

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.F.W.M

Name of signatory [Empty text box]

Dated [Empty text box]

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]

16 November 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

We confirm that we act as the statutory supervisor of the villages set out in schedule 1 (Villages).

The terms of our appointment as the statutory supervisor are recorded in a Deed of Supervision with the operator of the Village, being Metlifecare Retirement Villages Limited (Operator) dated 19 November 2021, as amended from time to time, 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 provided us with 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 Villages.
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 statutory supervisor of the Villages. 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 Villages;
 - (c) Reported to the residents on the performance of our duties and the exercise of our powers (apart from those villages that do not have residents yet); 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 Villages 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 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

	Schedule 1
	Village
1.	Bayswater Registration number: 2055392
2.	Coastal Villas Registration number: 2054243
3.	Crestwood Registration number: 2054842
4.	Dannemora Gardens Registration number: 1982871
5.	Edgewater Village Registration number: 2055413
6.	Fairway Gardens Registration number: 2747892
7.	Forest Lake Gardens Registration number: 1982870
8.	Greenwich Gardens Registration number: 2607923
9.	Gulf Rise Registration number: 2708213
10.	Greenwood Park Registration number: 2055160
11.	Hibiscus Coast Village Registration number: 2053763
12.	Hillsborough Heights Registration number: 2053760
13.	Highlands Registration number: 2055117
14.	Kapiti Village Registration number: 2054227
15.	Karori Village Registration number: 2010314
16.	Longford Park Village Registration number: 2053727
17.	Metlifecare St Andrew's Registration number: 1988781
18.	Merivale Retirement Village Registration number: 2056271
19.	Oakridge Villas Registration number: 2149948

	Schedule 1
	Village
20.	Orion Point Registration number: 2750053
21.	Papakura Oaks Registration number: 1988925
22.	Papamoa Beach Village Registration number: 1982834
23.	Pohutukawa Landing Registration number: 2747332
24.	Parkside Village Registration number: 1989191
25.	Pinesong Registration number: 2055765
26.	Powley Registration number: 2055120
27.	Somervale Registration number: 2055022
28.	The Avenues Registration number: 2055397
29.	The Orchards Registration number: 2595622
30.	The Poynton Registration number: 2098282
31.	The Village Palms Registration number: 2685091
32.	7 Saint Vincent Registration number: 2055070
33.	Waitakere Gardens Registration number: 1983140
34.	Whangarei Park Village Registration number: 1988888
35.	Wilson Carlile Village Registration number: 2151493

Metlifecare Retirement Villages 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 Retirement Villages 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 7 September 2023.



Director
7 September 2023



Director
7 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	202,000	162,302
Other income	1.5	20,000	-
Interest income	4.3	7,725	13,769
Total Income		229,725	176,071
Other gains			
Change in fair value of investment properties	3.2	105,242	109,717
Expenses			
Employee expenses		(91,263)	(63,272)
Property expenses	2.2	(39,868)	(30,012)
Other expenses	2.2	(45,076)	(31,579)
Change in fair value of residents' share of capital gains		(5,430)	(7,518)
Reversal of impairment/(impairment)	2.2	6,574	(4,274)
Depreciation	3.4	(4,866)	(3,793)
Amortisation		(115)	(156)
Interest expenses	4.4	(4,787)	(10,591)
Total Expenses		(184,831)	(151,195)
Profit before income tax		150,136	134,593
Income tax benefit	5.1	36,410	10,121
Profit for the year		186,546	144,714
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of care homes, net of tax	4.2	11,650	1,040
Other comprehensive income, net of tax		11,650	1,040
Total comprehensive income		198,196	145,754
Profit attributable to shareholders of the Company		186,546	144,714
Total comprehensive income attributable to shareholders of the Company		198,196	145,754

