

Annual Report 2022

metlifecare



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About this report

Welcome to the 2022 Annual Report, which documents the financial and operating performance of Metlifecare Limited (Metlifecare) for the year to 30 June 2022.

In this report we have focused on what we believe matters most to our stakeholders and business. We provide a clear view of our company, and show how we are sustainably delivering against our strategic priorities of:

- increasing our landbank to support a consistent development pipeline
- growing our village portfolio across New Zealand
- expanding our high-quality aged care offering across the group and
- investing in our villages and designing for today's lifestyles.

This Annual Report is signed for and on behalf of Metlifecare by:

Paul McClintock
CHAIR




31 August 2022

Murray Jordan
DIRECTOR



31 August 2022



Our goal is to make
every day better

Edgewater Village team:
Norman Matayabas, Len
Smith, Reddy Dondeti,
Nadee Dharmawardhana
and Kaileigh Rhodes.

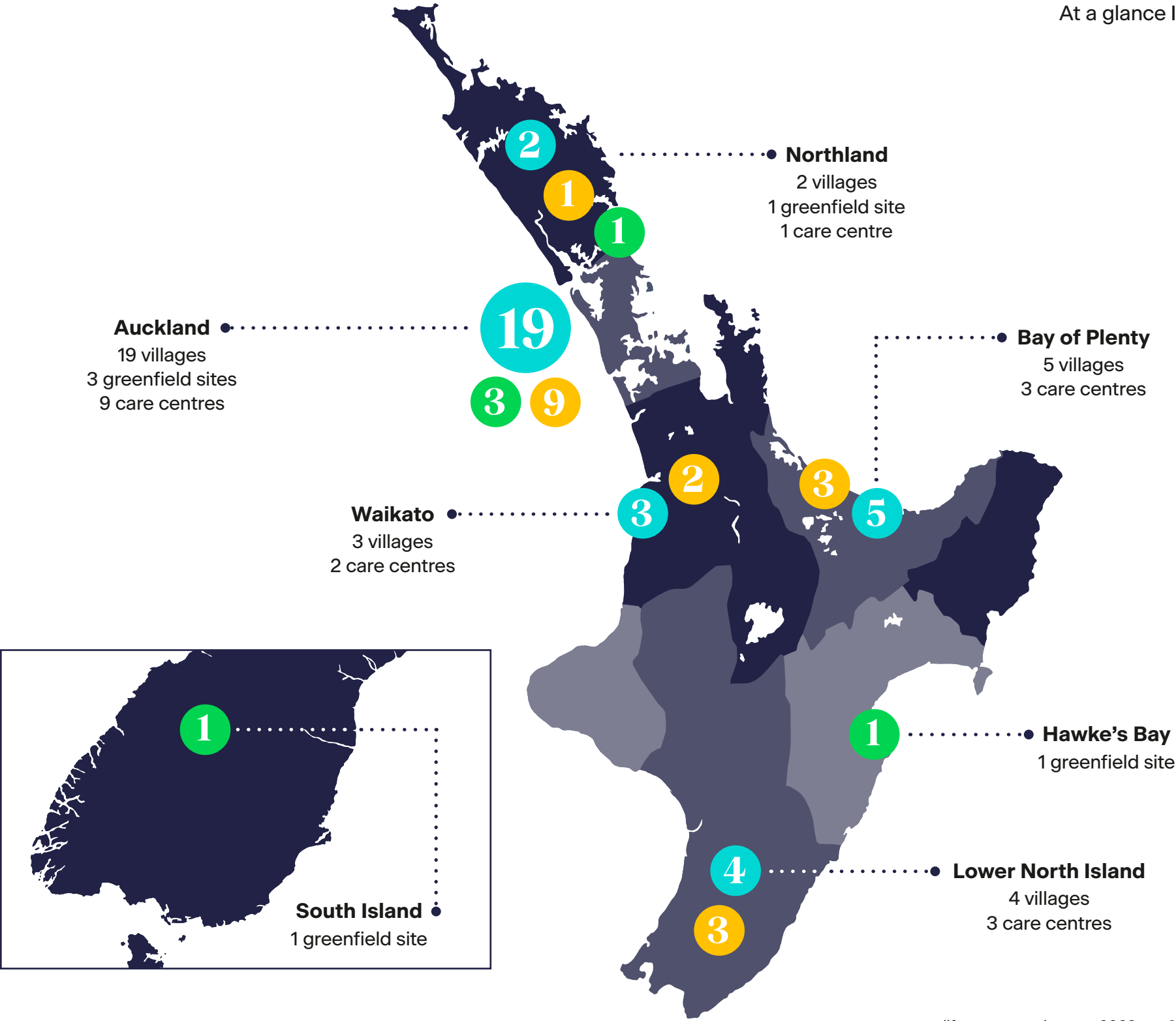
At a glance

At Metlifecare, we're in the business of providing retirement communities in which people are empowered to be the very best version of themselves. Since 1984 we have been a leader in New Zealand in the development and management of vibrant social communities for older people. The care, comfort, happiness and wellbeing of people is at the heart of what we do and why we do it.



¹ Greenfield site: Undeveloped land, acquired for future development potential.

² Landbank: Total number of units and care beds planned for development across greenfield sites, development and regeneration villages.



Highlights FY22



July
Metlifecare villages hold NZ's Biggest Happy Hour event to celebrate friendship

September
Greenwood Park Village resident-led environmental sustainability group established

Site blessing for new 43-villa development at Palmerston North Village (JV PN Māori Reverse Trust)



February
Dawn blessing for new dementia community at Parkside Village, Hillsborough

Support Office staff cover over 100 front line shifts to help manage the Omicron wave impact



April
Whenuapai and Wānaka sites purchased

Edgewater care centre opens

Te Wai o-Manu Reserve regeneration and restoration partnership commenced

June
First residents welcomed to Fairway Gardens, Botany

Gulf Rise care home awarded 6 Green Star 'Design & As Built NZv1.0 Certified Design Review' rating



August
Havelock North and Clevedon sites purchased

Metlifecare receives Canstar Blue's 'NZ's favourite retirement villages' Award

October
MET010 bond converted to sustainable bond

November
Purchase of Pukekohe site



December
Mangawhai site purchased

Sustainability-linked loan refinancing completed (NZ \$1.25b)

Sam Halpin, from the Strategic Sourcing Team, wins Young Procurement Executive of the year, at the NZ Procurement Excellence Forum

March
Metlifecare is part of a nine village Rapid PCR staff trial with NZ company Ubiquitome

New Metlifecare brand and values launched



May
Longford Park Village World of Wearable Art (WOW) fashion show on TV

Resident-led sustainability initiatives begin in five villages

Chair & Chief Executive Officer report



Paul McClintock
CHAIRMAN

Welcome to this year's Annual Report, where we are excited to report that the bold transformation of Metlifecare is now well under way.

Last year we developed our Full Potential Plan (FPP), which aimed to build on Metlifecare's strong base as one of New Zealand's leading retirement village operators and set out a strategic roadmap for significant transformational growth. Over the past year, we have laid the foundations for change, resourced our teams and commenced executing the plan. We are now moving at considerable pace and achieving a number of early wins.

Metlifecare is already a very different business to what our owners, acquired in November 2020. We now have a significantly larger portfolio of retirement and aged care villages and a comprehensive development pipeline, driving our trajectory to future growth across more geographical locations. With the opening of new village stages and aged care centres, the purchase of new greenfield sites and the acquisition of six fully operating villages plus a commercial laundry from The Selwyn Foundation,

we are well placed to deliver on our aspirations. In addition we have our premium aged-care strategy underway, New Zealand's largest ever sustainability-linked loan in place and are advancing a bold digital transformation project.

All this has been achieved in an environment of ongoing disruption caused by COVID-19, a challenging labour market and increasing economic headwinds – and, while maintaining industry-leading resident satisfaction and doubling our employee net promoter score. It has been quite a year, and we are firmly on our way to deliver our FPP.

We are proud of how our 1,700 employees have embraced our new vision and values which keep residents at the heart of everything we do. The way the team has worked together over the past year has been exceptional and our residents could not be in better hands.

Financial overview

Metlifecare delivered a solid financial performance for the year despite challenges from the economic impacts of COVID-19.

While the residential property market softened through the year,

continued strong demand for retirement living drove an increase in the average unit sales price for the period. Demand drivers for retirement living remain strong overall, as New Zealand's older population continues to grow.

Total assets have increased significantly by \$889 million to reach \$5.0 billion, largely driven by the Selwyn acquisition and the completion of 199 new independent living units or care beds. While debt has risen by \$384.8 million to \$742.6 million, reflecting increased momentum in building the development pipeline, developing new units and villages and the Selwyn acquisition, the balance sheet remains robust with gearing (debt to valuation) of 28%. Net assets have increased to \$2.1 billion, up 13% on FY21.

Net profit after tax was \$78.7 million. The decrease from the

prior year (\$304.4m) was largely driven by lower fair value movement partially due to the moderation of key assumptions in the valuation of the Company's investment property portfolio, and higher operating expenses as we increased the pace of investment for growth and absorbed inflationary cost pressures.

In December last year, Metlifecare issued New Zealand's largest ever Sustainability Linked Loan, becoming the first operator in New Zealand and Australia to be fully funded by sustainable financing. The loan followed the conversion of Metlifecare's existing NZX-listed bond (MET010) to a Sustainability Bond and has increased Metlifecare's bank debt financing flexibility and capacity to \$1.25 billion. Our financing costs are tied to key sustainability goals which reinforces Metlifecare's commitment to becoming an industry leader in sustainability.



Earl Gasparich
CHIEF EXECUTIVE OFFICER

We are proud of how our 1,700 employees have embraced our new vision and values which keep residents at the heart of everything we do.

Creating future stakeholder value

In FY21, supported by EQT, we undertook a comprehensive exercise to create the FPP. The FPP provides a clear picture of Metlifecare's future roadmap - a strategic vision of what can be achieved with a well-articulated plan, investment and a common set of goals across the organisation.

In summary, the FPP focuses on how we will invest capital and resources to enable Metlifecare to capture future retirement living and aged care opportunities, as New Zealand's older aged population continues to grow.

The FPP is underpinned by our vision, values and shared purpose, which is based on our people being at the heart of everything we do. It is further supported by key success enablers of people, innovation, technology and partnerships, and our principles of long-term sustainable value creation.

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Progress against the Full Potential Plan

The FPP focuses on four key pillars to drive growth and we have made pleasing progress in each of these areas over the past year. This progress is described in greater detail on pages 11-18.

Our landbank has grown by 30% to over 3,100 units, with the purchase of six premium greenfield sites in the last 12 months. These new sites, together with the acquisition of six villages from The Selwyn Foundation, has significantly expanded our geographic footprint across New Zealand.

Our village and care portfolio has grown by 18%, driven by a sizeable uplift in development delivery, in addition to the six new Selwyn villages. We completed the development of 199 residential units or care beds during the year (up from 32 last year and 81 in the year prior) and are currently on track to deliver another step-up in our build rate next year.

Our aged care offering continues to be enhanced. We are providing more high acuity and hospital-level care, opening two new aged care facilities in existing villages. In the past year, our aged care offering has increased from 9% of Metlifecare's portfolio to 14%, and our aim is to increase this substantially in the next few years through the execution of our premium aged care strategy. The strategy

encompasses new aged care design principles, the conversion of Serviced Apartments into fully certified residential aged care, and the regeneration of some of our villages to enable premium aged care to be introduced and a true continuum of care offered to our residents.

Village modernisation is progressing solidly, with a number of major village amenity refurbishment projects underway and a best-in-class independent living unit refurbishment programme. We were pleased to complete the three-year regeneration of Edgewater Village in April and see our residents enjoying their new, upgraded amenities and surroundings, along with the new aged care centre.

We are also investing significantly in our administrative and back-office processes. These are being streamlined and supported by new digital technology, which will not only improve the ability of our people to do their jobs, but also provide a platform for future innovative digital services for our residents.

Most importantly, we are improving our resident experience. Resident satisfaction scores have remained consistently high, and our strong net promoter scores reflect the willingness of our residents to recommend our villages and care to other people.

Acquisitions

While organic growth will always be our priority, we will selectively explore acquisitions that can both accelerate key strategic goals and add value to our business.

In the last 12 months, we acquired six villages and a commercial laundry from The Selwyn Foundation, a charitable organisation focused on improving the lives of the older population. Spanning the North Island from Whangarei to Wellington, the new Selwyn villages and care homes have provided geographic diversity and have strengthened Metlifecare's aged care offering, as well as having exciting brownfield development potential for the future.

Thanks to the enormous efforts of the teams at Metlifecare and the Selwyn Villages, the integration of the villages into the Metlifecare family has been achieved smoothly and with minimal disruption to village life for residents and families.

Since the FY22 balance date, we have also conditionally acquired two villages in Christchurch, Merivale Retirement Village and The Village Palms. This latest acquisition will see Metlifecare return to operating villages in the South Island and reinforces our growth strategy with another expansion of our geographical footprint, an increase in our aged care offering and site landbank development potential.

Sustainability

We are already establishing our mark on New Zealand's sustainability record with a strong commitment to driving sustainability across the business and aspiration to become a leader of sustainability innovation in our industry.

Over the past year, we have re-engaged with our stakeholders to understand what is really important to them and these findings have guided our new sustainability strategy and framework. Many of these stakeholders – such as employees, residents and partners – are critical to successfully delivering our sustainability goals, and it is wonderful to see and support their passion, drive and commitment.

We also completed a key piece of work during the year, gathering and analysing historic performance data in our key sustainability improvement areas. This data now provides a reliable

baseline against which we can track and report progress.

We have key initiatives underway which are aligned to both our FPP and our sustainability-linked loan goals. Further information about these initiatives is provided in the Sustainability section on pages 19 to 31. These include the bold targets of becoming a signatory to the Science-Based Targets Initiative (SBTi), beginning construction of our new 6 Green Star aged care facilities, delivering new dementia care centres and progressively achieving Alzheimers New Zealand's "dementia friendly" certification in our villages. We look forward to reporting strong and ongoing progress against these initiatives in the years to come.

People

In the past year, we have worked hard to foster shared ownership of our vision and goals across the business. It has been heartening to see how these have been embraced and we are proud that, despite the many external challenges of the past year, our employee net promoter score (eNPS) is now double that of a year ago.

We have invested significantly in building our internal capability, particularly in areas critical to our transformation such as property development and management, digital transformation and operational excellence. We also remain focused and passionate about developing strong career pathways to attract and retain quality people in critical skill areas such as nursing, caregiving and hospitality.



Left
New company values,
launched March 2022.

We have considerably strengthened our leadership diversity and capability, welcoming a number of new executive leaders and senior managers into the business. We are proud of our outstanding team of leaders who have deep industry expertise and are highly regarded in their respective fields.

Governance

After approximately 18 months together, the Board is operating as a strong and cohesive team. Its key focus has been to provide management with the oversight and support required to execute on the FPP and the sustainability programme, while ensuring risk is being appropriately managed.

Board subcommittees were established during the year, in the key areas of Audit and Risk, Development, People and Culture, and Clinical. The subcommittees provide specialist assistance with the governance and oversight of strategic projects and initiatives in their respective areas.

Looking ahead

We are incredibly proud of the progress we have made to date against our FPP and our sustainability goals and are confident of achieving further success in the year ahead. While we expect the economic environment to remain challenging, we believe that strong market fundamentals from an aging

population and increasing requirement for needs-based support will ensure demand remains robust.

Having significantly strengthened our development pipeline and capability, our focus now shifts to increasing the pace and consistency of our development execution. We will also continue to enhance and grow our aged care offering, including the construction of our first new 6 Green Star care home at Gulf Rise and progress towards company-wide dementia friendly accreditation.

We are fortunate to have a highly engaged and resilient team and will continue investing in their development and growth, as well as remaining focused on attracting new talent.

The completion of Horizon 1 of our digital transformation will be a milestone this coming year. New digital infrastructure and a range of new operating platforms will enable us to move from manual to digital processes, improve our efficiency and allow our employees to spend more quality time with residents.

Underpinning this progress will be our commitment to driving strong sustainability outcomes. We look forward to becoming the first in our industry to join the Science-Based Targets Initiative, reducing our carbon emissions through our various initiatives, and achieving our key sustainability-linked loan targets in aged and dementia care.

All in all, the foundations are now in place for an exciting and successful year ahead.

Leadership – Board



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 and Icon Group. Mr McClintock has chaired a number of healthcare related companies including I-MED Radiology, Medibank, Symbion Health, Affinity Health, Sydney Health Partners, Woolcock Institute for Respiratory Medicine and has been a director of Central Sydney Area Health.



Dr Jonathan Coleman
DIRECTOR

Dr Jonathan Coleman is a qualified medical practitioner and company director. 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 in Government including Health. He has worked as CEO of a large private healthcare provider and has been a director on the boards of Evolution Healthcare (formerly Acurity Health Group), and North Harbour Rugby.



Murray Jordan
DIRECTOR

Murray Jordan is currently a director of Chorus, Metcash, 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-liga
DIRECTOR

Ken Lotu-liga 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. Ken is also on the Board of Trustees for the Cancer Society and Auckland Grammar School.



