Metlifecare Limited

Notice of Meeting and Scheme Booklet

For a scheme of arrangement between Metlifecare Limited (Metlifecare) and its shareholders in relation to the proposed acquisition of all the fully paid ordinary shares in Metlifecare at a price of NZ$6.00 per share by Asia Pacific Village Group Limited (APVG). APVG is an entity owned by EQT Infrastructure IV Fund and managed by EQT Fund Management S.à r.l.

A majority of your Directors recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

See section 3.2 of this Scheme Booklet for a detailed explanation of the reasons for the differing director recommendations.

The special meeting will be held at:

Time: 12.00 pm (New Zealand time)

Date: Friday, 2 October 2020

Place: The meeting will be held as a virtual online meeting – see the notice of meeting in section 2 of this Scheme Booklet for details. If COVID-19 Government Alert Levels allow, the company will also hold a concurrent physical meeting in the Guineas Room 3, Level 3, Ellerslie Event Centre, Greenlane, Auckland, New Zealand

Important This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in doubt as to any aspect of the Scheme, you should seek advice from your financial, taxation or legal adviser.

If you have sold all of your shares in Metlifecare please disregard this Scheme Booklet and hand it and the accompanying voting/proxy form to the purchaser or the agent (e.g. the broker) through whom the sale was made, to be passed onto the purchaser.

An Independent Adviser's Report on the merits of the Scheme accompanies this Scheme Booklet and should be read carefully in conjunction with the Scheme Booklet.

Metlifecare
RETIREMENT VILLAGES
A PLACE TO BE YOU

IMPORTANT INFORMATION

Purposes of this Scheme Booklet

The purposes of this Scheme Booklet are to:

- provide you with information about the proposed acquisition of Metlifecare by APVG;
- explain the terms and effect of the Scheme;
- explain the manner in which the Scheme will be considered and, if approved, implemented;
- provide you with information that could reasonably be expected to be material to your decision whether or not to vote in favour of the Scheme; and
- communicate the information required by the Takeovers Panel in relation to the Scheme.

This Scheme Booklet is not a product disclosure statement.

Your decision

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. You must make your own decisions and seek your own advice in this regard.

The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as constituting, financial product advice.

If you are in any doubt as to what you should do, you should seek advice from your financial, taxation or legal adviser before making any decision regarding the Scheme.

Not an offer

This Scheme Booklet does not constitute an offer of securities to Shareholders (or any other person), or a solicitation of an offer of securities from Shareholders (or any other person), in any jurisdiction.

Laws of New Zealand

This Scheme Booklet has been prepared in accordance with New Zealand law. Accordingly, the information in it may not be the same as might have been disclosed had the Scheme Booklet been prepared in accordance with the laws and regulations of another jurisdiction.

Forward-looking statements

This Scheme Booklet contains certain forward-looking statements which are subject to risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Metlifecare to be materially different.

Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected.

Forward-looking statements generally may be identified by the use of forward-looking words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should', or other similar words.

Neither Metlifecare nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Scheme Booklet will actually occur. You are cautioned against relying on any such forward-looking statements.

Privacy and personal information

Metlifecare and APVG and their respective service providers and advisers may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Shareholders and the name of persons appointed by those persons to act as a proxy or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Metlifecare and APVG to conduct the Scheme Meeting and implement the Scheme.

Personal information of the type described above may be disclosed to Computershare, print and mail service providers, proxy solicitation firms, Related Companies of Metlifecare and APVG and Metlifecare's and APVG's service providers and advisers. Shareholders have certain rights to access personal information that has been collected. Shareholders should contact Computershare in the first instance, if you wish to access your personal information. Shareholders who appoint a named person to act as their proxy or corporate representative should make sure that person is aware of these matters.