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		97,165	1,789,020	9,716	1,895,901
Comprehensive income					
Profit for the year		-	144,714	-	144,714
Other comprehensive income	4.2	-	-	1,040	1,040
Total comprehensive income		-	144,714	1,040	145,754
Transactions with the owner in their capacity as an owner:					
Contributions of equity	4.1	214,000	-	-	214,000
Balance at 30 June 2022		311,165	1,933,734	10,756	2,255,655
Balance at 1 July 2022		311,165	1,933,734	10,756	2,255,655
Comprehensive income					
Profit for the year		-	186,546	-	186,546
Other comprehensive income	4.2	-	-	11,650	11,650
Total comprehensive income		-	186,546	11,650	198,196
Balance at 30 June 2023		311,165	2,120,280	22,406	2,453,851

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		195	179
Trade and other receivables	5.3	75,932	55,284
Amounts due from Metlifecare Limited	7.3	-	377,065
Property, plant and equipment	3.4	230,415	104,967
Goodwill	3.5	1,600	2,000
Intangible assets		110	170
Investment properties	3.2	5,043,432	4,475,539
Total Assets		5,351,684	5,015,204
Liabilities			
Trade and other payables	5.4	49,019	53,332
Amounts due to Metlifecare Limited	7.3	579,972	605,264
Lease liabilities		898	-
Deferred management fees		172,842	162,747
Refundable occupation right agreements	3.3	2,095,102	1,905,352
Deferred tax liability	5.2	-	32,854
Total Liabilities		2,897,833	2,759,549
Net Assets		2,453,851	2,255,655
Equity			
Contributed equity	4.1	311,165	311,165
Revaluation reserve	4.2	22,406	10,756
Retained earnings		2,120,280	1,933,734
Total Equity		2,453,851	2,255,655

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 Retirement Villages Limited and were authorised by the Board for issue on 7 September 2023.



Director
7 September 2023



Director
7 September 2023

Cash Flow Statement

For the year ended 30 June 2023

\$000	Note	30 June 2023	30 June 2022
Cash flows from operating activities			
Receipts from residents for management fees, village, care, and service fees		162,377	135,956
Receipts from residents for new refundable occupation right agreements		397,024	339,071
Payments to residents for outgoing refundable occupation right agreements		(199,486)	(174,860)
Payments to residents via buyback of refundable occupation right agreements for regeneration and remediation		(33,780)	(30,430)
Payments to suppliers and employees		(194,337)	(123,276)
Net interest paid		(138)	(142)
Net GST received/(paid)		3,755	(571)
Net cash inflow from operating activities		135,415	145,748
Cash flows from investing activities			
Payment for acquisition of business	6	(57,651)	(212,428)
Payments for property, plant and equipment		(26,980)	(15,485)
Payments for investment properties		(394,133)	(198,956)
Capitalised interest paid	4.4	(31,412)	(10,338)
Net cash outflow from investing activities		(510,176)	(437,207)
Cash flows from financing activities			
Net advances from Metlifecare Limited		374,879	77,494
Proceeds from issuing shares	4.1	-	214,000
Principal payments of lease liabilities		(102)	-
Net cash inflow from financing activities		374,777	291,494
Net increase in cash and cash equivalents		16	35
Cash and cash equivalents at the beginning of the financial year		179	144
Cash and cash equivalents at the end of the financial year		195	179

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

Cash Flow Statement (continued)

For the year ended 30 June 2023

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

\$000	Note	30 June 2023	30 June 2022
Profit after tax		186,546	144,714
Adjustments for:			
Change in fair value of investment properties	3.2	(105,242)	(109,717)
Change in the fair value of residents' share of capital gains		5,430	7,518
Other income	7.3	(20,000)	-
(Reversal of impairment)/impairment	2.2	(6,574)	4,274
Depreciation	3.4	4,866	3,793
Amortisation		115	156
Income tax benefit	5.1	(36,410)	(10,121)
Loss on disposal of assets	2.2	3,882	78
Interest income		(7,672)	(13,749)
Interest expenses		4,592	10,429
Allowance for doubtful receivables		334	98
Changes in working capital relating to operating activities:			
Trade and other receivables		(6,306)	1,940
Trade and other payables		(22,288)	3,621
Deferred management fees		5,027	8,855
Refundable occupation right agreements		129,115	93,859
Net cash inflow from operating activities		135,415	145,748

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 Retirement Villages 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 immediate parent of the Company is Metlifecare Limited (Metlifecare), a limited liability company incorporated in New Zealand. The ultimate parent is EQT Infrastructure Holdings, a Sweden entity.

