

www.retirementvillages.govt.nz | 0800 268 269

Post your completed form to: Registrar of Retirement Villages, Private Bag 92061, Victoria Street West, Auckland 1142
or email it to: retirementvillages@companies.govt.nz

Annual return and certificate of registered documents

Sections 13(2) and 16, Retirement Villages Act 2003

Name of village

Registration number

Part 1 — Retirement village details

1. Street address of village

2. Address of registered office of village

This address must be a physical address in New Zealand and must not be a post office box or private bag address.

3. Address for service of village

This address must be a physical address in New Zealand and must not be a post office box or private bag address.

4. Postal address of village

5. Email address for village

6. Telephone number for village

7. Fax number for village (*optional*)

Name of village**Registration number**

Part 2 — Operator details

1. Name of operator

Where there is more than one operator continue on a separate sheet and attach all pages to this annual return.

2. Company or other registration number (if any)**3. New Zealand Business Number (if any)****4. Nature of operator**

For example — company, natural person

5. Address of registered office of operator

This address must be a physical address in New Zealand and must not be a post office box or private bag address.

6. Address for service of operator

This address must be a physical address in New Zealand and must not be a post office box or private bag address.

7. Postal address of operator to which communications from the Registrar may be sent**8. Email address of operator****9. Telephone number of operator:****10. Fax number of operator (optional)**

Name of village

[Empty text box for Name of village]

Registration number

[Empty text box for Registration number]

Part 3 — Certificate of registered documents

I, [Empty text box]

(Insert name of operator)

certify that

for: [Empty text box]

(Insert name of the retirement village)

Each registered document is correct, current, and not likely to mislead or deceive any resident, intending resident, or the public.

Documents to update the registered information are attached to the annual return form. (Form RV3 — Change of circumstances must be completed for material changes).

Signed:

J.P.W.M.

Name of signatory

[Empty text box for Name of signatory]

Dated

[Empty text box for Dated]

Part 4 — Checklist

To speed up registration, use this checklist to ensure you have included all of the information required.

Have you completed?

Parts 1, 2 and 3 and have you signed the form (attach extra pages if applicable)

Have you attached?

A copy of the audited financial statements that comply with section 35B of the Retirement Villages Act 2003 (the Act) or, as referred to in section 35F of the Act, the audited financial statements that comply with subpart 3 of Part 7 of the Financial Markets Conduct Act 2013 or section 55 of the Financial Reporting Act 2013; **and**

A copy of the audited financial statements which comply with section 35C of the Retirement Villages Act 2003 (where applicable); **and**

The documents supporting any information on the register that has changed; **and**

A copy of the statutory supervisor’s certification addressed to the Registrar (where applicable).

Contact details of person completing this form

Name: [Empty text box]

Address: [Empty text box]

Email address: [Redacted]

Telephone number: [Empty text box]

Fax number (optional): [Empty text box]

1 December 2023

The Registrar of Retirement Villages
c/- Companies Office
Ministry of Business, Innovation and Employment
Private Bag 92061
Victoria Street West
Auckland 1142

Report of Statutory Supervisor in respect of Palmerston North Village (the Village)

We confirm that we act as the statutory supervisor of the Village.

The terms of our appointment as the statutory supervisor are recorded in a Deed of Supervision with the operator of the Village, being Metlifecare Palmerston North Limited (Operator), dated 25 May 2007 and the Retirement Villages Act 2003 (Act).

This report accompanies the Operator's 2023 annual return (Annual Return) and has been prepared by us in accordance with sections 13(3)(c) and 42(c) of the Act for the period the subject of the Annual Return only.

In terms of section 13(3)(c) of the Act, we certify that:

1. The Operator has supplied to us a copy of the Operator's audited financial statements for the year ended 30 June 2023. The financial statements of the Operator are the financial statements of the Village.
2. The information contained in the Annual Return is, to the best of our knowledge and belief, accurate.

In terms of section 42(c) of the Act, we report as follows:

1. We have at all times performed our duties and discharged our obligations as the statutory supervisor of the Village. In particular, we have:
 - (a) Provided and maintained a stakeholder facility for all resident money and this facility has been subject to external audit;
 - (b) Monitored the financial position of the Village;
 - (c) Reported to the residents on the performance of our duties and the exercise of our powers; and
 - (d) Discharged all other duties imposed on us by the Act, the regulations made under the Act and the Deed of Supervision.
2. The Operator has complied with all covenants, in particular all financial obligations and reporting requirements, contained in the Deed of Supervision.
3. We have reviewed all scheduled reports from the Operator for the year ended 30 June 2023.