Responsibility for information

Other than as set out below, this Scheme Booklet has been prepared by, and is the responsibility of, Metlifecare:

- the APVG Information has been prepared by, and is the responsibility of, APVG. Metlifecare and its Directors, officers and employees have not been involved in preparing or verifying any of the APVG Information and will not assume any responsibility for the accuracy or completeness of the APVG Information. The APVG Group and its respective officers and employees do not assume any responsibility for the accuracy or completeness of any information in the Scheme Booklet other than the APVG Information, and
- the Independent Adviser's Report set out in Annexure A has been prepared by, and is the responsibility of, the Independent Adviser. Metlifecare, APVG and their respective Directors, officers, employees and advisers have not been involved in the preparation of the Independent Adviser's Report, other than to provide information to, or answer questions from, the Independent Adviser.

To the maximum extent permitted by law, Metlifecare and its Directors, officers, employees and advisers do not assume any responsibility for the contents of any website referenced in this Scheme Booklet.

Role of Takeovers Panel and High Court

The fact that the Takeovers Panel has provided a letter indicating that it does not intend to object to the Scheme (or subsequently issues a no-objection statement in respect of the Scheme), or that the High Court has ordered that a meeting be convened, does not mean that the Takeovers Panel or the High Court:

- has formed any view as to the merits of the proposed Scheme or as to how Shareholders should vote – on this matter, Shareholders must reach their own decision, or
- has prepared, or is responsible for the content of, the Scheme Booklet or any other material.

Timetable and dates

All references to times in this Scheme Booklet are references to New Zealand time, unless otherwise stated. Any obligation to do an act by a specified time in New Zealand time must be done at the corresponding time in any other jurisdiction.

Notice of the Final Court Hearing on the Scheme

If you wish to oppose the Scheme at the Final Court Hearing on the Scheme (which will take place after the Scheme Meeting), you must file by 5.00 pm on Wednesday, 7 October 2020 a notice of appearance or a notice of opposition in proceeding CIV-2020-404-1433 together with supporting documents at the High Court and at the offices of Chapman Tripp, Level 34, PwC Tower, 15 Customs Street West, Auckland 1010, New Zealand or by electronic mail addressed to michael.arthur@chapmantripp.com. See section 3.16 for more detail.

Further information available

Further information is available at https://www.metlifecare.co.nz/scheme-asia-pacific.

Defined terms

Capitalised terms set out in this Scheme Booklet have the meanings given to them in the Glossary in Section 7.

Date of this Scheme Booklet

This Scheme Booklet is dated 3 September 2020.

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KEY DATES

Event	*Indicative date/time*
Voting Eligibility Date	5.00 pm, 30 September 2020
Proxy Forms return Date	12.00 pm, 1 October 2020
Scheme Meeting to be held	12.00 pm, 2 October 2020
Last date for filing objections for the Final Court Hearing on the Scheme	5.00 pm, 7 October 2020 (proceeding CIV-2020-404-1433)
Date of Final Court Hearing on the Scheme	15 October 2020 (or such later date as the High Court directs)
Final Court Orders	16 October 2020 (or such later date as the High Court directs)
Trading in Metlifecare Shares suspended	20 October 2020 (Metlifecare will apply for its shares to be suspended from trading on both the NZX Main Board and ASX from close of trading on this date)
Scheme Record Date	23 October 2020
Implementation Date	29 October 2020
End Date	25 January 2021 (or such later date as Metlifecare and APVG may agree or as set by Court orders).

All dates in the table above are indicative only (except for the End Date), and, among other things, are subject to the satisfaction or waiver of all Conditions and to obtaining necessary approvals from the High Court.

Any material changes to these dates will be announced to the NZX Main Board (at https://www.nzx.com) and ASX (at https://www.asx.com.au) and notified on Metlifecare's website at https://www.metlifecare.co.nz/scheme-asia-pacific.

If the Conditions to the Scheme have not been satisfied or waived (if capable of waiver) by the End Date, the Scheme may not proceed unless Metlifecare and APVG agree to extend the End Date.