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

1.2 Basis of preparation

The 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 homes (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 homes
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 villages and care homes in the effected areas were not significantly impacted.

Climate-related risk is something that is specifically addressed in the design and construction of all of the Company's new developments as well as regeneration and remediation of existing and recently acquired retirement villages 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.

During the year we have worked with our stakeholders to identify the material climate-related risks and opportunities that impact the Company and in turn how our operations impact climate change. This will allow us to focus on environmental, as well as social and governance initiatives that will have the greatest impact on those matters, as we continue to embed sustainable practises in our operations.

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 homes 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.

(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.

Notes to the Financial Statements (continued)

(vi) Business combinations under common control

For acquisitions of businesses under common control, the Company has used the predecessor value method of accounting whereby the assets and liabilities of the acquired business are recognised by the Company at their existing carrying value. Any difference between the purchase price and the carrying value of the acquired assets and liabilities is recognised in equity.

(vii) Classification of Company property

The Company operates retirement villages and care homes. As outlined in Note 3, retirement villages are typically investment property and care homes are 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 ¹ (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

¹ Excludes Assisted Lifestyle Services that are included in ORAs of the new development retirement villages

Notes to the Financial Statements (continued)

1.5 Significant events and transactions

The following events and transactions occurred during the year:

(i) Acquisitions

Acquisition of businesses from Merivale Retirement Village 2011 Limited, Merivale Lifecare 2011 Limited (Merivale), The Village Palms Retirement Village and The Village Palms Lifecare Limited (The Village Palms) (together referred to as the Vendor).

On 22 August 2022, the Company entered into a conditional Sale and Purchase Agreement to acquire two retirement villages and care homes from the Vendor. Completion of the acquisition occurred on 1 December 2022, being the date of the acquisition. The purchase price and the financial effects of this transaction have been recognised in the Financial Statements. Refer to Note 6 – Business combinations.

In the year ended 30 June 2022, the Company entered into a Sale and Purchase Agreement to acquire six retirement villages and aged care homes, and a commercial laundry, from The Selwyn Foundation and Selwyn Care Limited (Selwyn). The financial impact of this transaction was recognised as at the date of settlement and the future operating results consolidated from that point forward.

(ii) Care suites

Under the Full Potential Plan, the Company has an increased focus on offering a full continuum of care across its villages 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, 47 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.

Notes to the Financial Statements (continued)

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.

(iii) Settlement of litigation claim

On 26 April 2023, the Company reached a commercial settlement in respect of product liability claims made by the Company. The settlement included a cash payment to Metlifecare as well as the future supply of products selected by the Company that will be used on Development or Regeneration projects and will be offset against the final cost of the investment properties. Refer to Note 7.3 – Transactions and balances.

Notes to the Financial Statements (continued)

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	79,438	71,151
Rest home, hospital and service fees	82,508	55,161
Village fees	35,458	32,810
Other revenue	4,596	3,180
Total operating revenue	202,000	162,302

Management fees

➤ Recognition and measurement

The ORA conferring the right to occupancy are considered leases under NZ IFRS 16 – Leases. The management fees 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/apartments and serviced apartments, including those acquired in respect of the Merivale and The Village Palms villages accrues management fees receivable at the rate of 10% per annum for a maximum of three years.

ORAs that were acquired from Selwyn accrue management fees receivable at a rate of 25% - 28% in total for a maximum of 4-5 years. ORAs for care suites accrue the management fees receivable at the rate of 30% 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/apartments, 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.

Notes to the Financial Statements (continued)

➤ 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 and apartments	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 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.

Information about major customers

Revenues from the Company'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 Te Whatu Ora – Health New Zealand, included in rest home, hospital and service fees, amounted to \$29.2m (2022: \$19.4m).

