated financial statements

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

In preparing the consolidated 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 consolidated financial statements

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

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

https://www.xrb.govt.nz/assurance-standards/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 shareholder. 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 shareholder, 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 Samuel Shuttleworth.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
20 August 2021

Auckland

Statutory Information

NZX Waivers and Powers

- No waivers were granted by the NZX in favour of the Company, or relied on, in the 12 month period to 30 June 2021.
- There has been no public exercise of NZX's powers set out in NZX Listing Rule 9.9.3.

Reporting Concessions

The shareholder of the Company has agreed to apply the reporting concessions available under section 211(3) of the Companies Act 1993. Accordingly, there is no information required to be included in the Annual Report under the Companies Act 1993 other than the financial statements for the year ended 30 June 2021 and the Independent Auditor's Report on those financial statements, which are enclosed.

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.

BONDHOLDER INFORMATION

Twenty Largest Bondholders (as at 20 July 2021)

REGISTERED BONDHOLDER		NUMBER OF BONDS	% BONDS
1	Forsyth Barr Custodians Limited <1-Custody>	22,673,000	22.67
2	TEA Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	12,499,000	12.50
3	FNZ Custodians Limited	10,420,000	10.42
4	Custodial Services Limited <A/C 4>	8,645,000	8.65
5	Hobson Wealth Custodian Limited <Resident Cash Account>	7,626,000	7.63
6	Generate Kiwisaver Public Trust Nominees Limited <NZCSD> <NZPT44>	7,490,000	7.49
7	Custodial Services Limited <A/C 2>	4,604,000	4.60
8	Custodial Services Limited <A/C 3>	3,911,000	3.91
9	BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	2,118,000	2.12
10	Custodial Services Limited <A/C 18>	1,835,000	1.84
11	Custodial Services Limited <A/C 1>	1,771,000	1.77
12	Investment Custodial Services Limited <A/C C>	1,294,000	1.29
13	Forsyth Barr Custodians Limited <Account 1 E>	1,278,000	1.28
14	Custodial Services Limited <A/C 16>	1,000,000	1.00
15	JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct - NZCSD <CHAM24>	884,000	0.88
16	Dunedin Diocesan Trust Board <Income Fund>	550,000	0.55
17	Social Service Council of The Diocese of Christchurch	460,000	0.46
18	FNZ Custodians Limited <DTA Non Resident A/C>	373,000	0.37
19	Carlton Cornwall Bowls Incorporated	320,000	0.32
20	Custodial Services Limited <A/C 6>	255,000	0.26
TOTAL		**90,006,000**	**90.01**

Spread of Bondholders (as at 20 July 2021)

SIZE OF HOLDINGS	NUMBER OF BONDHOLDERS	%	NUMBER OF BONDS HELD	%
1 – 5,000*	31	9.63	155,000	0.16
5,001 – 10,000	68	21.12	655,000	0.66
10,001 - 100,000	187	58.07	6,208,000	6.21
100,001 and over	36	11.18	92,982,000	92.98
Total	**322**	**100**	**100,000,000**	**100**

** Note there is a minimum holding requirement of 5,000.*

Directors' Bond Dealings

No directors had relevant interests in the bonds issued by the Company as at 30 June 2021.

DIRECTORY

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Newmarket, Auckland 1023
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Parnell, Auckland 1151
Telephone: 09 539 8000
Facsimile: 09 539 8001
www.metlifecare.co.nz

BOND 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: +64 9 488 8700
enquiry@computershare.co.nz
www.investorcentre.com/nz

Lawyers
Bell Gully
Level 21 Vero Centre
48 Shortland Street, Auckland
Postal Address: PO Box 4199, Auckland 1140

Auditor
PricewaterhouseCoopers
Level 27 PwC Tower
15 Customs Street West, Auckland 1010

Bankers
ANZ Bank New Zealand Limited
Bank of New Zealand
ASB Bank Limited
Westpac New Zealand Limited

Stock Exchange Listings
NZX Debt Market

Metlifecare Edgewater Village, artist impression

Metlifecare

The Avenues
Cnr Tenth Avenue,
& Devonport Road, Tauranga
Ph 07 571 0400

Bayswater
60 Maranui Street, Mt Maunganui
Ph 07 547 4047

Coastal Villas
Spencer Russell Drive,
Paraparaumu
Ph 04 296 6333

Crestwood
38 Golf Road,
New Lynn, Auckland
Ph 09 826 2000

Dannemora Gardens
30 Matarangi Road,
Botany Downs, Auckland
Ph 09 272 2467

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 0800 005 877

Hibiscus Coast Village
101 Red Beach Road,
Red Beach, Auckland
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

Pohutukawa Landing
1 Seventh View Avenue,
Beachlands, Auckland
Ph 0800 600 701

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