4. All occupation right agreements issued or terminated during the year ended 30 June 2023 were dealt with in accordance with the relevant provisions of the Act and Deed of Supervision.
5. We have not exercised any of the powers conferred on us as statutory supervisor of the Village pursuant to section 43 of the Act.

Our certification and report have been provided on the basis that, subject to the duties imposed on us as statutory supervisor of the Village by the Act, the regulations made under the Act and the Deed of Supervision, we have relied on the information, explanations and confirmations supplied to us by the Operator and the auditor of the Village and have not carried out an independent check of the same.

Yours faithfully

For Covenant Trustee Services Limited



Garreth Heyns
Senior Relationship Manager

Garreth@covenant.co.nz

Metlifecare Palmerston North Limited

Annual Report

For the year ended 30 June 2023

Directors' Report

For the year ended 30 June 2023

The Directors have pleasure in presenting the Annual Report and Financial Statements of Metlifecare Palmerston North Limited for the year ended 30 June 2023.

With the agreement of the Shareholders, the Company adopted the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Annual Report and Financial Statements presented are signed for and on behalf of the Board and were authorised by the Board for issue on 13 September 2023.



Rebecca Elizabeth Mellish

Director
13 September 2023



Earl Gasparich

Director
13 September 2023

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Statement of Comprehensive Income

For the year ended 30 June 2023

\$000	Note	30 June 2023	30 June 2022
Income			
Operating revenue	2.1	5,660	5,593
Interest income		77	38
Total Income		5,737	5,631
Other gains			
Change in fair value of investment properties	3.2	4,333	7,824
Expenses			
Employee expenses		(3,485)	(3,358)
Property expenses	2.2	(732)	(645)
Other expenses	2.2	(1,543)	(1,253)
Depreciation	3.4	(192)	(176)
Interest expenses		(38)	(114)
Total Expenses		(5,990)	(5,546)
Profit before income tax			
Income tax benefit	5.1	717	527
Profit for the year		4,797	8,436
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of care home, net of tax		1,408	150
Other comprehensive income, net of tax		1,408	150
Total comprehensive income		6,205	8,586
Profit attributable to shareholders of the Company			
		4,797	8,436
Total comprehensive income attributable to shareholders of the Company			
		6,205	8,586

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

Statement of Changes in Equity

For the year ended 30 June 2023

\$000	Note	Contributed Equity	Retained Earnings	Revaluation Reserve	Total Equity
Balance at 1 July 2021		1	26,438	1,846	28,285
Comprehensive income					
Profit for the year		-	8,436	-	8,436
Other comprehensive income		-	-	150	150
Total comprehensive income		-	8,436	150	8,586
Dividends declared	4.2	-	(1,000)	-	(1,000)
Balance at 30 June 2022		1	33,874	1,996	35,871
Balance at 1 July 2022		1	33,874	1,996	35,871
Comprehensive income					
Profit for the year		-	4,797	-	4,797
Other comprehensive income		-	-	1,408	1,408
Total comprehensive income		-	4,797	1,408	6,205
Dividends declared	4.2	-	(1,200)	-	(1,200)
Balance at 30 June 2023		1	37,471	3,404	40,876

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

Balance Sheet

As at 30 June 2023

\$000	Note	30 June 2023	30 June 2022
Assets			
Cash and cash equivalents		1,110	2,832
Trade and other receivables	5.3	977	380
Property, plant and equipment	3.4	12,908	4,580
Investment properties	3.2	78,440	64,810
Total Assets		93,435	72,602
Liabilities			
Trade and other payables	5.4	2,385	1,811
Amounts due to related parties	6.3	18,234	8,266
Lease liabilities		57	-
Deferred management fees		2,031	1,717
Refundable occupation right agreements	3.3	29,370	24,177
Deferred tax liability	5.2	482	760
Total Liabilities		52,559	36,731
Net Assets		40,876	35,871
Equity			
Contributed equity	4.1	1	1
Revaluation reserve		3,404	1,996
Retained earnings		37,471	33,874
Total Equity		40,876	35,871

The above Balance Sheet should be read in conjunction with the accompanying notes.

The Financial Statements presented are signed for and on behalf of Metlifecare Palmerston North Limited and were authorised by the Board for issue on 13 September 2023.