Notes to the Financial Statements (continued)

2.2 Expenses

The profit before income tax includes the following expenses:

\$000	30 June 2023	30 June 2022
Utilities and other property expenses	19,455	15,450
Repairs and maintenance on investment properties	17,820	12,788
Repairs and maintenance on property, plant, and equipment	2,593	1,774
Total property expenses	39,868	30,012
Resident expenses	13,420	8,848
Marketing and promotion	7,435	6,257
Management fees charged by Metlifecare	11,106	9,267
Other village operating expenses	6,673	5,591
Other employment expenses (e.g., staff training and recruitment)	769	532
IT and communication expenses	1,729	970
Legal and consultant expenses	62	36
Loss on disposal of assets	3,882	78
Total other expenses	45,076	31,579
(Reversal of impairment)/impairment of care homes	(6,974)	3,974
Impairment of goodwill	400	300
Total (reversal of impairment)/impairment	(6,574)	4,274

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, 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 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 and apartments, serviced apartments, carparks, 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		4,475,539	3,864,352
Acquisition of business	6	87,454	322,778
Additions		417,381	215,163
Transfer to property, plant and equipment	3.4	(38,240)	-
Impact of change to GST taxable supplies		-	(36,062)
Disposals		(3,944)	(409)
Change in fair value		105,242	109,717
Closing balance		5,043,432	4,475,539

Notes to the Financial Statements (continued)

Investment properties are categorised as follows:

\$000	30 June 2023	30 June 2022
Development land	131,018	111,695
Retirement villages under development	147,242	113,388
Retirement villages		
Valuation	2,518,280	2,182,623
Net liabilities to residents	2,246,892	2,067,833
Total investment properties	5,043,432	4,475,539

➤ 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.

Investment properties which are substantially complete at balance date are valued by CBRE as if they were complete. The fair value of these properties is reduced for their estimated cost to complete of \$20.3m (2022: \$16.0m).

The fair value of the recently acquired retirement villages and care homes at Merivale and The Village Palms as of 30 June 2023 reflects the purchase price paid; this is higher than the CBRE valuation on the acquisition date by \$1.3m. This difference reflects a portfolio premium from the acquisition as a result of the increased geographic presence with the Company now operating in the South Island for the first time in a number of years.

In addition, the Company continues to take the view that the purchase price for the acquisition of certain Selwyn Villages continues to better reflect the fair value of those assets having regard to the impact on the overall portfolio as well as embedded development potential. At 30 June 2023, this premium represents an additional \$3.4m over the CBRE valuation for the same assets. The premium relates wholly to development land acquired. In the prior year the premium of \$13.9m was split between development land \$6.0m and retirement villages \$7.9m

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

Notes to the Financial Statements (continued)

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 values range as follows:

Land value	30 June 2023	30 June 2022
Per sqm	\$78 - \$1,699	\$84 - \$1,448

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.

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. 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 villages

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.

There are various carparks within the Company's portfolio including carparks under the same roof (ORA inclusive of a carpark) as well as standalone carparks (whereby there is a separate ORA for the carpark). Previously carparks, both under the same roof and standalone were valued together with the retirement villages portfolio with no separate valuation assigned to standalone carparks. In the current year CBRE has undertaken a proxy to a detailed cash flow-based forecasting by applying a percentage to the gross realisation of all carpark values of 15% or 20% to carparks under a standalone ORA. This is an implicit approach applied on the basis that on

Notes to the Financial Statements (continued)

completion, all carpark will be fully sold down and attract a similar resident demographic. For vacant standalone carpark, CBRE has applied a block discount that represents the fair value of the Company's unsold carpark at 30 June 2023.