SECTION 1: CHAIR'S LETTER

3 September 2020

Dear Shareholder,

On behalf of the Metlifecare Board, I am pleased to provide you with this Scheme Booklet, which contains important information regarding the proposed acquisition of your Metlifecare Shares by Asia Pacific Village Group Limited (**APVG**), controlled by EQT Infrastructure IV Fund.

The proposed acquisition is intended to be completed via a Scheme of Arrangement. If the Scheme is approved and all conditions are satisfied, the Shareholders as at the Scheme Record Date will be entitled to receive **NZ$6.00** in cash for each Metlifecare Share they hold, to be paid to Shareholders on the Implementation Date. This Scheme Booklet has been prepared to help you assess the merits of the Scheme before you vote.

DIRECTOR RECOMMENDATIONS

In the absence of a Superior Proposal arising, the majority of the Metlifecare Board, comprising Christopher Aiken, Mark Binns, Alistair Ryan, and Rod Snodgrass (**Director Majority**) recommends that you vote in favour of the Scheme. Each of the directors in the Director Majority intend to vote all the Metlifecare Shares that they own or control in favour of the Scheme, in the absence of a Superior Proposal arising. Director Carolyn Steele will abstain from voting on the Scheme, given her association with major shareholder NZ Super Fund. I, (Kim Ellis) recommend that shareholders vote against the Scheme, and I intend to vote all Metlifecare Shares I own or control against the Scheme.

The reasons for the differing recommendations are set out in section 3.2 of this Scheme Booklet.

YOUR ACTION IS REQUIRED

Your vote is very important whether or not you support the Scheme and regardless of how many Metlifecare Shares you own. I strongly encourage you to exercise your right to vote on this important transaction.

For the Scheme to be approved, 75% or more of the votes cast must be voted in favour of the Scheme Resolution and more than 50% of the total number of Metlifecare Shares on issue must by voted in favour of the Scheme Resolution.

Please read this Scheme Booklet carefully and in its entirety as it contains important information that you should consider before you vote. You may also wish to seek independent legal, financial, taxation or other professional advice.

If you are unable to attend the meeting online or in person (if then prevailing COVID-19 Government Alert Levels allow for that), please exercise your right to vote by appointing a proxy to attend and vote on your behalf. A personalised Voting/Proxy Form accompanies this Scheme Booklet. Alternatively, you can appoint a proxy online at www.investorvote.co.nz. Any Director appointed a proxy without a clear direction on how to vote intends to vote such proxies in favour of the Scheme (reflecting that the directors have by majority recommended the Scheme).

Metlifecare looks forward to your participation at the Scheme Meeting at 12.00 pm on Friday, 2 October 2020.

Yours sincerely

Kim Ellis
Chair

SECTION 2: NOTICE OF MEETING

Notice is given that a Scheme Meeting of Shareholders of Metlifecare Limited will be held:

Date:	2 October 2020
Time:	12.00 pm (New Zealand time)
Where:	By accessing the virtual meeting online. Instructions on how to access the meeting accompany this document and may also be accessed at https://www.metlifecare.co.nz/scheme-asia-pacific.

Shareholders will be able to participate in the meeting, vote and ask questions, from smartphones, tablets or desktop devices in the virtual meeting. In order to participate remotely you will need to either:

- Download Lumi AGM from the App Store or Google Play Store for free – search for Lumi-AGM; or
- Visit web.lumiagm.com on your desktop or mobile device. Ensure that your browser is compatible – Lumi AGM supports the latest version of Chrome, Safari, Internet Explorer, Edge or Firefox.

If you have any questions, or need assistance with the online process, please contact Computershare on +64 9 488 8777 between 8.30am and 5.00pm Monday to Friday.

Further details of how to participate in the virtual meeting are provided in the accompanying Virtual Meeting Guide, with instructions for accessing the virtual meeting. Shareholders are encouraged to review this guide and download the app prior to the Scheme Meeting.