Maggie Owens
DIRECTOR

Maggie Owens is a Chartered Member of the Institute of Directors and was most recently an Operational Director for Bupa New Zealand, one of the country’s largest operators of retirement living and aged care services. 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 and began her career as a Registered Nurse.



Ken Wong
DIRECTOR

Ken Wong is a Partner and Head of Asia Pacific, Infrastructure at EQT. Ken has experience in infrastructure and private equity investments in the healthcare, technology, media, telecommunications and consumer sectors. Ken holds a Bachelor of Commerce (Honours) from The University of Melbourne.

Senior Executive Team

For full Executive Team profiles visit metlifecare.co.nz/investor-centre



David Martin

**GENERAL MANAGER
SALES & MARKETING**

David brings strong brand, marketing and sales expertise from 20 years in the property sector. Prior to Metlifecare he held senior sales and marketing roles for Harcourts International and Todd Property Group. At Metlifecare David has led the company rebrand and development of new company values.

Anna Lissaman

**GENERAL MANAGER
PEOPLE**

Anna brings significant people and culture leadership expertise, having led organisation cultural transformation and growth across a range of companies, including House of Travel and TVNZ. She has been a Future Director at Mercury Energy and is currently a member of the Neurological Foundation Council.

Mark Stockton

**GENERAL MANAGER
PROPERTY**

Mark brings over 38 years of construction and development experience. He was formerly Group General Manager Property and Development at Oceania Healthcare and before that worked on large UK construction projects. Mark is a Licensed Building Practitioner and a member of the UK Chartered Institute of Building and the NZ Institute of Building.

Hannah Walton

**GENERAL MANAGER
OPERATIONS**

Hannah leads the Operations, Technology and Sustainability teams, having brought significant technology investment, product and operational leadership experience from a number of general management roles at Spark NZ. Hannah is also on the Board of Equestrian Sports New Zealand where she chairs the Audit, Finance and Risk subcommittee.

Earl Gasparich

**CHIEF EXECUTIVE
OFFICER**

Earl has a long history of leadership and governance in retirement villages and aged care. Appointed in June 2021, he previously led Oceania Healthcare for seven years and before that was CFO of Qualcare. Earl is on the Executive Committee of the Retirement Village Association (RVA) and is an active member of the New Zealand Aged Care Association.

Tanya Bish

**CLINICAL NURSE
DIRECTOR**

Tanya is a registered nurse with over 20 years' experience working in aged care clinical, leadership and consulting roles. She holds a Clinical Masters in Health Sciences from the University of Auckland and has been actively involved in published research to reduce avoidable admissions to hospital from residential aged care facilities.

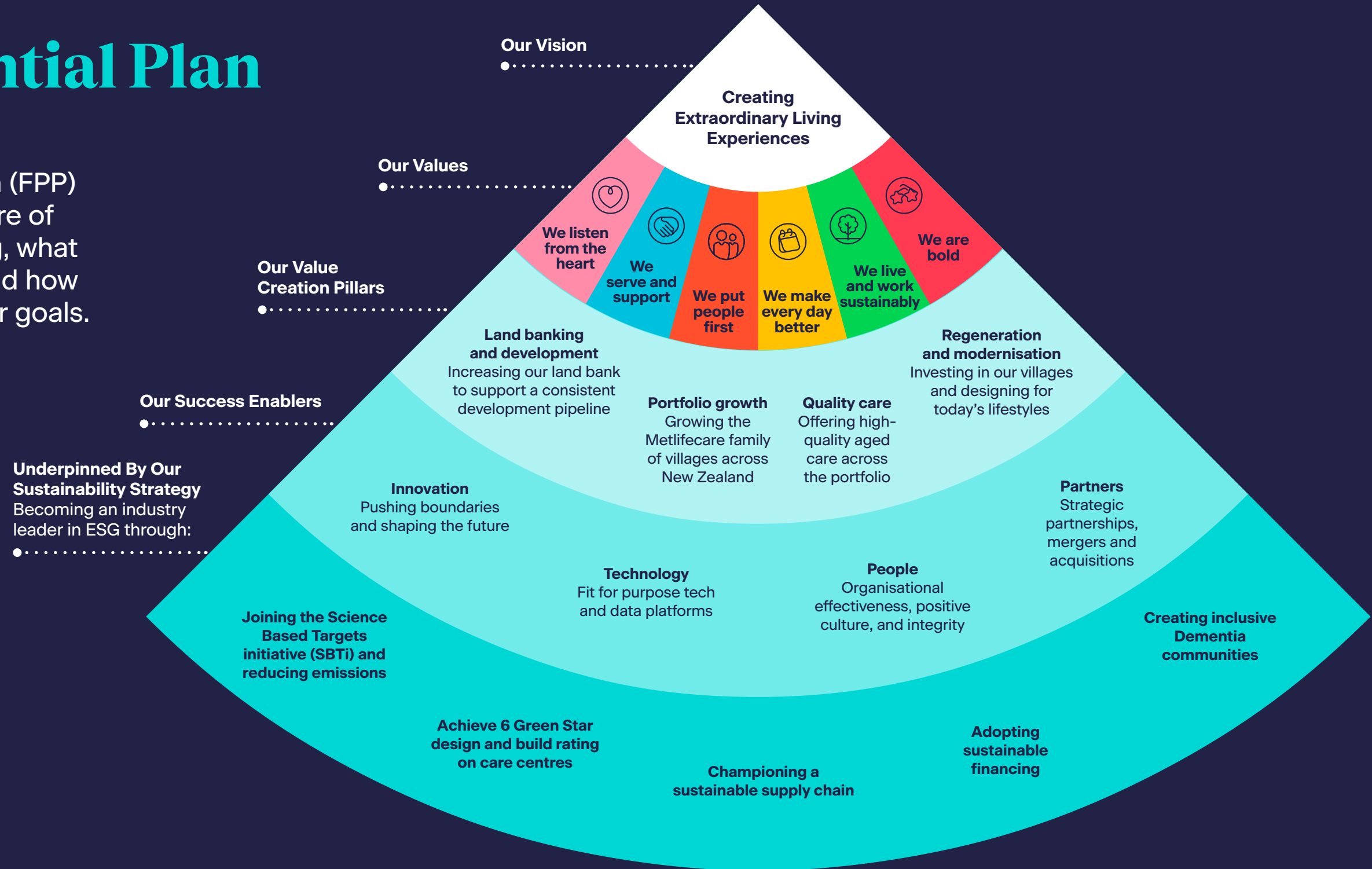
Jonathan Wilde

**CHIEF FINANCIAL
OFFICER**

Jonathan brings strategic, commercial, and financial expertise from over 15 years' experience in corporate finance and investment banking. Prior to Metlifecare, Jonathan worked at PwC, Macquarie and was a Managing Director at Craigs Investment Partners, where he advised on a number of transactions in the Retirement Village and Aged Care sectors.

Full Potential Plan

Our Full Potential Plan (FPP) provides a clear picture of where we are heading, what we are focused on, and how we plan to achieve our goals.



A strong development pipeline

During the year we purchased a number of premium greenfield sites for future development. These land acquisitions have expanded our geographic footprint and will ensure we have a thriving development pipeline long into the future.



Havelock North
SETTLED DECEMBER 2021.
PROPOSED 150 ILUs AND
A PREMIUM CARE CENTRE

A 4.69-hectare site where Metlifecare will build its first retirement village in the Hawkes Bay region. The site boasts stunning views of Te Mata Peak and is located near local amenities and wineries.



Clevedon
SETTLED SEPTEMBER 2021.
PROPOSED 130 ILUs, 60-BED
PREMIUM CARE CENTRE

A 20-hectare site in Clevedon district, southeast of Auckland. Clevedon is well-known for its boutique food and wine, arts and crafts and rich history, and we have worked extensively with locals to ensure this will be a village they are proud of.



Pukekohe
SETTLED JULY 2022.
PROPOSED 168 ILUs, 60-BED
PREMIUM CARE CENTRE
PLUS DEMENTIA COMMUNITY

An 8.6-hectare site in Pukekohe, approximately 50km south of Auckland. Pukekohe is well-known for its semi-rural charm, rich horticultural history, and growing population.



Mangawhai
SETTLED DECEMBER 2021.
PROPOSED 160 ILUs, 60-BED
PREMIUM CARE CENTRE

A premium 13-hectare site in the popular beachside town of Mangawhai, approximately 60km south of Whangarei. Mangawhai is well known for its relaxed coastal lifestyle, stunning surf beach and fast-growing population.



Whenuapai
SETTLED APRIL 2022.
PROPOSED 137 ILUs, 48-BED
PREMIUM CARE CENTRE

An 8.96-hectare site in Whenuapai, one of Auckland's fastest growing greenbelt areas. The unique site is located on a coastal peninsula at the edge of the Waitematā Harbour, with expansive sea views.



Wānaka
PENDING SETTLEMENT 2023.
142 ILUs AND A PREMIUM
CARE CENTRE

A 5.42-hectare site in Wānaka, a significant step forward to increasing the company's geographical footprint back into the South Island. The new village will be part of the Three Parks development at Lake Wānaka, with picture-perfect scenery and access to some of the best outdoor and alpine activities that New Zealand has to offer.

View our villages at [metlifecare.co.nz/our-retirement-villages](https://www.metlifecare.co.nz/our-retirement-villages)

Growing our family of villages

By the end of June 2022 Metlifecare's village portfolio had grown 18% over the year, to nearly 6,000 residential units and care beds. We welcomed six villages from The Selwyn Foundation into the family and achieved a sizeable uplift in our development delivery, completing 199 new residential units or care beds (up from 32 last year).

Our Selwyn villages

In March 2022, we welcomed six new villages, a commercial laundry - and more than 1,000 new residents and employees - into our group of retirement villages and aged care centres.

The new Selwyn villages and care centres have significantly increased Metlifecare's aged care offering, broadened our geographic reach across the North Island and also offer exciting future development opportunities.

The integration is now complete, and we are proud to have achieved this with minimal disruption to our residents and families.

VILLAGES UNDER DEVELOPMENT:



Orion Point, Hobsonville Point

OPENING FY23

On the edge of Waitematā Harbour and seamlessly integrated within the local neighbourhood, Orion Point provides a coastal sanctuary in one of Auckland's prime suburbs.

The first two stages comprise apartments, villas and a pavilion, all which provide easy access to a wonderful coastal walkway. When complete, the village will have a mix of 241 apartments and villas and a 40-bed care centre.



Fairway Gardens, Pakuranga Golf Club

OPENED FY22, 58 APARTMENTS
COMPLETED IN FY22

Located next to the picturesque Pakuranga Golf Course, Fairway Gardens is a golfer's dream. The village welcomed its first residents in June 2022, with the completion of

58 apartments in four low-rise buildings with sweeping golf course views. The Club House, which will provide communal areas and amenities, opens in early 2023. When complete, the village will have 215 apartments and a 40-bed care centre.



Pohutukawa Landing, Beachlands

OPENED FY21, 32 VILLAS AND
VILLAGE GREEN PAVILION
COMPLETED IN FY22

On the stunning Pohutukawa coast, southeast of Auckland, Pohutukawa Landing provides relaxed coastal

living. Residents will soon be able to enjoy their new amenity building The Anchorage, in addition to the Village Green Pavilion which opened in late 2021. When complete, the village will have a mix of 185 apartments and villas, and a 36-bed care centre.



Gulf Rise, Red Beach

OPENED FY19, 38 APARTMENTS
COMPLETED IN FY22

An award-winning coastal village on Auckland's Whangaparaoa Peninsula, Gulf Rise was the Winner of the 2020 NZ Architecture Awards, shortlisted for the same

awards in 2021 and shortlisted for the 2022 NZ Institute of Landscape Architects Awards (yet to be announced). The new care centre with construction commencing in 2022, has been awarded a 6 Green Star 'Design & As Built NZv1.0 Certified Design Review' rating by the New Zealand Green Building Council. When complete, Gulf Rise will have a mix of 235 apartments and villas, and 41 care suites plus a dementia community.



Edgewater Village, Pakuranga

VILLAGE REGENERATION, 47
APARTMENTS, A 24-BED CARE
CENTRE AND NEW AMENITIES
COMPLETED IN FY22

A well-established retirement village set on four acres of beautiful well-

maintained gardens in East Auckland, Edgewater Village has been reinvigorated and modernised with new amenities, apartments and a care centre. This has concluded a three-year regeneration project (see page 16).



Palmerston North Village, Palmerston North

MATURE VILLAGE

Set amongst well-established gardens and in the heart of the local community, Metlifecare co-owns the close-knit village in a joint venture with the Palmerston North Māori

Reserve Trust. Growing demand has provided an opportunity to expand the village with 43 new villas currently under construction, and stage one due for completion in November 2022.

View our villages at metlifecare.co.nz/our-retirement-villages

Quality aged care

We have developed a bold premium aged care strategy that will help us deliver a continuum of care to our residents and ensure we can offer both quality and choice to meet the needs of New Zealand’s aging population.

Our ambition

Metlifecare’s resident-led approach has always ensured high quality care outcomes and strong demand for our care centres. However, with care historically compromising a relatively small proportion of Metlifecare’s total portfolio, we have been limited in our ability to offer a genuine continuum of care in all villages.

This is now changing quickly as we execute our ambitious plan to grow the level of care to over 20% of our portfolio.

By providing aged care in our villages, we are meeting a growing need in our communities and this ambition is reflected in the goals and KPIs for our sustainability-linked-loan. These KPIs include a commitment to build six new care centres to 6 Green Star rating and increase our dementia care beds by six-fold in the next five years. We have also committed to ensuring that all our villages are certified as dementia friendly by Alzheimers New Zealand.



We have made solid progress in the first year of this multi-year journey, with the following milestones:

A 91% increase in care capacity, with the opening of our new Edgewater care centre in Pakuranga and the acquisition of six Selwyn villages. Our total level of care has grown to 842 beds (14% of our portfolio), including 67 dementia beds.

Our next care centre at Gulf Rise has been awarded the 6 Green Star ‘Design & As Built NZv1.0 Certified Design Review’ rating by the New Zealand Green Building Council, recognising the highest levels of comfort and efficiency in our new upcoming care centre.

We have identified the opportunity to convert Serviced Apartments at eight villages into premium care suites, providing fully certified aged residential care (including rest home, hospital and palliative care) and encompassing three villages where residents currently do not have an aged care offering on site. We have initiated plans at two existing villages that do not currently have aged care centres to regenerate existing buildings and in doing so introduce premium care suites – again, enabling residents to age

in place and enjoy a continuum of care offering in their villages.

We are planning new care centres at ten new greenfield villages over the next six years, which will reflect our premium care strategy and new aged care design principles. Together with our regeneration programme and serviced apartment conversions, this programme will add hundreds of new care suites to our portfolio in the years ahead.

Our new Parkside Village dementia community opened in June with capacity for 12 residents.

Our first Dementia Friendly certification audit was completed at The Avenues in June, with the independent auditors recommending dementia friendly status be awarded to the village¹. In this coming year, we will submit all of our villages for national accreditation, with the process expected to conclude in the near term.

Seven of our care centres received full Ministry of Health audits during the year, with more than half achieving the gold-standard four-year certification, and the others achieving three-year certification. All of Metlifecare’s established care centres have either three or four-year Ministry of Health certification, with 64% at four-year. These certifications reflect the consistently high quality of our clinical care offering.

¹The recommendation will be reviewed at the Alzheimers NZ Board meeting in September 2022

Unique modern villages

Village regeneration

Our village regeneration programme modernises our existing villages so that we continue to offer a premium lifestyle and, ideally, a continuum of care across our portfolio.

EDGEWATER VILLAGE

Edgewater's regeneration was completed in April 2022 with the opening of a modern new amenity complex which includes a hairdresser, café, gymnasium, swimming and spa pools. These facilities are complemented by beautifully designed landscaping and outdoor spaces to form the heart of the village, which, together with a new care centre and apartment building have transformed Edgewater Village.

SOMERVILLE VILLAGE

After a new 60-bed care centre was opened at Somerville Village in 2018, some old buildings (including the old care centre) were demolished to create space for new homes and community facilities. Stage 1 of Somerville's comprehensive regeneration programme is now underway. When complete it will deliver over 250 new independent living apartments plus a modern new amenity centre providing residents with multiple engagement areas, including a media room, activity lounge, café, bar, wellness centre, pool, gym, hobby room and a multi-purpose lawn space.



Above and right
Edgewater
communal area.

Far right
Refurbished unit
bathroom.



Homes that meet modern needs

We are committed to investing in a high standard of maintenance in our villages, to ensure that we can continue meeting the needs and lifestyle expectations of our residents.

Over the 12 months we refurbished 450 independent living units, representing approximately 9% of our stock. This is a noteworthy achievement given the significant disruptions caused by supply chain issues and COVID-19 lockdowns.

During the year, we introduced a new Metlifecare Healthy Home Standard for all refurbishments. This standard is aligned with the national Healthy Homes standards, and ensures that residents have a warm and dry home. Our homes are further modernised with the installation of LED lights and energy efficient appliances, to support our energy efficiency goals.