➤ Key estimates and judgements

The significant unobservable inputs used in the fair value measurement of the Company'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 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	12.5% - 18.0%	12.5% - 18.0%

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)	2,175,310				
Difference (\$000)		(79,850)	85,230	141,554	(130,568)
Difference (%)		(3.7)	3.9	6.5	(6.0)
30 June 2022	Adopted value*	Discount rate + 50 bp	Discount rate - 50 bp	Growth rates + 50 bp	Growth rates - 50 bp
Valuation (\$000)	1,955,900				
Difference (\$000)		(71,310)	76,080	121,848	(112,779)
Difference (%)		(3.7)	3.9	6.2	(5.8)

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

The occupancy period is a significant component of the CBRE valuation and is driven from a Monte Carlo simulation. The simulations are dependent on the demographic profile of the village (age and gender of residents) and the reason for departing a unit. The resulting stabilised departing occupancy period is an estimate of the long run occupancy term for residents. An increase in the stabilised departing occupancy period will have a negative impact on the valuation and a decrease in the stabilised departing occupancy will have a positive impact on the valuation. The valuation calculates the expected cash flows for a 20-year period (2022: 20-year period) with stabilised departing occupancy assumptions set out below.

Notes to the Financial Statements (continued)

Stabilised departing occupancy - years	30 June 2023	30 June 2022
Independent living units and apartments*	4.4 – 9.0	6.8 - 8.9
Serviced apartments	3.9 – 5.0	4.1 - 5.0

* At Merivale, residents in certain independent living apartments are able to acquire a service package making these more akin to a service apartment impacting on stabilised departing occupancy.

The CBRE valuation also includes within the forecast cash flows the Company's expected costs relating to any known or anticipated remediation works. The estimate of the gross cash flows included for remediation works is \$71.2m (2022: \$28.6m). The increase in the estimated remediation work costs reflects the impact of the updated programme of remediation work to address the risk of weathertightness defects identified during the asset condition review which was proactively undertaken in 2022/2023. The forecasted cost is based on a combination of registered quantity surveyors estimate and relevant historical cost data. This is the first available information at the date of valuation. The final cost could be higher or lower and this could impact on the fair value of the property.

CBRE has also included within the forecast cash flows the Company's expected costs associated with seismic strengthening works of \$1.9m (2022: \$1.9m). The Company has commenced further work to identify buildings across its portfolio that may require seismic strengthening works in the coming years. This review will be undertaken throughout 2024.

The estimates for both the weathertightness remediation programme and any work that may be identified as a result of the seismic review are based on currently available information for both cost and timing of the work to be completed.

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	2,723,090	2,461,954
Residents' share of capital gains	33,034	35,449
Loans to residents	(36,779)	(22,616)
Management fees receivable	(624,243)	(569,435)
Total refundable occupation right agreements	2,095,102	1,905,352

➤ 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.

Notes to the Financial Statements (continued)

The right of residents to occupy the investment properties of the Company are protected by the Statutory Supervisor restricting the ability of the Company to fully control these assets without undergoing a consultation process with all affected parties.

Certain older ORA include the right to a proportion of the capital gain arising on resale. The amount of the capital gain relating to these agreements is recognised by way of a liability on the Balance Sheet.

Estimated maturity

In determining the fair value of the Company's investment properties and property, plant, and equipment (in respect of care suites), 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 and apartments	4.4 – 9.0	6.8 - 8.9
Serviced apartments	3.9 – 5.0	4.1 - 5.0
Care suites	2.7 – 2.9	-

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 homes' 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.

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 2023	30 June 2022
Within 12 months	188,559	182,795
Beyond 12 months	1,906,543	1,722,557
Total refundable occupation right agreements	2,095,102	1,905,352

Notes to the Financial Statements (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 Company for the provision of care services, and land and buildings that are to be developed into care homes in the future.