Shareholders will require the meeting ID – which is **320-094-312** – as well as their CSN/Securityholder Number, which can be found on their proxy form, for verification purposes.

If COVID-19 Government Alert Levels allow, the company will also hold a concurrent physical meeting in Guineas Room 3, Level 3, Ellerslie Event Centre, Greenlane, Auckland, New Zealand. Metlifecare will update investors by making an announcement to the NZX Main Board and ASX and by updating its website at https://www.metlifecare.co.nz/scheme-asia-pacific if it considers that COVID-19 Government Alert Levels make it unsafe to proceed with the physical component of the meeting.

Agenda

Scheme Resolution

To consider, and if thought fit, to pass the following resolution as a special resolution:

> ***That the Scheme (the terms of which are described in the Scheme Booklet) be approved.***

Note the Scheme Resolution will be put as a single resolution for the purposes of confirming the approvals of each interest class and a simple majority of the votes of all Shareholders.

Voting will be by a poll and Computershare will confirm whether or not each of the relevant voting thresholds have been met in respect of the Scheme Resolution (see the explanatory notes below).

By order of the Board of Directors

Andrew Peskett
Company Secretary

3 September 2020

Notes

1. The Scheme Booklet (which includes this Notice of Meeting) provides information in relation to the Scheme Resolution and the Scheme, how the Scheme will be implemented and the reasons for proposing the Scheme. A Proxy Form accompanies this Scheme Booklet.
2. For the Scheme to be approved by the Shareholders:
   - 75% or more of the votes cast in each interest class must be voted in favour of the Scheme Resolution; and

- more than 50% of the total number of Metlifecare Shares on issue must be voted in favour of the Scheme Resolution.

3. Both of the voting thresholds set out in note 2 above must be met for the Scheme Resolution to be approved. Metlifecare only has one class of shares, all of which are fully paid up, ordinary shares, with identical voting rights. That, combined with the fact that neither APVG nor any of its Associates holds (and will not hold immediately prior to implementation) any Metlifecare Shares, means that as at the date of this Scheme Booklet, there is only one interest class in Metlifecare.[1] This is expected to remain the case at the time of the Scheme Meeting.

   If you are in favour of the Scheme, it is very important that you cast your vote.

4. The persons who will be entitled to vote at the Scheme Meeting are those persons (or their proxies or representatives) whose name is recorded in the Register at the Voting Eligibility Date.

5. Shareholders who are eligible to vote can vote:
   - **by proxy –** by completing, signing and lodging the Proxy Form in accordance with the instructions on that form
   - **online –** by attending the virtual Scheme Meeting online; or
   - **in person –** by attending the physical Scheme Meeting (if it can be safely held under COVID-19 Government Alert Levels).

6. To appoint a proxy, completed Proxy Forms must be received by Computershare by no later than 12.00 pm (New Zealand time) on 1 October 2020. Completed Proxy Forms can be submitted:
   - online: www.investorvote.co.nz
   - by mail: by sending to:

     Computershare Investor Services Limited
     Private Bag 92119
     Auckland 1142
     New Zealand

     or

     Computershare Investor Services Pty Limited
     GPO Box 3329
     Melbourne Vic 3000,
     Australia
   - by fax: +64 9 488 8787

7. A proxy need not be a Shareholder. You may, if you wish, appoint any of the Directors as your proxy. Any Director appointed a proxy without a direction on how to vote intends to vote in favour of the Scheme at the Scheme Meeting (reflecting that the directors have by majority recommended the Scheme).

8. If, in appointing a proxy, you have not named a person to be your proxy (either online or on the enclosed Proxy Form), or your named proxy does not attend the Scheme Meeting, the Chair of the Metlifecare Audit & Risk committee will be your proxy and will vote in accordance with your express direction. If you have not included an express direction (either online or in the enclosed Proxy Form), then the Chair of the Metlifecare Audit & Risk committee will exercise your vote in favour of the Scheme.