Our Healthy Home Standard includes:

- Installation of heat pumps in units to replace wall heaters
- Full insulation that will meet the minimum R-value
- Ventilation for all kitchens and bathrooms to have an extractor fan that ventilates externally and minimises interior moisture
- Installation/remediation of appropriate drainage, gutters and downpipes for the removal of water from the roof.

Enabling success

Our digital transformation

A number of key digital transformation projects are underway, designed to support our FPP and futureproof us for the long-term. Our digital transformation will make things easier, faster and better for our employees and residents. When completed, Metlifecare's digital transformation will be one of the largest undertaken in New Zealand.

For our employees, our manual processes will be digitised, and ways of working streamlined to allow them to spend more time on what's really important – supporting our villages and residents.

For our residents, we can enrich their lives by making living more comfortable, services more available and interaction with family and friends more accessible.

Our transformation programme is being implemented over three 'horizons'. The first horizon focuses on building strong foundations – investing in new platforms and infrastructure to enable our digital applications and solutions to perform consistently well across the business.

Our work in the past year has largely been behind the scenes – building teams, evaluating

infrastructure and technology, planning, development and training. However, in May, we were delighted to launch our first new digital platform METEOR to the business. METEOR is our human resources and employee rostering system, replacing many manual and standalone systems and vastly improving access to information.

During 2023 we will see the full rollout of other new digital platforms to support our finance, procurement and customer relationship management functions.



Change champions

Our change champions are village and support office employees who have volunteered to support Metlifecare's IT team through our digital transformation by spreading the word to colleagues, sharing user knowledge, listening to feedback and answering questions. Their aim is to help users to make the most of our new digital applications, and it is always helpful to have a colleague on-site to assist when needed.



Fresh new identity and values

Our new brand better reflects the promise we make to our customers and the experience they have with us.

Our new brand and values were launched in March 2022. They connect strongly to our purpose of having people at our heart, and our vision to create extraordinary living experiences. The strong, new identity positions Metlifecare well to grow and create value by reflecting the way we want our stakeholders to see us.

Our values capture the essence of what makes us uniquely Metlifecare. They help align us to a common purpose, and we know that by living them we will set ourselves apart, achieve our goals and ensure that Metlifecare truly is a great place to work and for our residents to call home.

Left
Rebecca Tennent is one of our highly engaged change champions.

Extraordinary every day

Our vision is to create extraordinary living experiences and we challenge ourselves to do this every day.

With a philosophy of resident-centred care and service, we engage with our residents to understand what is most important to them. This allows us to develop amenities, programmes and events unique to each village, and better support our residents' personal interests and wellbeing.

Here are some snapshots of extraordinary living experiences enjoyed by our residents over the past year.





Sustainability

Underpinning Metlifecare's Full Potential Plan (FPP) is a deep commitment to driving strong sustainability outcomes for our organisation, our residents, our employees and the communities in which we operate. Our aspiration is to become a transformative industry leader in sustainability and a force for positive impact.

Kapiti Village
residents Kert Snater
and Carolyn Lane

What matters most

During the year, we reviewed the material issues at the heart of our business. We conducted desktop research and engaged widely with our stakeholders to identify what matters most to Metlifecare as we progress our sustainability journey.

Engaging with our stakeholders

To ensure strong representation across our stakeholders, we interviewed key representatives of eight stakeholder groups, including residents, employees and directors, suppliers, community and iwi representatives, financial stakeholders, industry and government representatives.

The most striking part about our stakeholder interviews was the strong, positive engagement, which enabled us to identify a number of material topics, ranked by importance to those stakeholders.

These results confirmed that the material topics identified by our stakeholders (in the opposite table) are consistent with the sustainability goals built into our FPP. In other words, we have been largely focusing our efforts in the right areas of our business.

We also learned that, compared to our last materiality assessment, our material issues are steadily evolving. We can expect this to continue over time as Metlifecare grows, external environments shift and stakeholder interests and perceptions change.

We are committed to creating sustainable value for Metlifecare and continuing to enhance the relationships we hold with key stakeholders.



Left
Members of the Hibiscus Coast Village Residents Sustainability Group.

Material topics determined important by our stakeholders

Environmental	Social	Governance
Climate Change & Carbon Solutions	Resident Health, Safety & Wellbeing	Authenticity & Transparency
GHG Emissions Reductions	Employee Health, Safety & Wellbeing	Green Building Commissions & Operations
Construction & Refurbishment	Diversity & Inclusion	Corporate Governance & Compliance
Waste Management	Resident Experience, Engagement & Education	Sustainable Supply Chain Management & Engagement
Green Building Design, Materials & Broad Consultation	Māori & Multicultural Engagement	Economic Performance & Growth
Operational Waste Management	Dementia Care Focus	
Energy: Renewables, Efficiency & Security	Employee Engagement, Development & Retention	
Water Use Reductions	Community Impact & Engagement	
Building & Garden Maintenance	Residential Care Affordability	

Our sustainability strategy

Over the past year we have taken an aspirational approach to sustainability, introducing a new strategy and framework which focuses on how we can be regenerative, restorative and adaptive to global sustainability challenges in all parts of our business.

Below
Residents at Waitakere
Gardens Village.

Our sustainability framework identifies how we can drive strong sustainability outcomes, and empowers everyone at Metlifecare – employees, residents and suppliers – to work collectively towards our goals. As well as introducing new targets and reporting disciplines, it brings together many successful standalone initiatives already being delivered and creates the opportunity to expand these across the business.

Sustainability Governance

Our sustainability strategy is overseen by the Chief Executive Officer and Executive Team, who report Metlifecare's progress through to the Board. The Sustainability Manager is responsible for the strategy's execution across the business and works with management and teams to deliver and embed sustainability initiatives into our operations.

Our priority areas

We are initially prioritising the following sustainability initiatives, which we believe will provide a strong foundation for our sustainability journey:

1 SCIENCE BASED EMISSIONS REDUCTION

Joining the Science Based Targets initiative (SBTi) and implementing an emissions reduction plan

2 GREEN BUILDINGS

Achieving 6 Green Star design and build ratings on our care centres

3 SUPPLY CHAIN

Championing a sustainable supply chain through the business

4 SUSTAINABLE FINANCING

Being rewarded for the achievement of sustainability targets through sustainable debt financing

5 INCLUSIVE DEMENTIA COMMUNITIES

Significantly boosting the availability of dementia care and achieving dementia-friendly accreditation for our entire portfolio



Sustainable financing

During the year, a new Sustainable Finance Framework was launched as a natural extension of our sustainability strategy.

The framework is designed to enable Metlifecare to invest in key infrastructure and facilities which support both the achievement of our FPP and our sustainability targets.

Sustainability Bonds

When our Sustainable Finance Programme was launched in October 2021, Metlifecare's existing NZX-listed bond (MET010) was designated as a Sustainability Bond.

An amount equal to the proceeds of the Sustainability Bond was allocated to finance or refinance qualifying planned and/or existing green buildings and social assets, including specialist dementia care facilities and hospital level care facilities. These assets are consistent with green asset and/or social asset eligibility criteria, the details of which are in the Sustainable Finance Framework.

Sustainability-Linked Loan

In December, we completed a refinancing of our bank loan facilities, into Sustainability-Linked Loan facilities which are tied to key social and environmental goals.

The NZ\$1.25 billion Sustainability-Linked Loan comprised \$600 million of existing debt and \$650 million of new debt, making Metlifecare the first operator in the New Zealand and Australian retirement village and aged care sector to be fully debt funded by sustainable financing. In addition, this was New Zealand's largest-ever sustainable refinancing.

The loan facility will support the achievement of key elements of our FPP, in particular geographic expansion, portfolio growth and the expansion of our aged care offering.

Our performance targets

Our Sustainability-Linked Loan sets annual performance targets for three material sustainability KPIs which will be independently verified each year.

If we achieve the KPI targets a lower interest rate will apply, however if we fall short of satisfying the KPIs, a higher interest rate will apply.

Right
Denice Symons at Gulf Rise communal greenhouses.



Our key performance indicators (KPIs)

1 Science Based Targets Initiative (SBTi)

We have committed to establishing a science-based decarbonisation target, in line with the Paris Agreement goal of limiting global warming to 1.5°C, and implementing annual reductions in greenhouse gas emissions to achieve that target. This is a first for a New Zealand-based retirement village and aged care operator.

2 Green buildings

We have committed to building six new aged care facilities within five years, which will achieve a 6 Green Star rating from the New Zealand Green Building Council. This is the highest green building rating achievable in New Zealand, with only ten buildings in the country having achieved this rating to date (and none from the retirement village or aged care sector).

3 Dementia care expansion

We have committed to a six-fold increase in the number of dementia care beds in our portfolio within five years. We will also achieve dementia-friendly accreditation from Alzheimers New Zealand for our entire portfolio of villages.

www.metlifecare.co.nz/investor-centre

Improving our environment

Right
Artist's impression of
Gulf Rise Care Centre.

We are setting ourselves ambitious targets to reduce our environmental impact across all parts of the business. Our employees, suppliers, residents and partners are committed to working together to reduce our carbon emissions, waste and water use through smarter design and operation of our facilities.

Over the past year we have made considerable effort to understand the impact that our activities have had on the environment, identify where we can best reduce this impact, and set targets to do so. We have engaged widely across the business to obtain on-the-ground insights. From this we have developed a range of initiatives around reducing energy, emissions, waste and water within our operations, and also where we can invest for longer term results.

Carbon emissions reduction

We are committed to establishing an emissions reduction target in line with the Paris Agreement goal of limiting global warming to 1.5°C.

As the first step towards measuring and disclosing our carbon emissions improvements, we completed a comprehensive greenhouse gas

inventory for the year to June 2021. This has established a reliable baseline, against which we can measure future performance. We have subsequently developed a targeted emissions reduction plan and programme. These commence execution in the new financial year.

Green building certifications

In December 2021, we announced our commitment to become New Zealand's first retirement village operator to build six new 6 Green Star-rated care centres within the next five years. This is the highest building rating provided by the New Zealand Green Building Council for commercial buildings and aims to both reduce environmental impact in construction and use less energy when complete.

The first of these care centres, at Gulf Rise in the Auckland suburb of Red Beach, is due for completion in the coming year.



Right
Greenwood Park
resident and
Environmental Group
Chair Stephen Parr
propagating plants.

Below left
All Heart NZ take
away unwanted items
for upcycling.

Below right
Kapiti Village resident
Mani Zest, loading up
e-waste bins for the
recycling centre.



Energy efficiency and renewables

We are focusing on energy as a key improvement opportunity, with initiatives under way to target all parts of village operations.

Wider village initiatives include the conversion (from gas to electricity) of laundries, water and space heating systems, the use of building management systems and a range of refurbishment improvements. Within our villages, we are providing energy efficiency awareness training for residents and employees, who are also eager to play their part.

Waste reduction

In the past year we have worked hard to identify how we can significantly reduce the waste footprint of each village. Waste audits completed across a number of villages have enabled us to understand the waste composition of different village profiles, and develop a range of initiatives designed to significantly reduce biodegradable waste to landfill.

The initiatives, which range from repurposing and recycling of inorganic items through to composting of green matter, are being supported at many villages by village management, employees and residents alike, and we are already seeing the benefits.

We are continuing to drive waste reduction on our building sites through commercial recycling and waste diversion partnerships, as well as using prefabricated building systems, and new construction technologies to reduce the waste produced on site.

Water efficiency

Our first step towards improving our water efficiency has been to better understand water use across our villages. As this occurs we are developing a programme of water-saving initiatives.

This programme involves significant investment in infrastructure to drive better water management. This includes the maintenance and upgrading of reticulation systems and the introduction of new water management technology. Within our villages we are also educating residents and employees about better water use.

Taskforce on Climate-related Financial Disclosures (TCFD) reporting

We recognise that the improved transparency of our climate-related information will enable us to better manage our risks and help build long-term organisational value, and our Board has acknowledged their responsibilities as part of our governance to identify and manage climate-related risks and opportunities. Accordingly, we are currently working to ensure that we meet our reporting requirements in relation to the Task Force on Climate Related Financial Disclosures (TCFD) in FY24.

In next year’s report, we will provide more information about Metlifecare’s climate-related risks and opportunities, how they affect us, and in turn how our operations affect climate change. This will include scenario analysis, our process to implement and identify risks and how we integrate this into the overall risk management framework. We will also identify and report the key metrics associated with our most material climate impacts.

Championing a sustainable supply chain

We recognise the importance of sustainable, ethical and inclusive procurement. We seek to engage suppliers who share our commitment to the highest standards of environmental, social and ethical conduct.

In March 2022, we launched a Supplier Code of Conduct (the Code), which defines the standards, requirements and aspirations that Metlifecare expects of its suppliers. The Code sets out standards in four key areas:

- **Ethical business** – upholding the highest standards of integrity and ethical conduct
- **Human rights and care for people** – supporting the protection of human rights and treating others with dignity and respect
- **Care for our environment** – sharing our commitment to environmental responsibility
- **Health and safety** – complying with all applicable health and safety laws and regulations.

Our expectation is for all suppliers to comply with the Code, while recognising that many are at different stages of their sustainability journey and are working towards compliance. Our goal is to establish positive long-term relationships with our suppliers, and we will work collaboratively with them over time to meet compliance with the Code.

Right
Orion Point, a development village in Hobsonville, Auckland.



Our people

People are at the heart of Metlifecare, and we value the choice our team members have made to work with us. We seek to attract talented people and invest in diversity, development and wellbeing. We offer an inclusive environment which empowers our people to work together and create extraordinary living experiences for our residents.

As we have entered a new phase of transformational growth, we have been on a journey to reset our vision as an organisation and articulate a clear set of cultural values which together reflect the new Metlifecare. Together these help our people align to the same shared purpose, which is key to bringing our best selves to work and becoming a high-performing team.

Employee engagement

We recognise the importance of listening to our people and understand where we can make improvements. We adopted a new employee sentiment survey in the past year, to benchmark how our employees were feeling, followed by quarterly pulse surveys through the year. This has enabled us to adjust responsively through the year and drive accountability for outcomes.

We have been pleased to experience consistent participation in

the surveys, despite the challenging external environment experienced over the year. Our two key engagement indicators - an overall engagement score, and an employee net promoter score (eNPS) have both improved steadily through the year. We are particularly pleased that the eNPS score has doubled to +28 from +14 a year ago.

While there is still much to do, we believe this improvement recognises how we are investing in our people and ensuring that Metlifecare is a place they are proud to be part of. We are particularly pleased to be rated highly in three areas that are important to an engaged workforce:

- Our values being a good fit with things our people consider important in life
- That we really care about our peoples’ wellbeing and
- People from all backgrounds are treated fairly



Diversity and inclusion

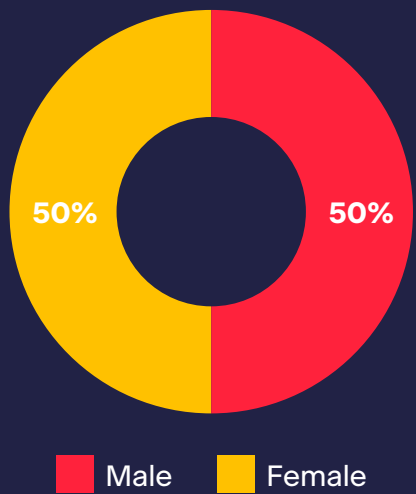
Our workforce is richly diverse in life experience, background, gender and ethnicity, and we believe the benefits of this are experienced every day across the business. We are committed to building an inclusive environment for all our employees.

In an industry which has traditionally attracted female employees, a key goal has been to ensure women are well represented across our management and executive teams. Our initial targets of 40% female representation in the layer under our senior executive team and our village managers have been well

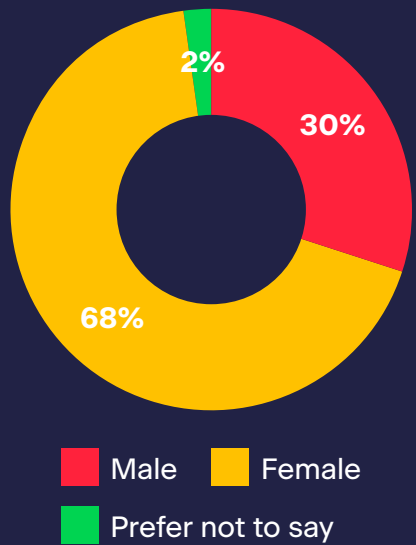
Above
Sisters Vanessa and Sophia Tang are both nurses at Metlifecare.

exceeded in FY22 as shown in the graph on this page.
With many nationalities in our workforce, we appreciate and celebrate Metlifecare’s cultural diversity. Many of our people have come to work for Metlifecare from across the globe, creating a rich mix of cultures and backgrounds. Over the coming year we plan to gain greater insights into ways in which we can further support and celebrate our rich and diverse workforce.

Senior Executive Team



Layer underneath Senior Executive Team and Village Managers





Above
Shahil Lala, who has cooked his way through a chef's apprenticeship at The Poynton and just completed his ServSafe qualification exam to become a qualified chef.

Attracting and retaining talent

As the pace of executing the FPP has increased, so has our investment in a skilled, high-calibre workforce. While recruitment has become more challenging due to skills shortages and international constraints, we continue to successfully attract talented people who share Metlifecare's values and goals and want to join our transformation journey.