Rebecca Elizabeth Mellish

Director
13 September 2023



Earl Gasparich

Director
13 September 2023

Cash Flow Statement

For the year ended 30 June 2023

\$000	30 June 2023	30 June 2022
Cash flows from operating activities		
Receipts from residents for management fees, village, care, and service fees	5,460	6,303
Receipts from residents for new refundable occupation right agreements	8,781	7,766
Payments to residents for outgoing refundable occupation right agreements	(3,373)	(6,290)
Payments to residents via buyback of refundable occupation right agreements for regeneration and remediation	(176)	(2,460)
Payments to suppliers and employees	(4,979)	(4,926)
Net GST paid	(165)	(354)
Net interest received	74	38
Net cash inflow from operating activities	5,622	77
Cash flows from investing activities		
Payments for property, plant and equipment	(163)	(109)
Payments for investment properties	(14,687)	(3,752)
Capitalised interest paid	(547)	(79)
Net cash outflow from investing activities	(15,397)	(3,940)
Cash flows from financing activities		
Dividends paid	(1,000)	-
Principal payments of lease liabilities	(8)	-
Net advances of Shareholders Loan and Development Facility	9,061	3,499
Net cash inflow from financing activities	8,053	3,499
Net decrease in cash and cash equivalents	(1,722)	(364)
Cash and cash equivalents at the beginning of the financial year	2,832	3,196
Cash and cash equivalents at the end of the financial year	1,110	2,832

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. GENERAL INFORMATION

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

1.1 Reporting entity

The Financial Statements are for Metlifecare Palmerston North Limited (the Company).

The Company is incorporated and domiciled in New Zealand. The address of its registered office is Level 4, 110 Carlton Gore Road, Newmarket, Auckland 1023.

The Company is owned 50% by Metlifecare Limited (Metlifecare) and 50% by Palmerston North Māori Reserve Corporate Trustee Limited (PNMR).

The Company is in the business of owning, operating and developing a retirement village and care home for the elderly in Palmerston North, New Zealand.

1.2 Basis of preparation

The Financial Statements have been prepared in accordance with the requirements of the Retirement Villages Act 2003 and the Companies Act 1993.

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), and other applicable New Zealand Financial Reporting Standards, as appropriate for entities that apply NZ IFRS RDR.

The Company is eligible and has elected to report in accordance with Tier 2 for-profit accounting requirements (NZ IFRS RDR) on the basis that the Company has no public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the Company has applied a number of disclosure concessions.

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

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

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and care home (care beds and care suites).

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

Notes to the Financial Statements (continued)

1.3 Key judgements and estimates

The preparation of the 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 Company's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are as follows:

Reference to Note	Key estimates and judgements
Note 2.1	Revenue recognition - Management fees
Note 3.2 and 3.4	Fair value of investment properties and care home
Note 5.2	Recognition of historical tax losses in deferred tax

Climate change risk

The Company recognises that climate-related risk is a key threat to the way the Company 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. In January and February 2023, two closely timed severe weather events (the Auckland Floods and Cyclone Gabrielle) caused widespread property damage throughout the North Island. Despite this, the Company's retirement village and care home were not impacted.

Climate-related risk is something that is specifically addressed in the design and construction of all of the Company's new developments particularly given that severe weather events are increasing in both severity and frequency. Our residents' 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, this may change in the future.

Notes to the Financial Statements (continued)

1.4 Accounting policies

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

(i) New accounting policy

There is no new accounting policy during the year that is relevant to the Company.

(ii) New accounting standards

The Company has not early adopted any standards, amendments or interpretations to existing standards that are not yet effective, and the expected impact is not material.

(iii) Measurement of fair value

The Company measures investment properties and care home at fair value. The Company 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)

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 Statement of Comprehensive Income and 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 Cash Flow Statement under operating activities. Where the amount of GST is not recoverable, GST is recognised as part of the cost of the assets or as an expense, as applicable. All items in the Balance Sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Notes to the Financial Statements (continued)

(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 are recognised in the Statement of Comprehensive Income.

(vi) Classification of property

The Company operates retirement village and care home. As outlined in Note 3, retirement village is typically investment property and care home is typically property, plant and equipment.