9. Capitalised terms used in this Notice of Meeting have the meanings given to them in Section 7 (*Glossary*) of the Scheme Booklet.

[1] This position has been reached having regard to the factors that a Court would consider when determining interest classes for the purposes of a scheme of arrangement, including those principles set out in Schedule 10 of the Companies Act.

SECTION 3: INFORMATION ABOUT THE SCHEME

3.1 Summary of the Scheme

a) *Overview*

Metlifecare and APVG entered into a Scheme Implementation Agreement on 10 July 2020. A copy of the Scheme Implementation Agreement is available at https://www.metlifecare.co.nz/scheme-asia-pacific.

Under the Scheme Implementation Agreement Metlifecare has agreed to propose a scheme of arrangement under Part 15 of the Companies Act for APVG to acquire all the shares in Metlifecare. Under the terms of the Scheme, if all Conditions are satisfied, in return for APVG providing the Scheme Consideration of NZ$6.00 cash per Metlifecare Share to those Metlifecare Shareholders holding shares on the Scheme Record Date, the Shareholders will transfer all of their shares to APVG on the Implementation Date.

For the Scheme to be implemented, a number of conditions, summarised in section 3.9, need to be satisfied.

Notably, the Scheme is not subject to any material adverse change condition.

APVG has advised Metlifecare that it will obtain the funds needed to pay for the Metlifecare Shares by way of an equity commitment agreement with the EQT Infrastructure IV Fund, as APVG does not hold funds itself that are sufficient to pay the Scheme Consideration and is therefore reliant on the equity commitment agreement. EQT Infrastructure IV Fund has not provided a guarantee that is enforceable by Metlifecare.

b) *Break Fee Arrangements*

A summary of the break fee arrangements in the Scheme Implementation Agreement is set out below.

A break fee of NZ$12.80 million inclusive of GST (if any) is payable by APVG to Metlifecare if Metlifecare terminates the Scheme Implementation Agreement in the following circumstances:

- APVG is in material breach of any "Bidder Warranty" set out in the Scheme Implementation Agreement or any event or circumstance arises that would cause a "Bidder Warranty" to be untrue on the Implementation Date; or
- APVG is in breach of any "Bidder Undertaking" set out in the Scheme Implementation Agreement or any other provision of the Scheme Implementation Agreement and such breach is material in the context of the Scheme or the APVG Group taken as a whole.

A break fee of NZ$12.80 million inclusive of GST (if any) is payable by Metlifecare to APVG under the Scheme Implementation Agreement in any one of the following circumstances:

- a Competing Proposal (or a potential Competing Proposal) is announced prior to termination of the Scheme Implementation Agreement and the person or its associated entities making the Competing Proposal (or potential Competing Proposal) completes in all material respects a transaction in relation to that Competing Proposal within 18 months of termination of the Scheme Implementation Agreement; or
- a majority of Metlifecare Directors:
    - fail to recommend that Shareholders vote in favour of the Scheme (in the absence of a Superior Proposal), or fail to undertake to vote, or procure the voting of, all Metlifecare Shares held or controlled by them or their Associates in favour of the Scheme; or
    - change, qualify or withdraw their recommendation or undertaking or make any statement inconsistent with that recommendation or undertaking; or
- APVG terminates the Scheme Implementation Agreement in any one of the following circumstances:
    - Metlifecare is in breach of any "Target Warranty" set out in the Scheme Implementation Agreement or any event or circumstance arises that would cause a "Target Warranty" to be untrue on the Implementation Date where the consequences of that breach is material in the context of the Scheme or the Metlifecare Group (taken as a whole) (except in the case of a "Fundamental Warranty" as set out in the Scheme Implementation Agreement where the materiality criterion does not apply);
    - Metlifecare is in breach of any "Target Undertaking" set out in the Scheme Implementation Agreement or any other provision of the Scheme Implementation Agreement and such breach is material in the context of the Scheme or the Metlifecare Group taken as a whole; or

  - a Prescribed Occurrence occurring on or after 10 July 2020.