We are especially pleased that 28% of our new recruits have been referred to us by our own people, which we believe is a strong endorsement of Metlifecare as an employer. A further 30% of roles were filled through internal promotions or movements from casual to permanent appointments, which reflects the strength of our career pathways and commitment to employee development.

We remain fully focused on attracting and retaining people in critical skill areas such as nursing, caregiving and hospitality (food and beverage). Our employees tell us the learning opportunities and clear career pathway that we offer are powerful incentives to work for Metlifecare, and here are two examples of how we are doing this.



28% of our new recruits have been referred by our own people, a strong endorsement of Metlifecare as an employer of choice.

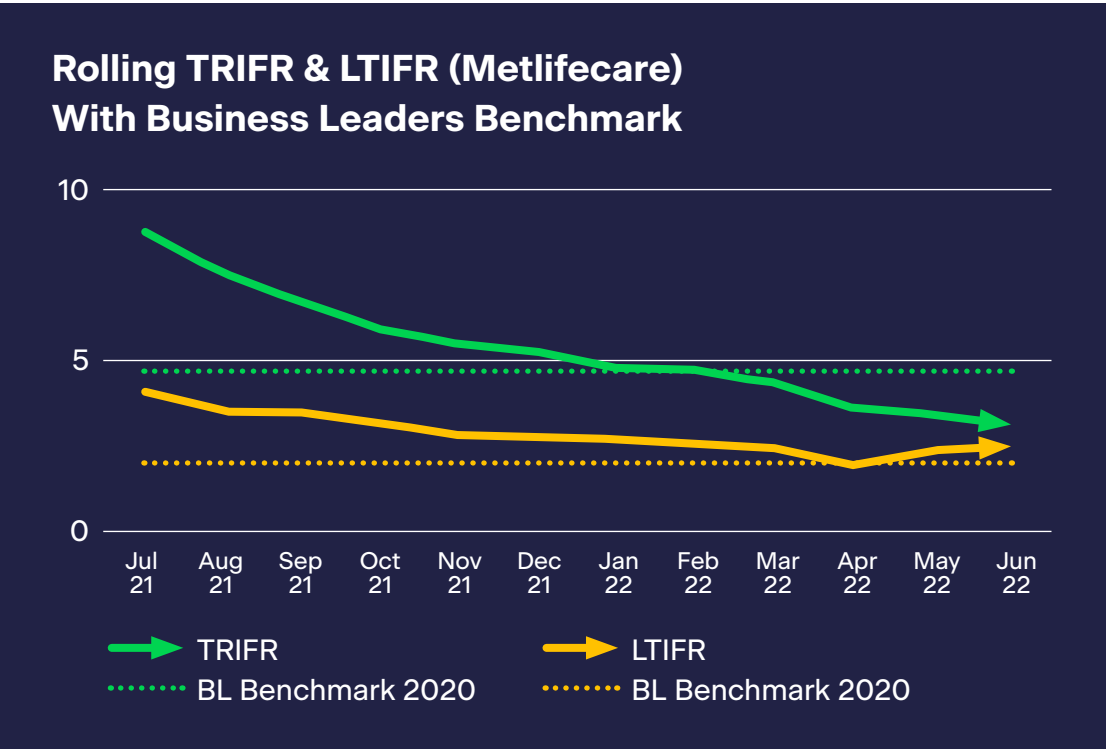
Building capability

Underpinning our FPP is a capability strategy, which is not only designed to ensure our people are well equipped to perform their best work, but also to meet their own learning and career aspirations. In the past year, and despite the severe impacts of lockdowns and employee shortages, more than 7,000 hours of training were delivered, with over a third of our workforce participating in learning and development opportunities.

With our strategic transformation happening at pace, we have moved to a blended learning approach, which combines applied learning with on the job training and mentoring. This enables us to deliver programmes efficiently and effectively, while our team members receive the benefits of personal support as they learn.

Left

We supported Joyce Martinez from our Highlands Village to transition from her role as a casual cleaner to become a New Zealand registered nurse.



Health, safety and wellbeing

Our commitment to health, safety and wellbeing extends through every part of the business and is embedded in our training and our everyday operations. We have been a member of the Business Leaders Health and Safety Forum for several years and currently have secondary status in the ACC Accredited Employer Programme.

In 2022 we expanded our Health and Safety team to provide greater support for the business as it grows. This has significantly improved our health and safety information management and reporting, provided

dedicated support for security and emergency responses and is building our onsite health and safety capability.

Already we are seeing the benefits of the increased support, with better internal monitoring and management of our health and safety risks. Key initiatives over the past year have included security risk reviews, testing and review of emergency evacuation processes, monthly building site audits, and a review of baseline health and safety training needs for all roles at Metlifecare.

The downward trend of our Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury

Frequency Rate (TRIFR) continued over the year, with the business reporting a 12-month rolling LTIFR of 2.49 and TRIFR of 3.11. Much of this improvement has been attributed to the continual delivery of manual handling training programmes, as well as improved monitoring and oversight.

Operating in a pandemic has become business as usual at Metlifecare and we have continued to adapt our practices to ensure we deliver best practice care in ever-changing circumstances. We have required all visitors to care centres to undertake Rapid Antigen Testing throughout the period since the Delta outbreak in New Zealand, initially at our expense, and all village-based staff are also required to undertake a Rapid Antigen Test before each shift.

Communication and connection are key wellbeing themes. We are focused on delivering regular, consistent and inclusive communications and social interactions, to ensure people feel valued and supported regardless of where they are.

We could not be prouder of the way our employees have pulled together to address whatever challenges and restrictions have been imposed on them over the past year. Over a hundred shifts at care homes and villages have been voluntarily filled by Support Office team members to ensure our residents are well supported.

We have also prioritised ensuring that residents and their loved ones can stay connected through various restrictions and outbreaks. While we have strict procedures in place to address an outbreak situation, we aim to keep our villages and care centres safely open and accessible, as much as possible.

Below
Amanda Marris, Earl Gasparich and Shermini Priya Aldrin Lawrence in PPE at Crestwood Village.



Sharing our acts of value

Empowering people to ‘live our values’ has also been a successful way of connecting, and has provided opportunities for employees to contribute positively through ideas and actions. Our ‘acts of value’ campaign launched in March and became quite a movement, triggering dozens of initiatives at our villages and support office.



Right
Many of these were shared through our social media.
Pictured: Pippa, Roslyn, Michael, Disha, Desiree, Kylie and Lara, Katie, and Brian demonstrating our values.

Sustainability champions

Sustainability is a way of life for many of our residents. This is highlighted in the projects they drive at our villages – communal gardens, regeneration projects, repurposing, recycling, composting, and giving back to the community.

Residents leading change

A key part of our sustainability strategy is to leverage the knowledge and leadership of our residents in driving change in our villages. This has led to the creation of a trial resident engagement programme during the year, which involves groups of resident ‘sustainability champions’ in five of our villages.

The programme aims to provide residents with a range of tools and resources to help identify their village’s energy, water and waste impact. Sustainability groups are now established and will work collaboratively with fellow residents to develop and execute a sustainability plan. With the support of the Corporate Sustainability team, village management and employee champions, the resident groups are looking forward to implementing their initiatives and reporting on the positive impacts over the coming year.

Here are two examples of how residents have driven sustainability projects in our villages for many years.



Left
Greenwood
Park resident
Stephen Parr.

Greenwood Park’s Quail Trail

What was once a steep, muddy bank leading to wasteland has been transformed, over 35 years, into native bush and a nature trail at Metlifecare’s Greenwood Park Village in Tauranga.

Work on the Quail Trail Woodland began in 1985, when a team of gardeners spent the early years clearing and draining a wet and boggy farm track which was overgrown with nettles, gorse, scrub, and blackberries. This was followed by a native planting programme which included rimu, kauri, totara, pittosporum and ferns.

Ten years later, the Quail Loop extension was built by other residents, followed by more new projects, including an arboretum glade and landscaped woodland gardens.

Today, everyone can enjoy this beautiful area, which is bursting with plant life, mature trees, and native birds. This is the result of a resident-led programme of work, involving more than 100 residents and employees over the years.

But, our residents say, it is not yet finished. This project will literally continue to ‘grow’ for future generations to enjoy.

Kapiti’s Ecowarriors

Kapiti Village residents have been undertaking collective sustainability initiatives at the village for a number of years. The success of these projects led to the formation of the Kapiti Sustainability Group (the ‘Ecowarriors’) in 2020. The Ecowarriors have formally defined guiding principles and a vision of what they want the future village to look like, how to get there, and a programme to help achieve their vision. Around 20 residents meet every two months to review progress, problem-solve and identify new initiatives that they can drive with the help of other residents.

Thanks to the village’s embedded commitment to sustainability, it is now predator free, collects its own rainwater, has significant birds and bees plantings, beehives and purpose built environments to protect local wildlife such as wētās and skinks. Recycling, repurposing and composting has been adopted widely, with waste diversion schemes for e-waste, batteries, coffee pods as well as general recycling. The biggest project (the Dell Project) has, over a number of years, transformed a green waste dump area into a beautiful recreational area for residents to enjoy.



Left
Kapiti Village
residents Kert
Snater and
Carolyn Lane.

Building strong communities

As our villages are an integral part of their communities, we understand the importance of working productively with local people and groups to ensure we are all part of a thriving neighbourhood.

Providing community support

As a way to help build strong communities, we support local clubs, business and service providers through using their services and making it easy for our residents to connect with them. Many of our villages also choose to directly sponsor local organisations, contributing around \$40,000 to dozens of organisations over the past year.

We also support our residents' fundraising initiatives and events which benefit local charities and community organisations. In the past year, our residents have contributed thousands of dollars and donated large amounts of clothes, toys, furniture and other items to a range of good causes. The pictures shown here feature some examples of our village fundraising initiatives.



Developing villages our communities are proud of

Part of what makes Metlifecare unique is how we strive to make each of our new villages fit seamlessly into their local environment and community. Engaging with the community from the very start is an essential part of getting this right.

Consulting with locals early in the development process allows us to get a solid understanding of why they like being part of that community, and what's important to them. This extends to future residents, mana whenua, local businesses, community clubs and services, all who have an interest in the creation of our unique village environments.

In the past year we have engaged with communities in Beachlands, Ōtau/Clevedon, Mangawhai and Pukekohe to share our design

proposals, construction timeframes, local infrastructure improvements and sustainability goals for the new village. We are consistently finding that each consultation provides new learnings which enriches the process and our final village design. A win-win for all.

Partnerships to create better communities

We are pleased to be developing strong mana whenua partnerships as we grow. Working with local iwi has enabled us to develop new projects and design villages that integrate the natural features of the surrounding area without undermining spiritual or cultural values.

Palmerston North Village has been owned in a successful partnership between Metlifecare and the Palmerston North Māori Reserve Trust for more than

twenty years. In September 2021 we were delighted to jointly announce an expansion of the close-knit village, with a further 43 villas providing future retirement living options in the heart of the community.

In East Auckland, we have partnered with Ngāi Tai ki Tāmaki, the Franklin Local Board, Auckland Council Parks and the Marion Ross Memorial Trust, in a project to regenerate and restore Te Wai o-Manu reserve, an East Auckland site located between Pohutukawa Landing village and our new Clevedon development property. This project will help us to both offset the reclamation of two watercourses during the construction of Pohutukawa Landing, and ensure our villages become a proud and valuable part of the local community.



Left

In April 2022 members of the development team met with the project partners at Te Wai o-Manu Reserve to bless the site and take part in a walkover to assess and discuss the replanting programme that will see the reserve restored to its original native state.

Far left top

Oakridge Villas partners with Red Cross to support Ukraine.

Far left bottom

Bay of Plenty Villages and the wider community came together to support Ukraine refugees with the Humanity Show.

Our governance approach

Metlifecare's Board believes that strong principles of corporate governance will protect and enhance the assets of the company for the benefit of all stakeholders.

The application of a best practice governance framework will support the Board in delivering on its primary role, which is to create long term value for its shareholder by providing strategic guidance for Metlifecare and its related companies and effective oversight of the Chief Executive Officer (CEO) and senior executive team. The Board is accountable to its ultimate shareholder EQT Infrastructure Holdings (EQT) for the company's performance.

The Board has in place the following policies, charters and Committee terms of references, which guide the company's behaviour and decision making.

CHARTERS

- Board Charter
- Audit & Risk Committee Charter
- Development Committee Charter
- People & Culture Committee Charter
- Clinical Committee Charter

POLICIES

- Code of Ethics
- Conflicts of Interest Policy
- Diversity Policy
- External Auditor Independence Policy
- Remuneration Policy
- Residents' Policy
- Risk Management Policy
- Whistleblowing Policy

Ethical behaviour

Metlifecare is committed to maintaining high ethical standards through ongoing attention to values and behaviours, particularly in respect of its responsibilities to those who reside in its retirement villages and care homes.

The Board has adopted a formal Code of Ethics, Whistleblowing Policy, Board Charter and Conflicts of Interest Policy to assist directors, staff and contractors to act and make decisions in an ethical and responsible manner. The Board policies are supported by a set of company operating procedures and standards that address issues such as privacy, delegated authority mandates, gifts and other similar matters.

Board composition and performance

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

BOARD CHARTER

The Board has adopted a formal Board Charter which distinguishes and discloses the respective roles and responsibilities of the Board and management.

BOARD OPERATIONS

A minimum of six meetings of the Board are scheduled each year. An annual work plan, described in the Board Charter, and a standing agenda, together with written reports and presentations from the CEO and senior management and external parties when required, address and update directors on strategy and operational matters.

SKILLS OF THE BOARD

In order to operate effectively and to meet its responsibilities, the Board has determined that it requires competencies in disciplines including executive leadership and strategy, governance, aged care, property, finance and capital markets, risk and

compliance, legal and regulatory, and people. The current mix of skills and experience is considered appropriate for the responsibilities and requirements of governing the company. The Board looks to strengthen its oversight of issues in all disciplines, as required, via expert advice.

INDEPENDENT DIRECTORS

The Board had six non-executive directors as at 30 June 2022, of which five are independent directors: Paul McClintock, Jonathan Coleman, Murray Jordan, Ken Lotu-liga and Maggie Owens. All five directors have independent status as they are not executive officers of Metlifecare or officers of EQT.

Ken Wong is a non-independent director as an officer of EQT, Metlifecare's owner.

The roles of Chair, Chair of the Audit & Risk Committee and CEO are not held by the same person.

The Board does not have a tenure policy, however the current directors have served periods of time which are considered appropriate.

Paul McClintock has been Chair of the Board since 3 November 2020. Mr McClintock has extensive healthcare governance experience in Australia.

Earl Gasparich is the CEO and is not a member of the Board.

DIRECTOR DEVELOPMENT

Directors are encouraged to visit villages during each year, as well as undertaking continuing education and development of further skills to remain current on how best to perform their duties.

DIVERSITY

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

The CEO and GM People have responsibility for reviewing the Diversity Policy and assessing Metlifecare's performance against the objectives on an annual basis.

Metlifecare's diversity objectives are aligned to those of its owner EQT and include a gender representation target of at least 40% females in the layer under our senior executive team and village manager roles. The gender breakdown of executive and management roles is provided on page 26 of this report.

PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT

The Board, led by the Chair, reviews its performance and the performance of individual directors and its Committees. A review of the effectiveness of the board meetings is the final agenda item on every Board meeting, except for extraordinary meetings.

The CEO's performance is reviewed by the Chair. The CEO reviews the performance of Executive Team members informally during the year, and formally annually, by way of one-on-one interviews. The People & Culture Committee considers the CEO's evaluations.

Board committees

The Board uses Committees to enhance its effectiveness in key areas, while still retaining Board responsibility.

COMMITTEE TERMS OF REFERENCE

The Board operates four Committees which operate under their respective Charters approved by the Board. These Committees are the Audit & Risk Committee; the Development Committee; the People & Culture Committee; and the Clinical Committee.

Annually, each Committee agrees a programme of matters to be addressed over the following twelve-month period. Proceedings of all Committee meetings are reported to the Board and minutes of Committee meetings

are available to all directors. Each Committee's workplan includes an annual self-review initiated by its chair and is reported back to the Board. All directors are welcome to, and non-member Directors frequently do, attend Committee meetings for which they are not a member.

Reporting

The Annual Report is an important channel for reporting and updating on progress with Metlifecare's non-financial performance, including strategy and operations. Commentary on key non-financial matters is available in the Chair, CEO and other sections in the Annual Report.

Metlifecare strives to be a responsible corporate citizen, respecting the rights of all stakeholders including residents, staff, suppliers and the wider communities in which its villages are located. The company has identified its material Environmental, Social and Governance (ESG) factors considered essential to keeping its business on a sustainable footing and their relative impact on its business and stakeholders. This is set out in the Sustainability section of this report.

Risk Management Framework

The Board is ultimately responsible for the company's risk management and internal control. It has delegated

responsibility for risk oversight to the Audit & Risk Committee. The Committee's responsibilities are documented in the Audit and Risk Committee Charter and in the Risk Management Policy.