The Company applies the following principles when ascertaining the appropriate accounting treatment to be applied:

Unit	Scenario	Consideration of Significant Cash Flows	Classification
Independent living (villa or apartment)	Additional Services are optional (whether or not the unit is certified for Aged Related Residential Care)	The business model is the provision of retirement accommodation	Investment property
Serviced apartment	Services are compulsory but an insignificant portion of total revenue from the unit	1. Where a guideline of under 20% of total revenue is adopted; and 2. The business model is the provision of retirement accommodation	Investment property
Care suite	Full Aged Related Residential Care services are compulsory and a significant portion of the total revenue derived from the unit	The business model is the provision of care	Property, plant and equipment
Traditional care bed	Full Aged Related Residential Care is compulsory for that unit/bed	The business model is the provision of care. The price of the accommodation does not change the overall purpose of the accommodation	Property, plant and equipment

Notes to the Financial Statements (continued)

1.5 Significant events and transactions

The following events and transactions occurred during the year:

Care suites

Under the Full Potential Plan, the Company has an increased focus on offering a full continuum of care across its village and using the sale of Occupation Right Agreement (ORAs) over care rooms to drive the aged care strategy. As part of this, work on converting both serviced apartment and care bed stock into care suites has gathered momentum during the financial year ended 30 June 2023. Care suites are a room within the village that is certified by Te Whatu Ora – Health New Zealand to provide rest home and/or hospital level care to a resident who is assessed as requiring that level of care, which is capable of being occupied by a resident under an ORA.

As at 30 June 2023, 2 care suites are occupied. Refer to Note 3.4 - Property, plant and equipment for further details.

Classification of Care suites

The Company transfers a property from investment properties to property, plant and equipment at the point in time when the property ceases to meet the definition of investment properties and there is evidence of the change in use of the property in accordance with NZ IAS 40 - Investment Property.

The Company has determined the trigger point for the change in use to be the time at which construction commences to convert the relevant serviced apartment to a care suite. There is no change in classification for a care bed to care suite conversion as the care bed is already recognised as property, plant and equipment.

At the time the change in classification takes effect, the carrying value of the investment properties is the deemed cost base of the care suite. Any subsequent fair value gain or loss, including as a result of the conversion will be recognised in the revaluation reserve or profit or loss. Refer to Note 3.2 - Investment properties and Note 3.4 - Property, plant and equipment for further details.

2. OPERATING PERFORMANCE

This section provides information that the Directors consider most relevant in the context of the operating performance of the Company including revenue, property and other expenses.

2.1 Operating revenue

\$000	30 June 2023	30 June 2022
Management fees	1,286	1,268
Rest home, hospital and service fees	3,732	3,684
Village fees	585	600
Other revenue	57	41
Total operating revenue	5,660	5,593

Notes to the Financial Statements (continued)

Management fees

➤ Recognition and measurement

The ORA conferring the right to occupancy are considered leases under NZ IFRS 16 - Leases. The management fee receivable is calculated as a percentage of the ORA amount and the entitlement accrues monthly or daily, for a set period, based on the terms of the individual contracts.

The current Disclosure Statement and ORA for independent living units and serviced apartments accrues management fees receivable at the rate of 10% per annum for a maximum of three years. ORAs for care suites accrue the management fees receivable at the rate of 30% (15% year one, 10% year two and 5% year three) over 3 years.

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 Company 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 Statement of Comprehensive Income as management fee revenue is recognised as deferred management fees on the Balance Sheet.

Consequently, management fee is treated as lease income and is payable by the residents of the Company's independent living units, serviced apartments and care suites for the right to share in the use and enjoyment of common facilities. The management fee is recognised on a straight-line basis in the Statement of Comprehensive Income over the average expected length of stay of residents.

➤ Key estimates and judgements

The timing of the recognition of management fees is a critical accounting estimate and judgement. The current assessments are as follows:

Expected average length of stay	30 June 2023	30 June 2022
Independent living units	8 years	8 years
Serviced apartments	4 years	4 years
Care suites	3 years	-

Other items of Operating revenue

➤ Recognition and measurement

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

(i) 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

Notes to the Financial Statements (continued)

charged. Revenue from other services provided to residents is recognised on a monthly basis.

(ii) 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.

(iii) 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.