- However a break fee is not payable by Metlifecare merely if the relevant shareholder voting thresholds are not achieved.

3.2 Director recommendations, and reasons

Background to recommendations

As has been well publicised, on 30 December 2019 Metlifecare announced that it had entered into a scheme implementation agreement for the proposed acquisition of Metlifecare by APVG at a price of NZ$7.00 per Metlifecare Share (**Original SIA**).

The Original SIA was conditional, among other things, on no "material adverse change" (**MAC**) arising before implementation of the acquisition. In summary, the definition of MAC covered events and circumstances that were reasonably likely to reduce the consolidated net tangible assets of the Metlifecare Group by at least NZ$100 million, or the consolidated underlying net profit of the Metlifecare Group by 10% or more, subject to various excluded events.

APVG took the view that the emergence and spread of COVID-19 caused a MAC, justifying termination of the Original SIA, and APVG gave notice purporting to terminate the Original SIA on 28 April 2020. The Board of Metlifecare, after careful consideration of legal advice, considered no MAC had arisen that justified termination. On 15 May 2020 Metlifecare filed a legal proceeding in the New Zealand High Court seeking orders requiring APVG to perform its obligations under the Original SIA (the **SIA Litigation**).

Metlifecare received indications of support for the SIA Litigation from a significant proportion of its substantial Shareholders, including its largest Shareholder, NZ Super Fund. On 8 June 2020, Metlifecare gave notice of a special meeting of Shareholders, then proposed to be held on 10 July 2020, to seek formal Shareholder support for continuation of the SIA Litigation. The Metlifecare Board determined it was appropriate to seek formal Shareholder endorsement of the SIA Litigation since it was Shareholders, rather than Metlifecare itself, who would have received the financial benefit of the Original SIA being implemented. However, the SIA Litigation was being funded by Metlifecare and could have taken a considerable time to pursue, including to enforce any judgment if Metlifecare had been successful.

On 5 July 2020, APVG provided Metlifecare, on a without prejudice basis, a non-binding indicative offer to acquire Metlifecare for NZ$6.00 per share and to settle the SIA Litigation (**APVG's Alternative Proposal**). APVG's Alternative Proposal indicated that APVG would not seek any MAC provision in transaction documents. NZ Super Fund also wrote to Metlifecare on that date advising of its broad support for APVG's Alternative Proposal and requesting Metlifecare urgently engage with APVG to enter into a binding agreement and, in the meantime, defer the special meeting of Shareholders.

On 6 July 2020, Metlifecare announced that it would defer the special meeting of Shareholders and engage with APVG to see if APVG's Alternative Proposal could be converted into a binding agreement.

Following the 6 July 2020 announcement, the Board and Metlifecare's advisers canvassed a number of Shareholders and received indications of strong support for APVG's Alternative Proposal, with a significant number of Shareholders indicating they preferred the alternative of a new transaction with APVG at NZ$6.00 per Metlifecare Share to the uncertainty of prolonged litigation.

On 10 July 2020, Metlifecare announced that it had entered into the Scheme Implementation Agreement and that the parties had agreed to settle the SIA Litigation.

Metlifecare was also advised that NZ Super Fund had entered into a Voting Deed with APVG under which it had agreed to vote its 19.9% interest in Metlifecare in favour of the new Scheme, subject to certain terms and conditions (described in more detail in section 5.6 of this Scheme Booklet).

The Metlifecare Board was unanimous in its view that the new Scheme should be put to Shareholders.