Robust risk management processes and tools are embedded within the Metlifecare business operations to drive consistent, effective and accountable decision making. The Metlifecare risk register is an essential tool that sits at the heart of Metlifecare's risk management framework and identifies significant business risks. Tools for managing the risks include Audit & Risk Committee reviews and recommendations, financial and compliance reporting procedures, outsourcing of various functions to external providers, and ensuring that the company has insurance policies in place with reputable insurers.

HEALTH AND SAFETY

Metlifecare considers health and safety to be a material risk and takes its responsibility for the health and safety of residents and staff seriously. The Board recognises that consistent high-quality service delivery and safe and healthy environments for residents, employees, visitors and contractors is critical, and prioritises oversight accordingly through its Committees. Key health and safety risks and

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

Metlifecare undertakes regular external health and safety audits and has a programme of continuous improvement in place which is aligned with the Health and Safety at Work Act 2015. It focuses on critical risk areas as well as the maintenance of a strong health and safety culture at Metlifecare's villages and development sites. Metlifecare joined the ACC Accredited Employer Programme (AEP) programme in April 2019 and is currently rated at secondary level.

External Auditor

The Board is committed to ensuring the quality and independence of the external audit process.

Metlifecare, under its Audit & Risk Committee Charter, has established policies relating to the appointment and independence of the external auditor. Responsibility is delegated to the Audit & Risk Committee for ensuring the independence of the external auditor, for obtaining a confirmation of this from the external auditor and for monitoring the five-yearly rotation of the lead audit partner.

Metlifecare's external auditor for the year ending 30 June 2022 was PwC.

The external auditor does not provide any other services unless specifically approved by the CEO/CFO,

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

The auditor is regularly invited to meet with the Committee including without Management present.

Stakeholder relations

The Board understands the importance of engaging with Metlifecare's stakeholders and is committed to fostering constructive relationships with them. Through all aspects of its business Metlifecare considers stakeholder impacts and develops and implements engagement plans to maintain strong stakeholder relationships.

Metlifecare regularly surveys and monitors the perceptions of its key stakeholders towards the company and in particular the issues that are the most important to them. This includes regular employee surveys, annual resident and family surveys, and a comprehensive stakeholder engagement programme to update the company's material matters.

Metlifecare Limited Group Financial Statements

For the year ended 30 June 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

\$000	Note	30 June 2022	30 June 2021
Income			
Operating revenue	2.1	163,261	143,520
Interest and other income		1,866	78
Total income		165,127	143,598
Other gains			
Change in fair value of investment properties	3.2	111,383	335,515
Share of profit arising from joint venture, net of tax		3,838	1,573
Expenses			
Employee expenses	2.2	(85,569)	(71,761)
Property expenses	2.2	(31,313)	(29,732)
Other expenses	2.2	(65,387)	(56,194)
Change in fair value of residents' share of capital gains		(7,518)	(5,036)
Impairment	2.2	(5,012)	(888)
Depreciation	3.4	(4,984)	(4,712)
Amortisation		(649)	(517)
Finance expenses	4.4.3	(9,910)	(4,680)
Total expenses		(210,342)	(173,520)
Profit before income tax		70,006	307,166
Income tax benefit/(expense)	5.1.1	8,669	(2,796)
Profit for the year		78,675	304,370
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Gain/(Loss) on cash flow hedges, net of tax		3,042	(156)
Items that will not be reclassified to profit or loss:			
Share of other comprehensive income arising from joint venture, net of tax		95	314
Gain on revaluation of care homes, net of tax	4.3.1	1,040	2,967
Other comprehensive income, net of tax		4,177	3,125
Total comprehensive income		82,852	307,495
Profit attributable to shareholders of the parent company		78,675	304,370
Total comprehensive income attributable to shareholders of the parent company		82,852	307,495
Profit per share for profit attributable to the equity holders of the company during the year			
Basic (cents)	4.2	30.0	142.9
Diluted (cents)	4.2	30.0	142.8

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

\$000	Note	Contributed equity	Retained earnings	Hedging reserve	Revaluation reserve	Employee share scheme reserve	Total equity
Balance at 1 July 2020		307,137	1,218,905	(1,221)	7,358	1,059	1,533,238
Comprehensive income/(loss)							
Profit for the year		-	304,370	-	-	-	304,370
Other comprehensive income/(loss)		-	-	(156)	3,281	-	3,125
Total comprehensive income/(loss)		-	304,370	(156)	3,281	-	307,495
Transactions with the owner in their capacity as an owner:							
Transfer from employee share scheme reserve	4.1	1,396	-	-	-	(313)	1,083
Shares forfeited		-	1,078	-	-	(746)	332
Balance at 30 June 2021		308,533	1,524,353	(1,377)	10,639	-	1,842,148
Balance at 1 July 2021		308,533	1,524,353	(1,377)	10,639	-	1,842,148
Comprehensive income							
Profit for the year		-	78,675	-	-	-	78,675
Other comprehensive income		-	-	3,042	1,135	-	4,177
Total comprehensive income		-	78,675	3,042	1,135	-	82,852
Transactions with the owner in their capacity as an owner:							
Contributions of equity	5.8	148,999	-	-	-	-	148,999
Balance at 30 June 2022		457,532	1,603,028	1,665	11,774	-	2,073,999

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2022

\$000	Note	30 June 2022	30 June 2021
Assets			
Cash and cash equivalents		9,444	4,240
Trade and other receivables	5.4	89,125	23,789
Derivative financial instruments		6,878	-
Other investments	5.3	14,284	-
Property, plant and equipment	3.4	109,292	67,456
Goodwill	3.5	2,000	-
Intangible assets		6,963	1,536
Investment properties	3.2	4,711,001	3,966,496
Investment in joint venture		18,275	14,341
Total assets		4,967,262	4,077,858
Liabilities			
Trade and other payables	5.5	78,039	55,731
Derivative financial instruments		4,567	1,913
Interest bearing liabilities	4.4	742,555	357,736
Deferred management fees		162,750	144,871
Refundable occupation right agreements	3.3	1,905,352	1,671,889
Deferred tax liability	5.2	-	3,570
Total liabilities		2,893,263	2,235,710
Net assets		2,073,999	1,842,148
Equity			
Contributed equity	4.1	457,532	308,533
Reserves		13,439	9,262
Retained earnings		1,603,028	1,524,353
Total equity		2,073,999	1,842,148

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 26 August 2022.



Paul McClintock AO
Chair of the Board
26 August 2022



Murray Jordan
Director
26 August 2022

Consolidated Cash Flow Statement

For the year ended 30 June 2022

\$000	Note	30 June 2022	30 June 2021
Cash flows from operating activities			
Receipts from residents for management fees		41,335	41,140
Receipts from residents for village, care and service fees		94,972	81,916
Receipts from residents for refundable occupation right agreements (ORA)		339,071	337,319
Payments to residents for refundable ORAs		(174,860)	(189,685)
Payments to residents via buyback of ORAs for regeneration and remediation		(30,430)	(574)
Payments to suppliers and employees		(183,809)	(146,059)
Payments for business acquisition related expenses	5.8	(2,341)	-
Repayment of Government wage subsidy		-	(7,100)
Payment of debt refinancing costs		(3,686)	(2,716)
Interest received		121	67
Interest paid		(10,384)	(3,454)
Net GST received		3,089	1,341
Net cash inflow from operating activities		73,078	112,195
Cash flows from investing activities			
Payment for acquisition of business, net of cash acquired	5.8	(212,428)	-
Net advances and shareholders loan to joint venture		(3,499)	46
Dividends received from joint venture		-	200
Payments for property, plant and equipment		(17,318)	(9,150)
Payments for intangible assets		(4,188)	(1,042)
Payments for investment properties		(335,474)	(152,110)
Deposits paid for land acquisitions	5.4	(3,569)	(760)
Capitalised interest paid	4.4.3	(16,838)	(8,033)
Payments for other investments	1.7	(12,589)	-
Net cash outflow from investing activities		(605,903)	(170,849)
Cash flows from financing activities			
Proceeds from issuing shares	4.1, 5.8	148,999	-
Proceeds from borrowings for the acquisition of business	5.8	65,000	-
Proceeds from borrowings		548,608	291,951
Repayment of borrowings		(224,004)	(233,839)
Principal payments of lease liabilities		(574)	(456)
Net cash inflow from financing activities		538,029	57,656
Net increase/(decrease) in cash and cash equivalents		5,204	(998)
Cash and cash equivalents at the beginning of the financial year		4,240	5,238
Cash and cash equivalents at the end of the financial year		9,444	4,240

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 2022

Reconciliation of profit after tax with net cash inflow from operating activities

\$000	Note	30 June 2022	30 June 2021
Profit after tax		78,675	304,370
Adjustments for:			
Change in fair value of investment properties		(111,383)	(335,515)
Change in the fair value of residents' share of capital gains		7,518	5,036
Employee share scheme		-	1,415
Impairment		5,012	888
Depreciation		4,984	4,712
Amortisation		649	517
Unrealised foreign exchange gain		(757)	-
Income tax (benefit)/expense		(8,669)	2,796
Loss on disposal of property, plant and equipment	2.2	279	8
Share of profit arising from joint venture, net of tax		(3,838)	(1,573)
Changes in working capital relating to operating activities:			
Trade and other receivables		(4,547)	(5,112)
Trade and other payables		2,437	9,633
Deferred management fees		8,859	10,303
Refundable occupation right agreements		93,859	114,717
Net cash inflow from operating activities		73,078	112,195

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 (the Company) and its subsidiaries (together the Group).

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

The immediate parent of the Group is Asia Pacific Village Group Limited (APVG), a limited liability company incorporated in New Zealand. The ultimate parent is APVG TopCo Pte. Ltd., a Singapore entity.

The Company is registered under the Companies Act 1993 and is a FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). The Company has fixed-rate bond listed on the NZX Debt Market. On 26 October 2021, the Company launched its Sustainable Finance Programme. As a result, the Company designated its existing listed bond as a Sustainable Bond. For further details, refer to Note 4.4 - Interest bearing liabilities.

The Group is predominantly 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 Generally Accepted Accounting Practice in New Zealand (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 Consolidated Balance Sheet is presented on the liquidity basis where the assets and liabilities are presented in the order of their liquidity.

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

The functional currency of each entity and the presentation currency of the Group is New Zealand dollars. Unless otherwise stated, the Group Financial Statements are presented in round thousands of dollars. The use of \$m signifies millions of dollars.

Comparative information may have been restated to ensure continuity of information.

1.3 Key judgements and estimates

The preparation of the Group Financial Statements in accordance with GAAP requires the use of certain key accounting estimates and judgements. It also requires Management to exercise judgement based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances when 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 Group 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	Recognition of historical tax losses in deferred tax

Notes to the Group Financial Statements

1 GENERAL INFORMATION (continued)

1.3 Key judgements and estimates (continued)

Climate change risk

The Company recognises that climate-related risk is a key threat to the way the Group currently operates. Of particular relevance to the Company, physical climate risks such as sea level rises and erosion, river/surface flooding and drought have the potential to pose significant risks.

Climate-related risks is something that is specifically addressed in the design and construction of all new developments as well as regeneration and remediation of existing retirement villages. Our resident's satisfaction is at the heart of everything we do and that is why we want the physical environment to be developed having regard to potential longer term climate conditions to ensure our residents get to experience the best years of their lives while staying with us.

Climate change is being increasingly considered as part of asset valuations and while there is currently not a significant impact, it is possible that this may change in future.

We are currently working to ensure that we meet our reporting requirements in relation to the Task Force on Climate Related Financial Disclosures in 2024. In next year's Group Financial Statements, we will provide more information about the Company's climate-related risks and opportunities, how they affect us, and in turn how our operations affect climate change. We will also identify and report the key metrics associated with our most material climate impacts.

1.4 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.

(i) New accounting policy

The International Financial Reporting Interpretations Committee (IFRIC) published an agenda decision in March 2021 which was ratified by the International Accounting Standards Board (IASB) in April 2021. The decision deals with specific circumstances in relation to configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS). As a result of this decision, certain costs which previously may have been capitalised now need to be expensed in the Consolidated Statement of Comprehensive Income.

During the year, the Group commenced a major digital transformation project and has set its accounting policy in relation to SaaS, and in particular configuration and customisation costs. The new accounting policy is presented as follows.

Software-as-a-Service arrangements

SaaS arrangements are service contracts providing the Group with the right to access a cloud provider's application software over the contract period, but where the Group does not control the underlying software used in the arrangement. Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource, and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. If costs do not meet the recognition criteria, they are expensed when incurred.

The useful lives of the intangible assets are reviewed at least at the end of each financial year. The useful life has been assessed as three years.

The Group reviewed the supporting documentation for all previously capitalised software and associated projects. The impact of \$0.3m to the opening retained earnings as at 1 July 2021 was assessed to be not material for restatement purposes.

Notes to the Group Financial Statements

1 GENERAL INFORMATION (continued)

1.4 Accounting policies (continued)

(i) New accounting policy (continued)

Investment in Five Good Friends (FGF)

The investment in FGF's convertible notes (as outlined below in Note 1.7 - Significant events and transactions) is accounted for as a financial asset at fair value through profit or loss in accordance with NZ IFRS 9 - Financial Instruments.

(ii) New accounting standards

The Group has not early adopted any standards, amendments or interpretations to existing standards that are not yet effective.

(iii) Measurement of fair value

The Group measures investment property, care homes, interest rate swaps and other investments 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.

(iv) Goods and Services Tax (GST)

The Consolidated Statement of Comprehensive Income and Consolidated Cash Flow Statement have been prepared so that all components are stated exclusive of any GST that can be claimed with the net amount of GST payments/receipts being shown in the Consolidated Cash Flow Statement under operating and financing activities. Where an amount of GST is not recoverable, this is recognised as part of the cost of the assets or as an expense, as applicable. All other items in the Consolidated Balance Sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(v) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities at balance date are recognised in the Consolidated Statement of Comprehensive Income.

1.5 Segment information

The Group predominantly operates in one operating segment being the provision of retirement villages and care homes. 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 predominantly held, in New Zealand.

Notes to the Group Financial Statements

1 GENERAL INFORMATION (continued)

1.6 Group structure

On 30 June 2021, the Group completed a reorganisation of its direct and indirect wholly owned subsidiaries (the Reorganisation), simplifying the legal and reporting structure of the Group. Following the Reorganisation, there is now one village operator company, being Metlifecare Retirement Villages Limited (MRVL). 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.

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 have been removed from the Companies Register as at 28 June 2022.

(i) Wholly-owned subsidiaries

The Company has one wholly-owned subsidiary, being MRVL.

(ii) Joint venture

The Group has a 50% (2021: 50%) interest in a 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 Village.

(iii) 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 Group 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 entities 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.

Notes to the Group Financial Statements

1 GENERAL INFORMATION (continued)

1.7 Significant events and transactions

The following events and transactions occurred during the year.

(i) Impact of COVID-19 pandemic

Background

During the year, following community transmission of the Delta variant of COVID-19, New Zealand entered a Government directed 'Alert Level 4' lockdown at 11.59pm on 17 August 2021.

Auckland remained at Alert Level 4 until 21 September 2021 when it moved to Alert Level 3. It remained at this level, with various restrictions on travel and gatherings applying, until 11.59pm on 2 December 2021 when the new COVID-19 Protection Framework (or traffic light system) was implemented. At this time, Auckland was set at Red where it remained until 11.59pm on 30 December 2021 when it moved to the Orange setting together with the rest of New Zealand excluding Northland.

With the arrival of the Omicron variant of COVID-19, all of New Zealand moved to the Red setting at 11.59pm on Sunday, 23 January 2022 and subsequently moved to Orange setting at 11.59pm on 13 April 2022, where it remained at 30 June 2022.

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. Further, restrictions were placed on access to, and movements within, our development sites.

Certain key judgements and estimates are applied in the Group Financial Statements. The Directors have considered the impact of COVID-19 on these key judgements and estimates. The Directors have concluded that limited changes are necessary. The primary consideration is in relation to the valuation of the Group's investment properties. For further details refer to Note 3.1 - Market conditions.

(ii) Investment in Five Good Friends

On 7 September 2021, the Company entered into agreements with FGF Holdings Pty Ltd (FGF) to invest in FGF's Convertible Notes (Notes).

The key terms of the Notes are set out in the table below.

Convertible Notes (No.)	12,000,000
Subscription price (per Note)	AUD\$1.00
Issue Date	5 October 2021
Maturity Date	10 years after the Issue Date
Conversion	The Company has the option to convert the Notes into a fixed percentage equity stake on the day before the Maturity Date or upon notification of certain future events. The Notes will be redeemed (if not converted) and repaid, including accrued interest, at maturity or upon an event of default.
Interest	Interest is earned on the Notes at a fixed rate from the date of issue up until the earlier of conversion, redemption and the fifth anniversary of the issue date.

Settlement of the subscription for the Notes occurred on 5 October 2021, with an investment value of NZD\$12.6m.

The investment in FGF is shown in other investments on the Consolidated Balance Sheet. For further details refer to Note 5.3 - Other investments.

Notes to the Group Financial Statements

1 GENERAL INFORMATION (continued)

1.7 Significant events and transactions (continued)

(iii) Acquisition of businesses from The Selwyn Foundation and Selwyn Care Limited (Selwyn)

On 25 November 2021, MRVL entered into a Sale and Purchase Agreement to acquire six retirement villages and aged care facilities, and a commercial laundry, from Selwyn.