2.2 Expenses

The profit before income tax includes the following expenses:

\$000	Note	30 June 2023	30 June 2022
Utilities and other property expenses		395	373
Repairs and maintenance on investment properties		261	234
Repairs and maintenance on property, plant, and equipment		76	38
Total property expenses		732	645
Management fees charged by Metlifecare	6.3	273	182
Marketing and promotion		219	184
Resident expenses		487	507
Other expenses (no items of individual significance)		564	380
Total other expenses		1,543	1,253

Notes to the Financial Statements (continued)

3. INVESTMENT PROPERTIES, REFUNDABLE OCCUPATION RIGHT AGREEMENTS AND RELATED PROPERTY ASSETS

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

3.1 Market conditions

The property portfolio, comprising investment properties (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 2023 and 30 June 2022. The valuations represent a 'point in time valuation'.

CBRE note in their valuation as at 30 June 2023 that property markets continue to be heavily impacted by rapid interest rate rises being used to address high inflation, the continuing disruption to global supply chains and geopolitical instability in certain regions, particularly the ongoing war in Ukraine continue to be the most pressing issues facing both national and global property markets. In addition, CBRE notes that property pricing and values are expected to continue to soften through the remainder of the 2023 calendar year due to the ongoing deterioration in economic conditions and significant negative gap between the cost of debt and property yields. Given the current economic uncertainty, CBRE recommends 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, serviced apartments and common facilities, provided for use by residents under the terms of an ORA. Investment properties are held for long-term yields.

The Company's investment properties, and movements for the year, are set out in the following table:

\$000	Note	30 June 2023	30 June 2022
Opening balance		64,810	48,895
Additions		15,429	8,091
Transfer to property, plant and equipment	3.4	(5,973)	-
Disposals		(159)	-
Change in fair value		4,333	7,824
Closing balance		78,440	64,810

Notes to the Financial Statements (continued)

Investment properties are categorised as follows:

\$000	30 June 2023	30 June 2022
Development land	3,166	6,465
Retirement village under development	4,174	4,753
Retirement village		
Valuation	40,277	27,595
Net liabilities to residents	30,823	25,997
Total investment properties	78,440	64,810

➤ Recognition and measurement

Valuation process and key inputs

CBRE undertook the valuation of investment properties in accordance with professional valuation standards for all the reporting periods presented. CBRE's principal valuer, Michael Gunn, is an independent registered valuer and associate of the New Zealand Institute of Valuers and is appropriately qualified and experienced in valuing retirement village properties in New Zealand.

The fair value, as determined by CBRE, is adjusted for assets and liabilities already recognised in the Balance Sheet, which are also reflected in the discounted cash flow model.

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 Company's land value is as follows:

Land value	30 June 2023	30 June 2022
Per sqm	\$487	\$498

As the fair value is determined using inputs that are significant and unobservable, the Company has categorised development land as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – Fair Value Measurement. 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.

Notes to the Financial Statements (continued)

Retirement village 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. The cost approach is deemed to be the more robust approach as it relies on inputs that can be accurately determined and is not subject to any variable inputs. Impairment is determined by considering the value of work in progress and Management's estimate of the asset value on completion.

Retirement village

To assess the market value of the Company'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 Company 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 Company's interest in unsold stock at 30 June.

➤ Key estimates and judgements

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

Unobservable input	30 June 2023	30 June 2022
Nominal growth rate - anticipated annual property price growth over the cash flow period 0 - 5 years	0.5% - 3.5%	0.0% - 3.5%
Nominal compound growth rate - anticipated annual property price growth over the cash flow period > 5 years	2.7% - 3.2%	2.7% - 3.1%
Pre-tax discount rate	13.5%	13.5%

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

30 June 2023	Adopted value*	Discount rate + 50 bp	Discount rate - 50 bp	Growth rates + 50 bp	Growth rates - 50 bp
Valuation (\$000)	32,650				
Difference (\$000)		(1,270)	1,360	2,330	(2,120)
Difference (%)		(3.9)	4.2	7.1	(6.5)

Notes to the Financial Statements (continued)

30 June 2022	Adopted value*	Discount rate + 50 bp	Discount rate - 50 bp	Growth rates + 50 bp	Growth rates - 50 bp
Valuation (\$000)	24,870				
Difference (\$000)		(910)	970	1,549	(1,434)
Difference (%)		(3.7)	3.9	6.2	(5.8)

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

The occupancy period is a significant component of the CBRE valuation and is driven from a Monte Carlo simulation. The simulations are dependent on the demographic profile of the village (age and gender of residents) and the reason for departing a unit. The resulting stabilised departing occupancy period is an estimate of the long run occupancy term for residents.