\$000	Freehold land and buildings	Construction work in progress	Plant, furniture, equipment and motor vehicles	Right- of-use assets	Total
At 30 June 2022					
Cost or valuation	88,338	5,180	14,099	-	107,617
Accumulated depreciation/impairment losses	-	-	(2,650)	-	(2,650)
Closing net book value	88,338	5,180	11,449	-	104,967
Year ended 30 June 2023					
Opening net book value	88,338	5,180	11,449	-	104,967
Revaluation of care homes	15,206	-	-	-	15,206
Transfer from Investment properties (Refer Note 3.2)	33,719	4,521	-	-	38,240
Acquisition of businesses	15,674	-	714	-	16,388
Additions/transfers	24,926	18,628	10,562	972	55,088
Disposals	(1,255)	-	(327)	-	(1,582)
Reversal of Impairment	6,974	-	-	-	6,974
Depreciation	(1,639)	-	(3,141)	(86)	(4,866)
Closing net book value	181,943	28,329	19,257	886	230,415
At 30 June 2023					
Cost or valuation	181,943	28,329	25,048	972	236,292
Accumulated depreciation/impairment losses	-	-	(5,791)	(86)	(5,877)
Closing net book value	181,943	28,329	19,257	886	230,415

➤ 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.

Notes to the Financial Statements (continued)

Subsequent to initial recognition, freehold land and buildings for care homes are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses, if any, since the assets were last revalued. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is recognised in other comprehensive income unless it reverses a revaluation decrease of the same asset previously recognised in the 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 assets relating to vehicles 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 Company'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.

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 rates of between 11.5% to 14.5% (2022: 11.5% to 14.8%). 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 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.

Notes to the Financial Statements (continued)

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	124,412	74,595

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

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

Notes to the Financial Statements (continued)

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 2023, a reversal of impairment loss of \$7.0m was recognised in the Statement of Comprehensive Income to reflect the valuation of the care homes (2022: an impairment loss of \$4.0m). Refer to Note 2.2 - Expenses.

3.5 Goodwill

➤ Recognition and measurement

Goodwill represents the excess of cost of an acquisition over the fair value of the Company'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 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 valuation. The carrying amount of goodwill at each village is not significant in comparison to the total amount of goodwill. Goodwill of \$1.6m (2022: \$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 Financial Statements (continued)

4. SHAREHOLDERS' EQUITY AND INTEREST

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

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 balance	263,961,165	49,961,169	311,165	97,165
Shares issued net of transaction costs	-	213,999,996	-	214,000
Closing balance	263,961,165	263,961,165	311,165	311,165

During the year ended 30 June 2022, the Company issued 214.0m shares to Metlifecare at \$1.00 per share, which was used to fund the acquisition of Selwyn. No shares have been issued by the Company in the year ended 30 June 2023.

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 Revaluation reserve

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

\$000	30 June 2023	30 June 2022
Opening balance	10,756	9,716
Gain on revaluation of care homes	15,206	1,054
Tax on revaluation of care homes	(3,556)	(14)
Closing balance	22,406	10,756

4.3 Interest income

\$000	Note	30 June 2023	30 June 2022
Interest on advances to Metlifecare	7.3	7,671	13,749
Others		54	20
Total interest income		7,725	13,769

➤ Recognition and measurement

Interest income is recognised on an accrual basis using the effective interest rate method.

Notes to the Financial Statements (continued)

4.4 Interest expenses

\$000	Note	30 June 2023	30 June 2022
Interest on advances from Metlifecare	7.3	35,975	20,770
Interest expenses		224	159
Less: Interest expenses capitalised		(31,412)	(10,338)
Total interest expenses		4,787	10,591

➤ Recognition and measurement

Interest expense is recognised on an accrual basis using the effective interest rate method. Interest expenses arising from the advances from Metlifecare were partially capitalised during the year. The capitalised amounts represent the construction of investment properties and care homes under development.

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	(36,410)	(10,121)
Income tax benefit	(36,410)	(10,121)

Notes to the Financial Statements (continued)

5.1.2 Numerical reconciliation of income tax benefit to prima facie tax

\$000	30 June 2023	30 June 2022 Restated
Profit before income tax	150,136	134,593
Tax at the New Zealand tax rate of 28%	42,038	37,686
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
(Non-taxable income)/ non-deductible expenditure	(6,589)	1,227
Capitalised interest	(8,795)	(2,895)
Non-taxable impact of investment properties revaluation	(29,468)	(30,721)
Adjustment for timing difference of investment properties and property, plant and equipment	(10,678)	(7,395)
Adjustment for timing difference of provisions and accruals	14,926	(16,509)
Movement in recognised tax losses	(39,945)	(88,634)
Deferred management fees adjustment and other prior period adjustments	2,101	97,120
Income tax benefit	(36,410)	(10,121)

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	27,448	-
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 Financial Statements.