Completion of the acquisition was contingent upon the satisfaction of several conditions, typical in transactions of this nature, including amongst others, approval from the Overseas Investment Office, Ministry of Health, relevant District Health Boards, and the Statutory Supervisor. All of these conditions were satisfied on 28 February 2022, being the date of the acquisition.

The purchase price and the financial effects of this transaction have been recognised in the Group Financial Statements. Refer to Note 5.8 - Business combination.

(iv) Transactions with the joint venture

Background

The Company and joint venture partner, Palmerston North Māori Reserve Corporate Trustee Limited (PNMR) (as bare trustee of Palmerston North Māori Reserve Trust (Trust)), (together, the Shareholders), each own 50% of the shares issued in PAN. In October 2021, the Company, PNMR and PAN entered into a series of arrangements as follows:

- The Shareholders updated their joint venture arrangements by adopting a new Constitution for PAN and entering into a Shareholders' Agreement relating to PAN. In accordance with the Shareholders' Agreement, PAN also entered into a new Management Agreement, with the Company as Manager.
- PAN purchased a parcel of land (Land) from the Trust under a Sale and Purchase Agreement for \$3.5m.
- Shareholder Loan Agreements were entered into in relation to the following loans (Shareholder Loans):
 - \$3.5m loan from the Trust (by way of a deemed drawing on the date the Land was transferred from the Trust to PAN), and
 - \$3.5m loan from the Company (cash upfront).
- PAN intends to develop the Land by constructing 39 independent living villas. To finance the development of the Land, the Company has provided PAN a development loan facility of up to \$16.7 million (Development Facility Agreement). The Development Facility Agreement is in addition to the Shareholder Loans.
- The Shareholder Loans and the Development Facility Agreement are secured by a General Security Agreement and a second-ranking mortgage over the Land, in each case granted in favour of the Company in its capacity as Security Trustee for the Shareholders (including itself).
- A Security Sharing and Priority Deed between PAN (as Operator), the Shareholders (as Financiers), the Company (as Security Trustee) and Covenant Trustee Services Limited (as Statutory Supervisor) has also been entered into.

New constitution, Shareholder Agreement and Management Agreement

The Shareholder Agreement sets out (among other things) the purpose, objectives and business of the joint venture arrangement in relation to PAN. The Management Agreement appoints the Company as Manager of PAN. Management fees charged by the Company to PAN are outlined in the Management Agreement.

These agreements do not change the nature of the relationship between the entities. Accordingly, PAN continues to be accounted for as a joint venture by the Company.

Notes to the Group Financial Statements

1 GENERAL INFORMATION (continued)

1.7 Significant events and transactions (continued)

(iv) Transactions with the joint venture (continued)

Shareholder Loans

The Shareholder Loans were provided on 20 October 2021. The Shareholder Loan from the Company to PAN is recognised as an amount due from related party in Note 5.4 - Trade and other receivables. Refer to further details in Note 5.9.2 - Joint venture transactions and balances.

Development Facility Agreement

The Development Facility Agreement can only be drawdown once the financial close has occurred (being the date that all conditions precedent to the loan have been satisfied) and must be repaid within 48 months from the date of financial close. As at 30 June 2022, financial close has not occurred and accordingly no drawing under the facility has been made as at 30 June 2022.

(v) Sustainable Financing Programme and bank debt refinancing

Sustainable Financing Programme

On 26 October 2021, the Company launched its Sustainable Financing Programme. The Company's Sustainable Finance Framework (Framework) outlines how it intends to issue and manage new and existing bonds or loans to fund sustainable assets and contribute towards achieving its sustainability goals.

Concurrently on 26 October 2021, the Company designated its existing NZX-listed bond (MET010) as a Sustainability Bond.

Bank debt refinancing

On 10 December 2021, the Company completed the refinancing of its bank loan facilities into Sustainability-Linked Loan (SLL Facilities). The \$1.25 billion SLL Facilities comprises \$600.0m of existing debt and \$650.0m of new debt. The increase in funding capacity will support key elements of the Company's growth strategy.

The SLL Facilities sets annual performance targets for three material sustainability KPIs, which will be independently verified each year. The Company will pay a lower fixed rate on the loan for achieving its targets, but will pay higher fixed rate if it falls short of satisfying the KPIs. The three KPIs are as follows:

- Joining the Science Based Targets Initiative to establish a decarbonisation target in line with the goal of limiting global warming to 1.5°C, and annual reductions in greenhouse gas emissions to achieve that target.
- Building six new aged care facilities which achieve a 6 Green Star rating from the New Zealand Green Building Council (which is the highest level of green building rating achievable in New Zealand) within five years.
- Increasing the number of dementia care beds in the Company's portfolio six-fold within five years, and making all of the Company's fully operating villages dementia friendly as accredited by Alzheimers New Zealand.

The SLL Facilities are provided by a syndicate of lenders comprising ANZ Bank New Zealand Limited, Westpac New Zealand Limited, ASB Bank Limited, Bank of New Zealand, Industrial and Commercial Bank of China Limited Auckland Branch (ICBC), Bank of China Limited Auckland Branch (BOC) and Perpetual Corporate Trust Limited as custodian for the Metrics Credit Partners Diversified Australian Senior Loan Fund (Metrics). ICBC, BOC and Metrics were added to the banking panel as part of this refinance.

Notes to the Group Financial Statements

1 GENERAL INFORMATION (continued)

1.7 Significant events and transactions (continued)

(v) Sustainable Financing Programme and bank debt refinancing (continued)

Bank debt refinancing (continued)

The SLL Facilities comprises core facilities and development facilities, each with different maturity dates, as outlined in Note 4.4 - Interest bearing liabilities. The security arrangements and financial covenants under the SLL Facilities and Sustainability Bond remain unchanged.

The unamortised transaction costs related to the bank debt refinance completed in December 2020 of \$2.2m has been written off and is included in finance expenses in the Consolidated Statement of Comprehensive Income.

Sustainability-linked interest rate swap

Following completion of the bank debt refinancing in December 2021, the Company entered into five-year sustainability-linked interest rate swaps on 27 January 2022 and 25 May 2022 of \$75.0m and \$50.0m respectively with the same sustainability-linked targets with the SLL Facilities. These swaps result in the Company paying a lower fixed rate for achieving its sustainability-linked targets or, conversely paying a higher fixed rate if the targets are not met. Whilst the sustainability-linked targets are the same across both the SLL Facilities and the sustainability-linked interest rate swaps, the discount/premium percentages are different.

The interest rate swaps will be used to hedge the floating rate exposure on any drawdown of the SLL Facilities.

(vi) Tax review during the year

During the year the Company engaged external tax advisors to undertake a review of certain tax matters. As a result of the review, and following consultation with Inland Revenue, the Company has changed its approach from a tax perspective in relation to the following:

- Deferred management fees are being treated as taxable for income tax purposes on termination of an ORA, resulting in an additional deferred tax liability of \$98.4m being recognised in respect of deferred management fees, and a corresponding increase in the deferred tax asset on tax losses (i.e. nil net impact on the Company's deferred tax balance).
- GST receivable of \$45.2m has been recognised in the current year (refer to Note 5.4 - Trade and other receivables) due to certain services provided to residents being determined as GST taxable supplies, meaning GST can now be claimed on construction and operating costs associated with providing these services. The receivable will become due for receipt when the relevant GST returns are filed in July 2022 (\$9.6m) and July 2023 (\$35.6m) respectively.

(vii) Board participation plan and Management participation plan

In September 2021, selected Management personnel entered into the Management Participation Plan (the Plan). Under the Plan, participants purchased shares at their fair value in Asia Pacific Village Holdings Limited (APVH), the ultimate New Zealand holding company. In February 2021, Directors of the Company entered into a similar arrangement (the Board Plan) and also purchased shares at their fair value in APVH. The combined total value of the shares purchased under both plans was \$10.5m. Both plans are operated by APVH which is ultimately responsible for the arrangement with the participants.

As at 30 June 2022, there is no financial impact to the Group Financial Statements as the purchase price paid by the selected Management personnel and the Directors is equal to the grant date fair value of the Plan. The accounting treatment of the Plan was based on NZ IFRS 2 - Share-based Payments.

Notes to the Group Financial Statements

1 GENERAL INFORMATION (continued)

1.7 Significant events and transactions (continued)

(viii) Development land acquisitions

Settled transactions

During the financial year, the Company settled the acquisition of parcels of land in Havelock North, Clevedon, Mangawhai and Whenuapai for \$94.2m.

Unconditional contracts

During the financial year, the Company entered into unconditional agreements with third parties to purchase parcels of land in Pukekohe, Wanaka, Tauranga and additional land in Havelock North. Settlement of these acquisitions is expected between July 2022 and June 2023. Deposits totalling \$3.6m in respect of these purchases have been paid and are recorded in trade and other receivables on the Consolidated Balance Sheet.

1.8 Notes to the Group 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:

Note number and name

2 Operating performance

- 2.1 Operating revenue
- 2.2 Expenses

3 Investment property, refundable occupation right agreements and other assets

- 3.1 Market conditions
- 3.2 Investment properties
- 3.3 Refundable occupation right agreements
- 3.4 Property, plant and equipment
- 3.5 Goodwill

4 Shareholders' equity and funding

- 4.1 Contributed equity
- 4.2 Earnings per share
- 4.3 Reserves
- 4.4 Interest bearing liabilities

Note number and name

5 Other disclosures

- 5.1 Income tax
- 5.2 Deferred tax
- 5.3 Other investments
- 5.4 Trade and other receivables
- 5.5 Trade and other payables
- 5.6 Financial instruments
- 5.7 Financial risk management
- 5.8 Business combination
- 5.9 Related parties
- 5.10 Commitments
- 5.11 Subsequent events

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, employee, property and other expenses.

2.1 Operating revenue

\$000	30 June 2022	30 June 2021
Management fees	71,151	63,379
Rest home, hospital and service fees	55,161	45,053
Village fees	32,810	31,366
Other revenue	4,139	3,722
Total operating revenue	163,261	143,520

Management fees

► Recognition and measurement

The ORA conferring the right to occupancy are considered leases under NZ IFRS 16 - Leases. 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. Consequently, management fee is treated as lease income and is payable by the residents of the Group's independent living units/apartments and serviced apartments for the right to share in the use and enjoyment of common facilities. The current Disclosure Statement and ORA accrues management fees at the rate of 10% per annum for a maximum of three years. ORAs that were acquired from Selwyn during the year accrue management fees at a rate of 25% - 28% in total for a maximum of 4-5 years.

The management fee is recognised on a straight-line basis in the Consolidated 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 of the refundable ORA amount and the management fee receivable. At year end, the management fee receivable that has yet to be recognised in the Consolidated Statement of Comprehensive Income as management fee revenue is recognised as deferred management fees on the Consolidated Balance Sheet.

► Key estimates and judgements

The timing of the recognition of management fees is a critical accounting estimate and judgement. The management fee is recognised on a straight-line basis in the Consolidated 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 2022	30 June 2021
Independent living units and apartments	8 years	8 years
Serviced apartments	4 years	4 years

At 30 June 2022, an increase of the average expected length of stay of residents by one year is estimated to reduce management fee revenue by \$2.2m (2021: \$1.7m) and a decrease of one year would increase management fee revenue by \$2.6m (2021: \$2.1m).

Notes to the Group Financial Statements

2 OPERATING PERFORMANCE (continued)

2.1 Operating revenue (continued)

Other items of Operating revenue

► Recognition and measurement

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

Rest home, hospital and service fees

Rest home, hospital and service fee charges are governed by the individual contracted care and service agreements held with each resident.

Revenue for rest home and hospital services is recognised based on the daily fees charged. Revenue from other services provided to residents is recognised on a monthly basis.

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.

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 operating revenue. This includes care fee revenue from eligible Government subsidised aged care residents who receive rest home or hospital level care. Revenue from the New Zealand Government, received via various District Health Boards, included in rest home, hospital and service fees, amounted to \$19.4m (2021: \$12.9m).

Notes to the Group Financial Statements

2 OPERATING PERFORMANCE (continued)

2.2 Expenses

The profit before income tax includes the following expenses:

\$000	30 June 2022	30 June 2021
Employee expenses	85,569	64,964
Repayment of Government wage subsidy	-	6,797
Total employee expenses	85,569	71,761
Utilities and other property expenses	16,749	14,987
Repairs and maintenance on investment properties	12,788	13,326
Repairs and maintenance on property, plant, and equipment	1,776	1,419
Total property expenses	31,313	29,732
Resident expenses	8,849	7,666
Marketing and promotion	11,570	8,941
Other employment expenses (e.g. staff training and recruitment)	2,519	1,628
IT and communication expenses	5,498	3,672
Legal and consultant expenses	26,095	27,543
Loss on disposal of property, plant and equipment	279	8
Other village operating expenses	5,513	3,781
Director fees	776	799
Other operating expenses	3,785	1,756
Fees paid to PricewaterhouseCoopers New Zealand	-	-
Audit and review of Group Financial Statements	502	341
Training materials	1	-
Tax compliance services	-	3
Retirement sector research and training services	-	56
Total fees paid to PricewaterhouseCoopers New Zealand	503	400
Total other expenses	65,387	56,194
Impairment of care homes	3,974	888
Impairment of goodwill	300	-
Impairment of intangible assets	738	-
Total impairment	5,012	888

Significant expenses

Included in total other expenses are \$14.2m (30 June 2021: \$22.7m) of transaction and advisory expenses related the costs of legal advice for our on-going plaster cladding litigation claim, acquisition-related expenses (refer to Note 5.8 - Business combination) and COVID-19 related costs.

Repayment of Government wage subsidy

In April 2020, the Group received a wage subsidy from the Government as part of its COVID-19 response plan. While the Group did qualify for the subsidy by meeting the prescribed criteria, the Directors deemed it in the spirit of the scheme to return the subsidy. The wage subsidy received was repaid on 20 November 2020.

Notes to the Group Financial Statements

3 INVESTMENT PROPERTY, REFUNDABLE OCCUPATION RIGHT AGREEMENTS AND OTHER ASSETS

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

3.1 Market conditions

The property portfolio, comprising investment property (Note 3.2 - Investment properties) and property, plant and equipment (Note 3.4 - Property, plant and equipment), has been independently valued by CBRE Limited (CBRE) as at 30 June 2022 and 30 June 2021. The valuations represent a 'point in time valuation'.

CBRE comment in their valuation report that there still remains a degree of uncertainty surrounding the economic impacts of COVID-19. In addition, for the year ended 30 June 2022 they have noted rapidly rising inflation, as well as the geopolitical crisis stemming from the events in the Ukraine and flow on effect to the price of oil as also contributing to this. Further, CBRE continue to recommend that their valuations are reviewed periodically.

3.2 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	Note	30 June 2022	30 June 2021
Opening balance		3,966,496	3,471,707
Acquisition of business	5.8	322,778	-
Additions		355,973	159,291
Impact of change to GST taxable supplies	1.7	(45,220)	-
Disposals		(409)	(17)
Change in fair value		111,383	335,515
Closing balance		4,711,001	3,966,496

Investment properties are categorised as follows:

\$000	30 June 2022	30 June 2021
Development land	271,545	174,116
Retirement villages under development	189,000	161,586
Retirement villages		
Valuation	2,182,623	1,816,379
Plus: Net liabilities to residents	2,067,833	1,814,415
Total investment properties	4,711,001	3,966,496

Notes to the Group Financial Statements

3 INVESTMENT PROPERTY, REFUNDABLE OCCUPATION RIGHT AGREEMENTS AND OTHER ASSETS (continued)

3.2 Investment properties (continued)

► 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 Consolidated Balance Sheet, which are also reflected in the discounted cash flow model. Refer to Note 3.1 - Market conditions for further information.

Investment properties which are substantially complete at balance date are valued by CBRE as if they were complete. The fair value of these properties are reduced for their estimated cost to complete of \$16.0m (2021: \$2.5m).

The fair value of the recently acquired Selwyn villages reflects the purchase price paid on the acquisition date which is higher than the CBRE valuation as at 30 June 2022 by \$13.9m. This difference reflects a portfolio premium for the acquisition of these villages as well as the embedded development potential for the acquired property.

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 2022	30 June 2021
Per sqm	\$84 - \$1,448	\$75 - \$1,348

An increase/(decrease) in the per sqm 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 in 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.

Notes to the Group Financial Statements

3 INVESTMENT PROPERTY, REFUNDABLE OCCUPATION RIGHT AGREEMENTS 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 2022	30 June 2021
Nominal growth rate - anticipated annual property price growth over the cash flow period 0 - 5 years	0.0% - 3.5%	0.0% - 3.5%
Nominal compound growth rate - anticipated annual property price growth over the cash flow period > 5 years	2.7% - 3.1%	2.7% - 3.2%
Pre-tax discount rate	12.5% - 18.0%	12.5% - 16.5%

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

	Adopted value*	Discount rate + 50 bp	Discount rate – 50 bp	Growth rates + 50 bp	Growth rates – 50 bp
30 June 2022					
Valuation (\$000)	1,955,900				
Difference (\$000)		(71,310)	76,080	121,848	(112,779)
Difference (%)		(3.65%)	3.89%	6.23%	(5.77%)
		Discount rate + 50 bp	Discount rate – 50 bp	Growth rates + 50 bp	Growth rates – 50 bp
30 June 2021	Adopted value*				
Valuation (\$000)	1,701,150				
Difference (\$000)		(61,930)	66,030	104,915	(97,302)
Difference (%)		(3.64%)	3.88%	6.17%	(5.72%)

* Adopted value excludes unsold stock. Retirement villages measured at fair value includes unsold stock.