An increase in the stabilised departing occupancy period will have a negative impact on the valuation and a decrease in the stabilised departing occupancy will have a positive impact on the valuation. The valuation calculates the expected cash flows for a 20-year period (2022: 20-year period) with stabilised departing occupancy assumptions set out below:

Stabilised departing occupancy - years	30 June 2023	30 June 2022
Independent living units	7.8	7.2
Serviced apartments	4.8	4.7

3.3 Refundable occupation right agreements

The refundable occupation right agreements balance is analysed as follows:

\$000	30 June 2023	30 June 2022
Refundable occupation right agreements	36,268	30,207
Loans to residents	(117)	(88)
Management fees receivable	(6,781)	(5,942)
Total refundable occupation right agreements	29,370	24,177

➤ 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 Company has a legal right to set off any amounts owing to the Company 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 Company are protected by the Statutory Supervisor restricting the ability of the

Notes to the Financial Statements (continued)

Company to fully control these assets without undergoing a consultation process with all affected parties.

Estimated maturity

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

Expected average length of stay - years	30 June 2023	30 June 2022
Independent living units	7.8	7.2
Serviced apartments	4.8	4.7
Care suites	2.8	-

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

As outlined in Note 1.5 – Significant events and transactions, the care suites offering is new for the year ended 30 June 2023. Consistent with prior years, an independent valuation will be carried out for care home assets including care suites (classified as property, plant and equipment) at each financial year end as outlined in Note 3.4 – Property, plant and equipment and this will include CBRE's estimate for the expected average length of stay.

3.4 Property, plant and equipment

Property, plant and equipment comprises owner-occupied freehold land and buildings and plant and equipment operated by the Company for the provision of care services.

\$000	Freehold land and buildings	Plant, furniture, equipment and motor vehicles	Right- of-use asset	Total
At 30 June 2022				
Cost or valuation	4,231	2,021	-	6,252
Accumulated depreciation	-	(1,672)	-	(1,672)
Closing net book value	4,231	349	-	4,580
Year ended 30 June 2023				
Opening net book value	4,231	349	-	4,580
Revaluation of care home	1,848	-	-	1,848
Transfer from Investment Properties (Note 3.2)	5,973	-	-	5,973
Additions	-	646	63	709
Disposals	-	(10)	-	(10)
Depreciation	(92)	(93)	(7)	(192)
Closing net book value	11,960	892	56	12,908
At 30 June 2023				
Cost or valuation	11,960	2,657	63	14,680
Accumulated depreciation	-	(1,765)	(7)	(1,772)
Closing net book value	11,960	892	56	12,908

Notes to the Financial Statements (continued)

➤ Recognition and measurement

All property, plant and equipment is initially recorded at cost. For transfers from investment properties following a change in classification from investment properties to property, plant and equipment, the carrying value at the time of change is deemed to be the cost. Initial 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 home are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses, if any, since the assets were last revalued. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is recognised in other comprehensive income unless it reverses a revaluation decrease of the same asset previously recognised in the profit or loss. Any revaluation deficit is recognised in the profit or loss 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 asset relating to vehicle is 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 Company's care home encompassing freehold land and buildings were valued by CBRE for all reporting periods presented. Refer to Note 3.1 - Market conditions for further information.

Care beds

CBRE determined the fair value of care beds' assets using an earnings-based multiple approach where the normalised earnings before interest, tax, depreciation, amortisation and rent is capitalised at rate of 12.8% (2022: 12.8%). The valuation prepared has been split between land, improvements, chattels and goodwill to determine the fair value of the assets. The revaluation, net of applicable deferred income taxes, was recognised in other

Notes to the Financial Statements (continued)

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 Company 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 Company'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.

Care suites

As discussed in Note 1.5 – Significant events and transactions, the Company recognises care suites as property, plant and equipment when there is evidence of change in use of the property, being the conversion from service apartments to care suites or care beds to care suites. CBRE has used both methodologies in determining the fair value of care suites, first, the retirement village methodology to the management fees revenue and secondly, the care beds methodology to the residential care fees income derived via the care facility amenity. Refer to key assumptions disclosed in Note 3.2 - Investment properties and above.

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

\$000	30 June 2023	30 June 2022
Net book value	5,729	1,727

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:

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

Notes to the Financial Statements (continued)

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 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).

No impairment loss has been recognised for the year ended 30 June 2023 (2022: nil).