Recommendations

The Director Majority recommends that you vote in favour of the Scheme in the absence of a Superior Proposal

A majority of Metlifecare's six directors – comprising Christopher Aiken, Mark Binns, Alistair Ryan and Rod Snodgrass – recommends that Shareholders vote in favour of the Scheme in the absence of a Superior Proposal (as defined in the Scheme Implementation Agreement). Each Director comprising the Director Majority has undertaken to vote all shares held or controlled by them in favour of the Scheme.

Position of Kim Ellis

Metlifecare Chair Kim Ellis recommends Shareholders vote against the Scheme.

Position of Carolyn Steele

Director Carolyn Steele has abstained from making a recommendation given she has an association with NZ Super Fund (as she previously worked as a portfolio manager at NZ Super Fund and had been appointed as NZ Super Fund's representative on the Board).

Reasons Director Majority recommends Shareholders vote in favour of the Scheme

While a difficult and finely balanced decision, the members of the Director Majority consider that the Scheme Consideration of NZ$6.00 per share, when weighed against the uncertainty, disruption and potential risks associated with the SIA Litigation and inherent in continuing to operate Metlifecare's business in a COVID-19 environment over a significant period of time, and the indicated support of a majority of Shareholders canvassed, is reasonable in all of the circumstances.

In making a decision for Metlifecare to enter into the Scheme Implementation Agreement for the new Scheme, and to settle the SIA Litigation, the Director Majority needed to carefully consider whether it was in Shareholders' best interests to continue with the SIA Litigation or put the new Scheme, at the revised price of NZ$6.00, to Shareholders. While Metlifecare's legal advice indicated the SIA Litigation had undoubted merit, the matter was not clear cut and the path through to obtaining a favourable final judgment and then successful enforcement would have been difficult and could have taken some years to fully resolve.

If the consideration under the Original SIA of NZ$7.00 per Metlifecare Share is discounted at an appropriate rate for the uncertainties and disruption involved and the time that could be involved in obtaining a favourable final judgment and then in enforcement, in the view of the Director Majority, a rational shareholder could accept NZ$6.00 per Share now in recognition of the risks and the time value of money associated with Metlifecare continuing the SIA Litigation.

The Scheme Consideration of NZ$6.00 is within the Independent Adviser's valuation range. Any valuation turns on the assumptions made and these can be debated at length. Metlifecare's core business around its existing villages is solid; it has good assets that are well positioned in its markets; and the cash flows from these businesses, including resales, are relatively predictable and stable.

There is potential for a much wider variation in valuation of Metlifecare's development activities. Development activities are a lot more difficult to predict both in terms of the rate of development and individual project outcomes in a highly competitive market and a New Zealand economy where the impacts of COVID-19 are not yet fully known and may not be for a period of time. To realise the potential for higher value from development activity would require Metlifecare to both demonstrate more consistent development execution performance in the next three years than it has previously delivered and a stronger market environment. There is no certainty that either or both of these scenarios would eventuate.

The Director Majority considers that adjusting for assumptions around development activity (such as the number of units developed per annum, development margins and house price inflation), to numbers reflective of execution and market risks in an uncertain COVID-19 macro-economic environment in the medium-term, the Scheme Consideration of NZ$6.00 is reasonable. Accordingly, the Director Majority recommends Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

Reasons of dissenting director Kim Ellis

Mr Ellis considers the support from NZ Super Fund for the NZ$6.00/no litigation/no MAC offer from APVG presented on 5 July 2020 and encouragement by NZ Super Fund to expedite signing of a new Scheme Implementation Agreement limited the Board's negotiating position. Investor soundings by the Board's advisers over the subsequent few days indicated support for the revised offer from a majority of Shareholders canvassed. This left the Board with little alternative but to put the new Scheme to Shareholders as announced on 10 July 2020.