Notes to the Group Financial Statements

3 INVESTMENT PROPERTY, REFUNDABLE OCCUPATION RIGHT AGREEMENTS AND OTHER ASSETS (continued)

3.2 Investment properties (continued)

► Key estimates and judgements (continued)

The occupancy period is a significant component of the CBRE valuation and is driven from a Monte Carlo simulation. The simulations are dependent on the demographic profile of the village (age and gender of residents) and the reason for departing a unit. The resulting stabilised departing occupancy period is an estimate of the long run occupancy term for residents. An increase in the stabilised departing occupancy period will have a negative impact on the valuation and a decrease in the stabilised departing occupancy will have a positive impact on the valuation. The valuation calculates the expected cash flows for a 20 year period (2021: 20 years) with stabilised departing occupancy assumptions set out below.

Stabilised departing occupancy - years	30 June 2022	30 June 2021
Independent living units and apartments	6.8 - 8.9	6.5 - 8.9
Serviced apartments	4.1 - 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 \$28.6m over a four year period (2021: \$41.2m over a three year period). The change 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 (2021: \$1.9m).

Further to this, the Group is in the process of undertaking a comprehensive review of the asset condition (including weathertightness) across its portfolio. The results of this work and the Group's response are anticipated over the next six months, and accordingly at this stage the extent of the work cannot be measured with sufficient reliability, but it is likely to involve a combination of preventative planned maintenance, remediation, rebuilding and reconfiguring of certain villages. Costs of known and anticipated remediation works, and other such work arising from this review, may change over time as further information emerges.

Notes to the Group Financial Statements

3 INVESTMENT PROPERTY, REFUNDABLE OCCUPATION RIGHT AGREEMENTS AND OTHER ASSETS (continued)

3.3 Refundable occupation right agreements

\$000	30 June 2022	30 June 2021
Refundable occupation right agreements	2,461,954	2,150,923
Residents' share of capital gains	35,449	31,611
Loans to residents	(22,616)	(20,391)
Management fees receivable	(569,435)	(490,254)
Total refundable occupation right agreements	1,905,352	1,671,889

► Recognition and measurement

ORA conferring the right to occupancy are considered leases under NZ IFRS 16 - Leases. A new resident is charged a refundable security deposit on being issued the right to occupy which is refunded to the resident on termination. The Group has a legal right to set off any amounts owing to the Group by a resident against that resident's security deposit, including management fees, loans receivable, service fees and village fees. As the refundable occupation right is repayable to the resident upon vacation, 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 Consolidated 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 2022	30 June 2021
Independent living units and apartments	6.8 - 8.9	6.5 - 8.9
Serviced apartments	4.1 - 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 2022	30 June 2021
Within 12 months	182,795	187,091
Beyond 12 months	1,722,557	1,484,798
Total refundable occupation right agreements	1,905,352	1,671,889

Notes to the Group Financial Statements

3 INVESTMENT PROPERTY, REFUNDABLE OCCUPATION RIGHT AGREEMENTS 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.

	Freehold land and buildings	Construction work in progress	Plant, furniture, equipment and motor vehicles	Right- of-use assets	Total
\$000					
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)
Net book value	47,615	1,830	9,272	1,284	60,001
Year ended 30 June 2021					
Opening net book value	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

Notes to the Group Financial Statements

3 INVESTMENT PROPERTY, REFUNDABLE OCCUPATION RIGHT AGREEMENTS AND OTHER ASSETS (continued)

3.4 Property, plant and equipment (continued)

\$000	Freehold land and buildings	Construction work in progress	Plant, furniture, equipment and motor vehicles	Right- of-use assets	Total
Year ended 30 June 2022					
Opening net book amount	52,869	2,821	10,869	897	67,456
Revaluation of care homes	1,054	-	-	-	1,054
Acquisition of business (refer Note 5.8)	28,225	-	4,434	-	32,659
Additions	11,414	3,139	2,765	-	17,318
Disposals	-	-	(237)	-	(237)
Impairment	(3,974)	-	-	-	(3,974)
Depreciation	(1,153)	-	(3,447)	(384)	(4,984)
Closing net book value	88,435	5,960	14,384	513	109,292
At 30 June 2022					
Cost or valuation	88,435	5,960	48,721	3,447	146,563
Accumulated depreciation/impairment losses	-	-	(34,337)	(2,934)	(37,271)
Closing net book value	88,435	5,960	14,384	513	109,292

► 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. Property, 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.

Notes to the Group Financial Statements

3 INVESTMENT PROPERTY, REFUNDABLE OCCUPATION RIGHT AGREEMENTS AND OTHER ASSETS (continued)

3.4 Property, plant and equipment (continued)

► Recognition and measurement (continued)

Any revaluation surplus is recognised in other comprehensive income unless it reverses a revaluation decrease of the same asset previously recognised in the Consolidated Statement of Comprehensive Income. Any revaluation deficit is recognised in the Consolidated 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. Refer to Note 3.1 - Market conditions 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 11.5% to 14.8% (2021: 12.5% 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 \$9.7m (2021: \$10.2m) 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.

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

	30 June 2022	30 June 2021
\$000		
Net book value	74,617	35,416

Notes to the Group Financial Statements

3 INVESTMENT PROPERTY, REFUNDABLE OCCUPATION RIGHT AGREEMENTS AND OTHER ASSETS (continued)

3.4 Property, plant and equipment (continued)

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. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Comprehensive Income.

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).

In the year ended 30 June 2022, an impairment loss of \$4.0m was recognised in the Consolidated Statement of Comprehensive Income to reflect the valuation of the care homes (2021: an impairment loss of \$0.9m).

3.5 Goodwill

► Recognition and measurement

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or business at the date of acquisition. Goodwill is allocated to the cash generating unit (CGU) that is expected to benefit from the business combination in which the goodwill arose.

Goodwill is not amortised. Instead, goodwill is tested at least once annually for impairment at balance date and carried at cost less accumulated impairment losses. Impairments are recognised in the Consolidated Statement of Comprehensive Income. Gains and losses on the disposal of a CGU include the carrying amount of goodwill relating to the entity or CGU sold.

Impairment of goodwill

The carrying value of goodwill has been assessed on a village by village basis taking into account the villages as a whole. An impairment is recognised when the carrying value of goodwill is greater than CBRE Limited value. The carrying amount of goodwill at each village is not significant in comparison to the total amount of goodwill. Goodwill of \$2.0m is allocated to the care homes.

► Key estimates and judgements

The recoverable amount of the individual site has been determined based on an external valuation of fair value less costs to sell by CBRE Limited as an external valuer. The fair value less costs to sell is considered Level 3 under the fair value hierarchy. This has been used for comparison to current carrying value. The assumptions used in determining the fair value for is disclosed in Note 3.4 - Property, plant and equipment.

Notes to the Group Financial Statements

4 SHAREHOLDERS' EQUITY AND FUNDING

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

4.1 Contributed equity

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

	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	No. shares	No. shares	\$000	\$000
Balance at beginning of the year	213,096,322	213,304,722	308,533	307,137
Shares issued net of transaction costs (refer Note 5.8)	148,999,996	314,528	148,999	1,396
Shares cancelled	-	(522,928)	-	-
Balance at end of the year	362,096,318	213,096,322	457,532	308,533

During the year, the Company issued 149.0m shares to APVG at \$1.00 per share, which was used to partially fund the acquisition of Selwyn. Refer to Note 5.8 - Business combination.

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 (2021: nil).

	30 June 2022	30 June 2021
	No. shares	No. shares
Treasury shares		
Balance at beginning of the year	-	522,928
Shares cancelled under the senior management share plan	-	(522,928)
Balance at end of the year	-	-

The Company entered into a Scheme Implementation Agreement on 10 July 2020 under which 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, High Court approval and Overseas Investment Office consent. 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.

Notes to the Group Financial Statements

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.2 Earnings per share

	30 June 2022	30 June 2021
Profit attributable to equity holders (\$000)	78,675	304,370
Weighted average number of ordinary shares on issue for basic EPS (No. 000s)	262,491	212,994
Weighted average number of ordinary shares on issue for diluted EPS (No. 000s)	262,491	213,164
Basic earnings per share (cents)	30.0	142.9
Diluted earnings per share (cents)	30.0	142.8

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

Diluted earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares adjusted for any treasury shares under the Scheme (see Note 4.1 - Contributed equity).

4.3 Reserves

4.3.1 Revaluation reserve

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

\$000	30 June 2022	30 June 2021
Balance at beginning of the year	10,639	7,358
Share of gain on revaluation of care home (from joint venture, net of tax)	95	314
Gain on revaluation of care homes	1,054	3,801
Tax on revaluation of care homes	(14)	(834)
Balance at end of the year	11,774	10,639

4.3.2 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 5.7 - Financial risk management).

Notes to the Group Financial Statements

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.4 Interest bearing liabilities

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

\$000	30 June 2022	30 June 2021
Sustainability-Linked Loan/Bank loans	646,374	260,455
Sustainability Bond/Retail bond	100,000	100,000
Capitalised debt costs	(4,545)	(3,928)
	741,829	356,527
Lease liabilities	726	1,209
Total interest bearing liabilities	742,555	357,736
Investment property valuation (refer Note 3.2)	2,643,168	2,152,081
Debt to valuation ratio	28.1%	16.6%

► 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 expense. The finance expense 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.

Notes to the Group Financial Statements

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.4 Interest bearing liabilities (continued)

4.4.1 Sustainability-Linked Loan

As outlined in Note 1.7 - Significant events and transactions, bank facilities were refinanced on 10 December 2021 under the Sustainability Finance Programme as SLL Facilities. This comprises of Core Facility and a Development Facility. In addition to the SLL Facilities, the Company has an overdraft facility that was entered into on 14 October 2015 and has been amended from time to time.

Facility limits and drawn debt

\$000	30 June 2022		30 June 2021	
	Facility limit	Drawn	Facility limit	Drawn
Core facility	620,850	298,841	200,000	95,000
Development facility	629,150	347,533	400,000	165,455
Working capital facility	10,000	-	2,000	-
Total	1,260,000	646,374	602,000	260,455

Maturities

\$000	30 June 2022	30 June 2021
On demand	-	-
Between one and two years	-	-
Between two and three years	65,000	-
More than three years	581,374	260,455
Total	646,374	260,455

4.4.2 Sustainability Bond

On 30 September 2019, the Group issued \$100.0m of guaranteed, secured, unsubordinated fixed-rate bonds with a coupon rate of 3.00% per annum, maturing on 30 September 2026. Under the Sustainable Finance Programme, the Company designated its existing listed bond as a Sustainability Bond.

The bond is secured on an equal ranking basis with certain other secured creditors including the Company's bank lenders. As of 30 June 2022, the Sustainability Bond had a fair value of \$90.8m (2021: \$102.5m).

Security for Sustainability-Linked Loan and Sustainability Bond

The Company has granted a first-ranking general security interest over its assets and 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 the Company's bondholders, bank lenders and hedge providers pursuant to a Security Trust Deed.

Notes to the Group Financial Statements

4 SHAREHOLDERS' EQUITY AND FUNDING (continued)

4.4 Interest bearing liabilities (continued)

4.4.2 Sustainability Bond (continued)

Security for Sustainability-Linked Loan and Sustainability Bond (continued)

MRVL has 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 has also granted first-ranking security over their assets and a second-ranking mortgage over its land in favour of the Company 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 SLL Facility Agreements. 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.

In addition, under the terms of the Sustainability Bond, the Group must also comply with a Loan to Valuation ratio (<50%).

For the year ended 30 June 2022, the Group was compliant with its financial covenants (2021: in compliance).

4.4.3 Finance expenses

\$000	30 June 2022	30 June 2021
Interest expenses	15,282	7,746
Facility expenses	11,466	4,967
Less: Interest and facility expenses capitalised	(16,838)	(8,033)
Total finance expense	9,910	4,680

► Recognition and measurement

Interest on SLL Facilities/bank loan is charged using the BKBM Bill Rate, plus a margin and line fee. A fixed coupon rate of 3.00% is incurred on the Sustainability Bond. Interest rates charged during the year ended 30 June 2022 ranged from 3.04% to 4.96% per annum (2021: 2.84% to 3.19% per annum). Derivative financial instruments used to manage interest rate risk are set out in Note 5.7 - Financial risk management.

Interest and facility expenses of \$16.8m (2021: \$8.0m), arising from the debt for the construction of investment properties and care homes under development, were capitalised during the year. Average capitalisation rates of 2.61% per annum (2021: 3.08% per annum) were used, representing the borrowing costs used to finance the projects.

Notes to the Group Financial Statements

5 OTHER DISCLOSURES

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

5.1 Income tax

5.1.1 Income tax (benefit)/expense

	30 June 2022	30 June 2021
\$000		
Current tax	-	-
Deferred tax	(8,669)	2,796
Income tax (benefit)/expense	(8,669)	2,796

5.1.2 Numerical reconciliation of income tax (benefit)/expense to prima facie tax

	30 June 2022	30 June 2021
\$000		
Profit before income tax	70,006	307,166
Tax at the New Zealand tax rate of 28%	19,602	86,006
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non taxable income and non deductible expenditure	4,096	7,065
Capitalised interest	(4,715)	(2,249)
Non taxable impact of investment property revaluation	(31,187)	(93,944)
Adjustment for timing difference of investment property and property, plant and equipment	(7,554)	9,732
Adjustment for timing difference of provisions	(3,311)	(522)
Movement in recognised tax losses	(83,015)	(3,292)
Taxable impact of tax losses forfeited (Shareholder Continuity Breach)	-	37,552
Taxable impact of tax losses reinstated (Business Continuity Test)	-	(37,552)
DMF adjustment (see Note 1.7) and other prior period adjustments	97,415	-
Income tax (benefit)/expense	(8,669)	2,796

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.1 Income tax (continued)

5.1.3 Other tax matters

	30 June 2022	30 June 2021
\$000		
Income tax paid during the financial year	-	-
Unrecognised tax losses for which no deferred tax asset has been recognised	74,604	-
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 for 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.

5.2 Deferred tax

	Balance 1 July 2021	Recognised in income	Recognised in reserves	Acquisition of business (refer Note 5.8)	Balance 30 June 2022
\$000					
Property, plant and equipment	(2,076)	(726)	14	(2,112)	(4,900)
Investment property	(51,046)	19,019	-	(9,881)	(41,908)
Deferred management fees	-	(109,634)	-	8,050	(101,584)
Recognised tax losses	45,889	99,345	-	-	145,234
Other items	3,663	665	(1,170)	-	3,158
Net deferred tax liability	(3,570)	8,669	(1,156)	(3,943)	-

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.2 Deferred tax (continued)

\$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)
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)

► 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 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.

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.2 Deferred tax (continued)

► Key estimates and judgements (continued)

Tax losses

From 1 April 2021, tax losses are subject to the Business Continuity Test. This allows entities 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 of the change in ownership.

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

	30 June 2022	30 June 2021
\$000		
Balance at the beginning of the year	163,892	130,019
DMF adjustment (see Note 1.7) and other prior period adjustments	355,994	-
Tax losses during the year	73,413	33,873
Balance at end of the year	593,299	163,892

5.3 Other investments

	30 June 2022	30 June 2021
\$000		
Investment in Five Good Friends	14,284	-
Other investments	14,284	-

The investment is accounted for as a financial asset at fair value through profit or loss in accordance with NZ IFRS 9 - Financial Instruments. FGF is performing as expected however increasing the discount rate (as a result of higher interest rates) would lead to an overall decrease in the fair value of the investment. However as this is an optional convertible note the fair value of the investment is considered equal to the value of the initial investment plus accrued interest. As the investment is denominated in Australian Dollars there is an unrealised foreign exchange gain of \$0.8m in the current year (disclosed as Interest and other income in the Consolidated Statement of Comprehensive Income).

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.4 Trade and other receivables

\$000	Note	30 June 2022	30 June 2021
Trade receivables		9,380	6,882
Allowance for doubtful receivables		(245)	(130)
Occupation right agreement receivables		9,135	6,752
Prepayments		6,227	8,860
Amount due from related party	5.9.2	3,878	3,126
Deposits paid for land acquisition		4,195	101
GST receivable	1.7	3,569	760
Retentions and other receivables		55,614	-
		6,507	4,190
Total and other receivables		89,125	23,789

All trade and other receivables are expected to be recovered within 12 months of balance date, except for prepayments and part of the GST receivable as outlined in Note 1.7 - Significant events and transactions.

► 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. In determining the allowance for doubtful debt, 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.