4. SHAREHOLDERS' EQUITY

This section includes disclosures related to the Company's capital structure.

4.1 Contributed equity

The following table provides details of movements in the Company's issued shares:

	30 June 2023 No. of shares	30 June 2022 No. of shares	30 June 2023 \$000	30 June 2022 \$000
Opening/Closing balance	1,000	1,000	1	1

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. The shares have no par value.

4.2 Dividends

	30 June 2023 \$ per share	30 June 2022 \$ per share	30 June 2023 \$000	30 June 2022 \$000
Dividends declared	1,200	1,000	1,200	1,000

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

On 30 June 2023, a dividend payable to the shareholders (disclosed as Amounts due to related parties on the Balance Sheet and in Note 6.3 - Transactions and balances) was declared and is payable by 30 September 2023. The dividend has no imputation credits attached (2022: Declared on 26 May 2022 and paid on 16 August 2022).

Notes to the Financial Statements (continued)

5. OTHER ASSETS AND LIABILITIES

This section includes details of the operating assets, liabilities and provisional income tax of the Company. This section includes additional information that is considered less significant in understanding the financial performance and position of the Company, but must be disclosed to comply with NZ IFRS RDR.

5.1 Income tax

5.1.1 Income tax benefit

\$000	30 June 2023	30 June 2022
Current tax	-	-
Deferred tax	(717)	(527)
Income tax benefit	(717)	(527)

5.1.2 Numerical reconciliation of income tax benefit to prima facie tax

\$000	30 June 2023	30 June 2022
Profit before income tax	4,080	7,909
Tax at the New Zealand tax rate of 28%	1,142	2,214
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Non-taxable income and non-deductible expenditure	19	-
Capitalised interest	(279)	(22)
Non-taxable impact of investment properties revaluation	(1,213)	(2,191)
Adjustment for timing difference of investment properties and property, plant and equipment	(57)	307
Adjustment for timing difference of provisions and accruals	1,308	340
Movement in recognised tax losses	(1,389)	(2,446)
Deferred management fees adjustment and other prior period adjustments	(248)	1,271
Income tax benefit	(717)	(527)

In the year ended 30 June 2022, a prior period adjustment was required following the change in approach in tax treatment of deferred management fees to be taxable on termination of an ORA.

5.1.3 Other tax matters

\$000	30 June 2023	30 June 2022
Income tax paid during the financial year	-	-
Unrecognised tax losses for which no deferred tax asset has been recognised	-	-
Imputation credits available	-	-

Notes to the Financial Statements (continued)

➤ 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 Financial Statements.

5.2 Deferred tax

\$000	Balance 1 July 2022	Recognised in income	Recognised in reserves	Balance 30 June 2023
Property, plant and equipment	(759)	368	(439)	(830)
Investment properties	(630)	(51)	-	(681)
Deferred management fees	(911)	(377)	-	(1,288)
Recognised tax losses	1,473	791	-	2,264
Other items	67	(14)	-	53
Net deferred tax liability	(760)	717	(439)	(482)

\$000	Balance 1 July 2021	Recognised in income	Recognised in reserves	Balance 30 June 2022
Property, plant and equipment	(821)	101	(39)	(759)
Investment properties	(972)	342	-	(630)
Deferred management fees	-	(911)	-	(911)
Recognised tax losses	473	1,000	-	1,473
Other items	72	(5)	-	67
Net deferred tax liability	(1,248)	527	(39)	(760)

➤ 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.

Notes to the Financial Statements (continued)

The Company considers the held for use methodology more appropriately represents the Company's business model, that being a long-term owner and operator of integrated retirement village and aged care home.

The carrying value of the Company's investment properties is determined on a discounted cash flow basis and includes cash flows that are both taxable and non-taxable in the future. The Company has recognised deferred tax in relation to the present value of cash flows with a future tax consequence as provided by the Company's independent valuer, CBRE. The Company 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 Company's contractual entitlement and is consistent with the CBRE's cash flow model used in the valuation of investment properties.

Tax losses

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 (or less if losses are used earlier) of the change in ownership. The Business Continuity Test Criteria has been met in the five year period ended 30 June 2023 (2022: met).