Notes to the Financial Statements (continued)

5.2 Deferred tax

\$000	Balance 1 July 2022 Restated	Recognised in income	Recognised in reserves	Balance 30 June 2023
Property, plant and equipment	(4,291)	9,046	(3,556)	1,199
Investment properties	(41,909)	23,172	-	(18,737)
Deferred management fees	(113,988)	(11,539)	-	(125,527)
Recognised tax losses	124,981	16,148	-	141,129
Other items	2,353	(417)	-	1,936
Net deferred tax liability	(32,854)	36,410	(3,556)	-

\$000	Balance 1 July 2021	Recognised in income Restated	Recognised in reserves	Acquisition of businesses	Balance 30 June 2022 Restated
Property, plant and equipment	(1,885)	(308)	14	(2,112)	(4,291)
Investment properties	(51,047)	19,019	-	(9,881)	(41,909)
Deferred management fees	-	(122,038)	-	8,050	(113,988)
Recognised tax losses	11,766	113,215	-	-	124,981
Other items	2,120	233	-	-	2,353
Net deferred tax liability	(39,046)	10,121	14	(3,943)	(32,854)

➤ 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 homes.

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. From 1 July 2022, Metlifecare Group formed a consolidated tax losses which allows the Company to utilise the tax losses from Metlifecare. The Business Continuity Test Criteria for Metlifecare 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 Restated
Opening balance	446,367	42,023
Deferred management fees adjustment and other prior period adjustments	(7,501)	337,871
Tax losses during the year	92,617	66,473
Closing balance	531,483	446,367

Restatement of prior year tax disclosures

In the prior year, the taxable portion of deferred management fees at termination was overstated. As a result, the deferred tax liability in respect of these fees was overstated by \$12.4m and the quantum of recognised tax losses was also overstated by the same amount. The net impact on the deferred tax balance was nil. The error has been corrected by restating the prior year disclosure for each of the affected line items.

Notes to the Financial Statements (continued)

5.3 Trade and other receivables

\$000	30 June 2023	30 June 2022
Trade receivables	10,534	9,168
Allowance for doubtful receivables	(574)	(245)
	9,960	8,923
Occupation right agreement receivables	26,348	6,228
Prepayments	394	336
GST receivable	39,097	39,736
Other receivables	133	61
Total and other receivables	75,932	55,284

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

➤ 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.

Concentrations of credit risk

The Company's trade receivables represent distinct trading relationships with each individual resident and Te Whatu Ora - Health New Zealand. The implied concentration of risk with the latter is mitigated due to these being New Zealand Government entities.

5.4 Trade and other payables

\$000	30 June 2023	30 June 2022
Trade creditors	502	7,664
Sundry creditors and accruals	32,229	30,378
Revenue in advance	6,364	6,041
Employee entitlements	9,924	9,249
Total trade and other payables	49,019	53,332

As at 30 June 2023, outstanding amounts payable to trade creditors were paid in the lead up to the implementation of the new Finance and Operations Digital platform on 1 July 2023. 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

Notes to the Financial Statements (continued)

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.

6. BUSINESS COMBINATIONS

Acquisition of businesses from Merivale Retirement Village 2011 Limited, Merivale Lifecare 2011 Limited, The Village Palms Retirement Village and The Village Palms Lifecare Limited.

On 1 December 2022, the Company acquired two retirement villages and aged care homes from Merivale Retirement Village 2011 Limited, Merivale Lifecare 2011 Limited, The Village Palms Retirement Village Limited and the Village Palms Lifecare Limited. In line with the Company's growth strategy, the acquisition significantly expands the Company's geographical diversification with this acquisition seeing the Company operations returning to the South Island as well as increasing the weighting of aged care offering in the Company's portfolio.