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.5 Trade and other payables

\$000	30 June 2022	30 June 2021
Trade creditors	12,635	6,002
Sundry creditors and accruals	47,589	37,932
Revenue in advance	6,041	4,435
Employee entitlements	11,774	7,362
Total trade and other payables	78,039	55,731

All trade and other payables are expected to settle 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. A provision will be 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.

5.6 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 and other receivables (excluding prepayments).
- Financial assets at fair value through profit or loss - financial asset comprising derivative financial instruments and other investments.
- 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 derivative financial instruments.

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.7 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 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.

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. 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.

5.7.1 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.

(i) Derivative financial instruments

The Group's policy is to manage the interest rate risk through the use of interest rate swaps to reduce the impact of changes in interest rates on its floating rate long term SLL Facilities. The objective of the interest rate swaps is to protect the Group from the short to medium term impact to cash flows which arises from variability in floating interest rates.

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

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.7 Financial risk management (continued)

5.7.1 Market risk (cashflow and fair value interest rate risk) (continued)

(ii) 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. 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 expenses at the same time as interest payments for long-term borrowings are made.

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

	30 June 2022	30 June 2021
\$000		
Notional value of sustainability-linked interest rate swap/ interest rate swap agreements	265,000	90,000
Outstanding SLL Facilities principal covered by swap agreements	41.21%	34.55%
Average contracted fixed interest rate	3.01%	2.13%

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 SLL Facilities/bank loan.

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

	30 June 2022	30 June 2021
\$000		
Less than one year	20,000	-
Between one and two years	10,000	20,000
Between two and seven years	235,000	70,000
Total interest rate swaps	265,000	90,000

Net fair value gain of \$3.0m relating to the effective portion of cash flow hedges were recognised in other comprehensive income (2021: net fair value loss of \$0.2m), with the corresponding net asset of \$2.3m recognised in the Consolidated Balance Sheet as at 30 June 2022 (2021: net liability of \$1.9m). The value reclassified from the hedging reserve to profit or loss was nil.

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.7 Financial risk management (continued)

5.7.1 Market risk (cashflow and fair value interest rate risk) (continued)

(iii) Interest rate sensitivity

At 30 June 2022, it is estimated that a general increase/decrease of half a percentage point in interest rates would reduce/increase the Group's profits after tax (before any capitalisation) and equity by approximately \$1.9m (2021: half a percentage point \$1.2m).

5.7.2 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, other investments 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 New Zealand major trading banks, holding a Standard & Poor's AA- credit rating.

Derivative financial instruments - The Group enters into financial instruments with various counterparties in accordance with established limits as to credit rating and dollar limits.

Trade receivables - The Group's policy requires a security deposit from new residents before they are granted the right to occupy. Assessment of any provision required for the impairment of trade receivables is detailed in Note 5.4 - Trade and other receivables.

Other investments - The Group actively monitors the performance of any investment against internal KPIs. To the extent the Group elects to convert, in addition to the face value the Group will pay the total interest accrued as payment for the conversion shares. As at 30 June 2022, total interest accrued is \$0.9m.

Concentrations of credit risk

The Group's trade receivables represents distinct trading relationships with each individual resident and New Zealand District Health Boards (known as Te Whatu Ora - Health New Zealand from 1 July 2022). The implied concentration of risk with the latter is mitigated due to these being New Zealand Government entities.

5.7.3 Liquidity risk

Nature of risk

Liquidity risk is the risk that the Group may not be able to meet its 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 borrowing limits and covenants are not breached.

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.7 Financial risk management (continued)

5.7.3 Liquidity risk (continued)

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 2022				
Derivative financial instruments	4,567	209	684	893
Lease liabilities	726	574	191	765
Trade and other payables	66,266	66,266	-	66,266
Sustainability Bond	100,000	3,000	109,750	112,750
Sustainability-Linked Loan	646,374	15,857	701,874	717,731
Refundable occupation right agreements	1,905,352	182,795	1,722,557	1,905,352
Total	2,723,285	268,701	2,535,056	2,803,757

\$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

5.7.4 Capital risk management

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.

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.8 Business combination

On 28 February 2022, MRVL acquired six retirement villages and aged care facilities and a commercial laundry from Selwyn. The acquisition significantly increases the weighting of aged care offering in the Group's portfolio, with the provision of a full continuum of care at each of the six villages. It also provides good geographical diversification and significant further development potential.

Purchase consideration and fair value of net assets acquired

To fund the acquisition, the Company issued 149.0m additional shares at \$1.00 per share and drewdown \$65.0m on the SLL Facilities.

The assets and liabilities recognised as a result of the acquisition are as follows:

\$000	Fair value on acquisition
Trade and other receivables	980
Property, plant and equipment	32,659
Investment properties	322,778
Trade and other payables	(1,240)
Deferred management fees	(9,020)
Refundable occupation right agreements	(132,086)
Deferred tax liability	(3,943)
Net identifiable assets acquired	210,128
Add: Goodwill	2,300
Fair value of net assets acquired (purchase consideration)	212,428

Revenue and profit contribution

The acquired business contributed revenue of \$12.4m and net loss after tax of \$2.9m to the Group for the period from 1 March to 30 June 2022.

If the acquisition had occurred on 1 July 2021, the total operating revenue and loss for the year ended 30 June 2022 would have been \$36.4m and \$0.1m respectively.

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.8 Business combination (continued)

Contingent liabilities

No material contingent liabilities were noted during the due diligence process or since acquisition. Should any future contingent liabilities arise, they will be disclosed in future Group Financial Statements.

Acquisition-related expenses

Acquisition-related expenses of \$2.3m that were not directly attributable to the issue of shares are included in other expenses in the Consolidated Statement of Comprehensive Income and in operating cash flows in the Consolidated Cash Flow Statement.

► Recognition and measurement

The acquisition from Selwyn has been accounted for as a business combination in accordance with NZ IFRS 3 - Business Combinations. The assets and liabilities of the acquired businesses have been recognised as at the date of settlement and the operating results have been consolidated from that point forward.

5.9 Related parties

5.9.1 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.

	30 June 2022	30 June 2021
\$000		
Salaries and other short-term employee benefits	5,707	4,710
Senior executive long term share plan	-	1,264
Termination benefits	1,005	1,620
Total	6,712	7,594

Directors are remunerated through Directors' fees and reimbursement. Refer to Note 2.2 - Expenses.

During the year, selected Management personnel and the Directors of the Company entered into a Management Participant Plan and Board Participation Plan respectively. Refer to Note 1.7 - Significant events and transactions.

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.9 Related parties (continued)

5.9.2 Joint venture transactions and balances

During the year ended 30 June 2022, the Company and the joint venture company, PAN undertook the following transactions and had the following closing balances:

\$000	Note	30 June 2022	30 June 2021
Transactions			
Repayment of advances		23	46
Interest accrued on Shareholder Loans		95	-
Director fees		121	30
Management fees		182	158
Dividend		500	200
Shareholder Loans (principal amount)	1.7	3,476	-
Balances			
Advances due		124	101
Dividend		500	-
Shareholder Loans (including accrued interest)	1.7	3,571	-

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

The Shareholder Loans were provided on 20 October 2021 (as outlined in Note 1.7 - Significant events and transactions). The Shareholder Loans are expected to be repaid following the full and final repayment of all amounts outstanding under the Development Facility Agreement. The Shareholder Loans attract interest at the Company's cost of funds, plus a margin. The average interest rate charged since the Shareholder Loans were drawn is 3.91%.

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, no notice had been given in relation to these advances.

On 26 May 2022, a dividend payable by PAN was declared and this has been paid on 26 August 2022. The dividend has no imputation credits attached.

Notes to the Group Financial Statements

5 OTHER DISCLOSURES (continued)

5.10 Commitments

\$000	30 June 2022	30 June 2021
Capital commitments		
Estimated commitments to develop and construct certain sites	274,485	222,898
Conditional land acquisition transactions	67,802	6,813
Total commitments	342,287	229,711

5.11 Subsequent events

Land acquisitions

In July 2022, the Group's agreements with third parties to acquire land in Havelock North, Pukekohe and Tauranga (as outlined in Note 1.7 - Significant events and transactions) went unconditional. Settlements totalling \$38.5m were made in July 2022.

Acquisition of Project Harbour

On 22 August 2022, MRVL entered into a conditional Sale and Purchase Agreement to acquire 2 retirement villages and aged care homes from Merivale Retirement Village 2011 Limited, Merivale Lifecare 2011 Limited, The Village Palms Retirement Village and the Village Palms Lifecare Limited. The acquisition will further increase the weighting of aged care in the Groups portfolio and expand the Group's geographical diversification.

Completion of the acquisition is contingent on the satisfaction of several conditions, typical in transactions of this nature, including amongst others approval from the Ministry of Health, Te Whatu Ora – Health New Zealand, and the Statutory Supervisor. Completion of the acquisition is expected to occur by the end of the year.

The final purchase price is subject to a number of potential adjustments and will not be confirmed until completion takes place however as the Group's intention is to fund the acquisition through the existing debt facility the initial impact on the Group's balance sheet is minimal.



Independent auditor’s report

To the shareholder of Metlifecare Limited

Our opinion

In our opinion, the accompanying group financial statements of Metlifecare Limited (the Company), including its subsidiary (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2022, 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 financial statements comprise:

- the consolidated balance sheet as at 30 June 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the group 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 group financial statements* section of our report.

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

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 provides the Group with access to training material through a generic on-line platform. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The access to training material and these relationships have 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 group financial statements of the current year. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 3.2 and 3.4 of the group financial statements, includes investment properties (excluding net liabilities to residents) of \$2.6 billion and care homes (encompassing freehold land and buildings) of \$88.4 million and represents the majority of the assets held by the Group as at 30 June 2022.

Investment properties and care homes are carried at fair value. Investment properties under development that are not substantially 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 are determined by the Directors based on valuations performed by an independent third party, registered valuer, CBRE Limited (the Valuer).

The Directors have adjusted the valuations provided by the Valuer for the estimated costs to be incurred to complete the development of any asset that is substantially but not practically completed at the date of the valuation, but valued by the Valuer as if it was complete; and for a portfolio premium and embedded

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, and the controls in place over the valuation process.

In assessing the investment properties and care homes valuations, we read the valuation report and 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 independence.

We confirmed that the valuation approach was in accordance with accounting standards and suitable for use in determining the fair value of investment properties and care homes as at 30 June 2022.

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.

We considered the estimated cost of remediation works on a sample basis 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 the estimated costs to complete developments that are valued by the Valuer at 30 June 2022 as if complete, but were substantially but not practically completed at this date, through the review of quantity surveyor reports.

We engaged our own in-house valuation expert 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 expert’s knowledge

Description of the key audit matter	How our audit addressed the key audit matter
<p>development potential for the recently acquired villages.</p> <p>In preparing their valuation, the Valuer took into account property specific information such as current unit pricing, current and anticipated residential property price growth rates and discount rates for investment properties, and capitalisation rates and normalised 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.</p> <p>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.</p>	<p>gained from reviewing valuations of similar properties, known transactions and market data.</p> <p>In relation to the valuation adjustment for the recently acquired villages, we assessed whether the fair value of the investment property and care homes is within a reasonable range.</p> <p>We also considered whether or not there was a bias in determining significant assumptions in individual valuations.</p> <p>We considered whether there were any events subsequent to the date of the Valuer's report which may have caused the valuation of investment property and care homes to be materially different to those determined by the Valuer.</p> <p>With regards to the impact of climate-related risks on the valuation of investment properties and care homes, while the Valuer made no explicit adjustments to their valuations as at 30 June 2022 in respect of climate-related matters, their report did indicate that flood risks in particular had been taken into consideration.</p> <p>It was evident from our discussions with management and the Valuer, and from our review of the valuation report that attention had been paid to each village's individual characteristics and its overall quality, geographic location and desirability as a whole.</p> <p>We considered the appropriateness of disclosures made in the group financial statements.</p>
<p>Acquisition of Selwyn villages</p> <p>As disclosed in note 5.8 of the group financial statements, the Group acquired six retirement villages and aged care facilities, and a commercial laundry for total consideration of \$212.4 million.</p> <p>The total fair value of investment property and property, plant and equipment acquired was \$355.4 million. As described in note 3.2 of the group financial statements, the fair value of the acquired villages reflects the purchase price paid on the acquisition date which is higher than the CBRE valuation at the date of acquisition. This difference reflects a portfolio premium for the acquisition of these villages as well as the embedded development potential for the acquired property.</p>	<p>We obtained an understanding of the Group's process related to the acquisition accounting and assessed the appropriateness of the accounting treatment applied to the acquisition. This included reading the sale and purchase agreement in order to assess the determined acquirer and acquisition date, and examining supporting documentation for the total consideration paid.</p> <p>The assets and liabilities acquired are outlined in note 5.8 of the group financial statements, the most significant of which are investment property and care homes. To assess the fair value of investment property and care homes acquired we read the valuation report and 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</p>

Description of the key audit matter	How our audit addressed the key audit matter
<p>The acquisition was accounted for as a business combination in accordance with <i>NZ IFRS 3 Business Combinations</i> (NZ IFRS 3).</p> <p>The acquisition of the Selwyn villages is a key audit matter due to the significance of the transaction to the Group's financial position, and due to the level of judgement involved in determining the fair value of each of the assets and liabilities acquired.</p>	<p>valuation process (if any) and the market conditions at the valuation date.</p> <p>We assessed the Valuer's qualifications, expertise and their objectivity and independence.</p> <p>We confirmed that the valuation approach was in accordance with accounting standards and suitable for use in determining the fair value of investment properties and care homes as at 28 February 2022.</p> <p>In relation to the difference between the fair value of the acquired assets and the CBRE valuation, we considered the nature of the transaction and its proximity to year end, in determining that the fair value of acquired investment property and care homes adopted by management is within a reasonable range.</p> <p>We evaluated whether the disclosures are in accordance with NZ IFRS 3.</p>

Our audit approach

Overview



Overall group materiality: \$9,780,000, which represents approximately 0.5% of net assets.

We chose net assets as the benchmark because, in our view, the objective of the Group is to provide the shareholder with a total return on the Group's net assets, taking into account both capital and income returns.

We performed a full scope audit over the consolidated financial information of the Group.

As reported above, we have two key audit matters, being:

- Valuation of investment properties and care homes
- Acquisition of Selwyn villages.



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the group 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 group 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 group financial statements.

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

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 group financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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

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 group financial statements

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

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

Auditor's responsibilities for the audit of the group financial statements

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

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

<https://www.xrb.govt.nz/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:

Chartered Accountants
26 August 2022

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 2022.

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 2022 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.

Directors' Bond Dealings

No directors had relevant interests in the bonds issued by the Company as at 30 June 2022.

BONDHOLDER INFORMATION

Twenty Largest Bondholders (as at 28 July 2022)

REGISTERED BONDHOLDER		Number of Bonds	% Bonds
1	Custodial Services Limited	25,323,000	25.32
2	Forsyth Barr Custodians Limited	19,423,000	19.42
3	TEA Custodians Limited Client Property Trust Account - NZCSD	12,126,000	12.12
4	FNZ Custodians Limited	11,489,000	11.48
5	Generate Kiwisaver Public Trust Nominees Limited	7,490,000	7.49
6	Hobson Wealth Custodian Limited	7,120,000	7.12
7	BNP Paribas Nominees (NZ) Limited - NZCSD	2,138,000	2.13
8	Investment Custodial Services Limited	1,733,000	1.73
9	Forsyth Barr Custodians Limited	1,348,000	1.34
10	JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct - NZCSD	584,000	0.58
11	Dunedin Diocesan Trust Board	550,000	0.55
12	FNZ Custodians Limited	488,000	0.48
13	Social Service Council Of The Diocese Of Christchurch	460,000	0.46
14	JBWere (NZ) Nominees Limited	407,000	0.4
15	Carlton Cornwall Bowls Incorporated	320,000	0.32
16	Custodial Services Limited	231,000	0.23
17	FNZ Custodians Limited	228,000	0.22
18	Custodial Services Limited	210,000	0.21
19	Clara Ogden	210,000	0.21
20	Michael Alan Matthews & Marijanne Sophia Boxall & Meri Gibson	200,000	0.2
TOTAL		92,078,000	92.01

SPREAD OF BONDHOLDERS (as at 28 July 2022)

Size of holdings	Number of bondholders	%	Number of bonds held	%
1 – 5,000*	27	8.68	134,000	0.13
5,001 – 10,000	69	22.19	664,000	0.66
10,001 – 100,000	189	60.77	6,238,000	6.24
100,001 and over	26	8.36	92,964,000	92.97
TOTAL	311	100	100,000,000	100

*Note there is a minimum purchase threshold of 5,000

Registered Office (New Zealand)

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Postal Address: PO Box 37463, Parnell, Auckland 1151
Telephone: 09 539 8000
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
ASB Bank Limited
Bank of China Limited, Auckland Branch
Bank of New Zealand
Industrial and Commercial Bank of China Limited, Auckland Branch
Metrics Credit Partners Diversified
Australian Senior Loan Fund
Westpac New Zealand Limited

Stock Exchange Listings

NZX Debt Market

To view our online version of this report please visit
www.metlifecare.co.nz/investor-centre

Residents stepping out at Dannemora Gardens.