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

\$000	30 June 2023	30 June 2022
Opening balance	5,262	1,690
Prior period adjustments	886	4,540
Tax losses during the year	1,938	(968)
Closing balance	8,086	5,262

5.3 Trade and other receivables

\$000	30 June 2023	30 June 2022
Trade receivables	425	375
Allowance for doubtful receivables	(1)	-
	424	375
Occupation right agreement receivables	421	-
Prepayments	19	5
GST receivable	110	-
Other receivables	3	-
Total and other receivables	977	380

All trade and other receivables are expected to be recovered within 12 months of balance date, except for prepayments.

Notes to the Financial Statements (continued)

➤ Recognition and measurement

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less any allowance for doubtful receivables. In determining the allowance for doubtful receivables, the Company 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 Company considers historic, current and forward-looking information to the type of debtor and the days since resident departure. There are no overdue debtors considered impaired that have not been provided for.

5.4 Trade and other payables

\$000	30 June 2023	30 June 2022
Trade creditors	16	84
Sundry creditors and accruals	1,765	1,121
Revenue in advance	227	218
Employee entitlements	377	388
Total trade and other payables	2,385	1,811

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 Company 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.

Notes to the Financial Statements (continued)

6. RELATED PARTIES

6.1 Directors

The names of persons who were Directors of the Company, at any time during the financial year, are as follows:

	Date of appointment	Date of resignation
Christine Lee	11-Oct-21	-
Earl Gasparich	1-Jul-21	-
Erina Hughes	4-Apr-17	-
Jonathan Wilde	30-Aug-21	-
Keith Hindle	20-Apr-06	-
Rebecca Melish	16-Nov-12	-

6.2 Key management personnel compensation

All key management personnel are employed and compensated by Metlifecare. The key management personnel are all executives with the authority for the strategic direction and management of the Company.

6.3 Transactions and balances

During the year, the Company and the shareholders undertook the following transactions and had the following closing balances:

\$000	30 June 2023	30 June 2022
Transactions		
Development Facility (advances from and repayments to Metlifecare)	(8,513)	-
Interest expenses on Development Facility	(578)	-
Shareholder Loans (advances from shareholders)	-	(6,952)
Interest expenses on Shareholder Loans	(451)	(190)
Advances from Metlifecare on operational expenses	(226)	(23)
Management fees charged by Metlifecare	(273)	(182)
Director fees paid	(121)	(121)
Dividends declared	(1,200)	(1,000)
Dividends paid	(1,000)	-
Balances		
Development Facility owing to Metlifecare	(9,091)	-
Shareholder Loans owing to Metlifecare and PNMR	(7,593)	(7,142)
Amount due to Metlifecare	(350)	(124)
Dividends payable to shareholders	(1,200)	(1,000)

The Development Facility Agreement were entered into between the Company and Metlifecare on 20 October 2021 with an effective date of 1 July 2022. The Development Facility is repaid using the sales proceeds of the developed ORA and the final repayment is 48 months from the effective date. The Development Facility attracts interest at the

Notes to the Financial Statements (continued)

Metlifecare's cost of funds, plus a margin. The average interest rate charged for the year ended is 6.8%.

The Shareholder Loans were entered into between the Company and the shareholders on 20 October 2021. The Shareholder Loans will only be repaid following the full and final repayment of all amounts outstanding under the Development Facility Agreement. The Shareholder Loans attract interest at the Metlifecare's cost of funds, plus a margin. The average interest rate charged for the year ended is 6.1% (2022: 3.9%).

Amount due to Metlifecare is interest-free and secured by way of a General Security Deed and are repayable on demand. At balance date, notice had not been given in relation to these advances.

Management fees charged by Metlifecare to the Company 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.

On 30 June 2023, a dividend payable to the shareholders was declared and payable by 30 September 2023. The dividend will not have any imputation credits attached to it.

7. COMMITMENTS

\$000	30 June 2023	30 June 2022
Capital commitments		
Estimated commitments to develop and construct certain sites	10,997	-
Total commitments	10,997	-

8. CONTINGENT LIABILITIES AND ASSETS

There are no material contingent liabilities and assets as at 30 June 2023 (30 June 2022: nil).



Independent auditor's report

To the shareholders of Metlifecare Palmerston North Limited

Our opinion

In our opinion, the accompanying financial statements of Metlifecare Palmerston North Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

What we have audited

The financial statements comprise:

- the balance sheet as at 30 June 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the 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 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 Company 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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

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 financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

A handwritten signature in black ink that reads 'Samuel Shuttleworth' with a stylized flourish at the end.

Chartered Accountants
13 September 2023

Auckland