- **Purchase consideration and fair value of net assets acquired**

The Company fully debt funded the acquisition under the Metlifecare's Sustainability-Linked Loan Facilities of \$57.5m. The assets and liabilities recognised as a result of the acquisition are as follows:

\$000	Fair value on acquisition
Property, plant and equipment	16,388
Intangible assets	1
Investment properties	87,454
Trade and other payables	(372)
Trade and other receivables	533
Deferred management fees	(4,471)
Refundable occupation right agreements	(41,882)
Net identifiable assets acquired	57,651
Add: Goodwill	-
Fair value of net assets acquired (purchase consideration)	57,651

- **Revenue and profit contribution**

The acquired business contributed revenue of \$6.9m and net profit after tax of \$0.3m to the Company for the period ended from 1 December 2022 to 30 June 2023.

If the acquisition had occurred on 1 July 2022, the total operating revenue and net profit after tax for the year ended 30 June 2023 would have been \$12.9m and \$0.5m respectively.

- **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 Financial Statements.

Notes to the Financial Statements (continued)

- **Acquisition-related expenses**

Acquisition-related expenses of \$1.0m that were not directly attributable to the issue of shares are paid by Metlifecare.

- **Recognition and measurement**

The acquisition of Merivale and The Village Palms 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.

Acquisition of businesses from The Selwyn Foundation and Selwyn Care Limited

On 28 February 2022, the Company acquired six retirement villages and aged care homes and a commercial laundry from Selwyn. The acquisition significantly increases the weighting of aged care offering in the Company'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 214.0m additional shares at \$1.00 per share. 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 Company for the period from 1 March 2022 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.

- **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 Financial Statements.

Notes to the Financial Statements (continued)

- **Acquisition-related expenses**

Acquisition-related expenses of \$2.3m that were not directly attributable to the issue of shares are paid by Metlifecare.

- **Recognition and measurement**

The acquisition of the Selwyn retirement villages and commercial laundry 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.

7. RELATED PARTIES

7.1 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	1 April 2021	-
Earl Gasparich	1 July 2021	-
Jonathan Wilde	30 August 2021	-

7.2 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.

7.3 Transactions and balances

The Company has made advances from/to Metlifecare as part of the Metlifecare Group treasury and cash management activities. The transactions completed and balances at year end are as follows.

\$000	30 June 2023	30 June 2022
Transactions		
Management fees charged by Metlifecare	(11,106)	(9,267)
Interest expense on advances from Metlifecare*	(35,975)	(20,770)
Interest income on advances to Metlifecare*	7,671	13,749
Receipt of litigation claim settlement by Metlifecare (Note 1.5)	20,000	-
Balances		
Net advances owing to Metlifecare*	(599,972)	(228,199)

* The Intragroup Loan Agreement between the Company and Metlifecare has been amended on 11 December 2022. Under the Clause 5.2 of this agreement, the amounts payable to Metlifecare are offset against the amounts payable from Metlifecare and only the net amount are settled.

Notes to the Financial Statements (continued)

Terms and conditions

Net advances owing to Metlifecare are secured by way of a registered second mortgage and a general security agreement and are repayable on demand with a minimum of 12 months' notice. At balance date notice had not been given in relation to these advances.

Interest rates applicable in the twelve-month period to 30 June 2023 ranged from 5.1% to 6.8% (2022: 3.1% to 5.0%) and are based on the BKBM Bill and bond coupon rate, plus a margin and a line fee.

Interest on advances from/to Metlifecare and interest on advances to subsidiaries are settled through the intercompany accounts.

8. COMMITMENTS

\$000	30 June 2023	30 June 2022
Capital commitments		
Estimated commitments to develop and construct certain sites	254,574	188,506
Total commitments	254,574	188,506

9. 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 shareholder of Metlifecare Retirement Villages Limited

Our opinion

In our opinion, the accompanying financial statements of Metlifecare Retirement Villages 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 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
7 September 2023

Auckland