The unusual 'fait accompli' core terms supported by Metlifecare's largest Shareholder left no opportunity for the Board to use the pending litigation to negotiate the offer price up to the NZ$6.35 valuation midpoint of the earlier Independent Adviser's Report, let alone closer to the original price of NZ$7.00. Mr Ellis considers Metlifecare's strong litigation position is evidenced in the FY20 underlying profit and NTA results announced on 26 August 2020. In Mr Ellis's opinion, those results indicate, as consistently reiterated by the Board, that the

MAC financial thresholds in the Original SIA would not have been triggered by Metlifecare's financial position as at 30 June 2020, notwithstanding APVG's assertions to the contrary. The relevant thresholds also applied at other times, but Mr Ellis' opinion is that they would not have been triggered at those times either. Mr Ellis considers Metlifecare's worst case financial outcome in the event of a loss in court was in the order of $30 million; Mr Ellis considers APVG's worst case loss was likely to be closer to $380 million, based on the differential between the original scheme price of NZ$7.00 and NZ$5.22 on the last trading day before announcement of the new SIA.

The reduced offer appeared to be pitched to reflect the decline in share prices of the (domestically-focused) equity asset class of around 15% since the February pre-COVID-19 peak. Metlifecare's FY20 results announcement on 26 August 2020, and accompanying investor presentation posted on the NZX Main Board, should have left the market in no doubt that Metlifecare's strong development momentum and an increasingly positive economic outlook for the retirement village sector as evidenced by a sustained recovery in sector share prices pointed to a valuation considerably above NZ$6.00 (a discount of approximately 15% to net tangible assets).

As a director and shareholder, Mr Ellis is disappointed in the fait accompli process and outcome and does not consider the scheme price adequately reflects the underlying value of Metlifecare Shares. Accordingly he is unable to support the Scheme and therefore recommends Shareholders vote against the Scheme. Mr Ellis will be voting the Metlifecare Shares held by his associated family trusts against the Scheme.

3.3 Other reasons you may vote in favour of the Scheme

a) *The Scheme Consideration of NZ$6.00 is within the Independent Adviser's valuation range of NZ$5.80 to NZ$6.90 per Metlifecare Share*

Calibre Partners (previously known as KordaMentha NZ) has been appointed as the Independent Adviser to prepare an Independent Adviser's Report on the merits of the Scheme.

The Independent Adviser has assessed the value of Metlifecare Shares (including a premium for control) to be within the range of NZ$5.80 to NZ$6.90 per Metlifecare Share as at 25 August 2020. The Scheme Consideration sits below the midpoint of the valuation range of $6.35 per share.

Section 1.5 of the Independent Adviser's Report sets out key issues for Shareholders to consider, and section 7 contains the adviser's discussion on the merits of the Scheme.

b) *The Scheme provides an opportunity for Shareholders to realise value for their Metlifecare Shares now for 100% cash consideration*

If the Scheme does not proceed, the amount that you will be able to realise for your investment in Metlifecare by selling Shares on market or by receiving dividends will be uncertain. You will continue to be subject to the benefits and risks associated with Metlifecare's business and other general benefits and risks relating to any investment in a publicly listed company. Among other things, these benefits and risks include the performance of Metlifecare's businesses, property and construction market conditions, general economic conditions and movements in the share market. More detail on the benefits and risks of Metlifecare's business is discussed in the Independent Adviser's Report.

The Scheme will remove these uncertainties for you by providing you with the ability to sell all of your shareholding in Metlifecare for the Scheme Consideration of $NZ6.00 cash per share, a price which is within the Independent Adviser's valuation range.

c) *The Scheme Consideration of NZ$6.00 cash per Metlifecare share represents a premium to the Metlifecare share price before announcement of negotiations leading to entry into the Scheme Implementation Agreement*

The Scheme Consideration of NZ$6.00 per Metlifecare Share represents:

- a 14.9% premium to the last closing price of $5.22 per share on 3 July 2020 before announcement of APVG's Alternative Proposal on 6 July 2020;
- a 26.3% premium to Metlifecare's one-month volume weighted average price (**VWAP**) of $4.75 ending 3 July 2020;
- a 46.7% premium to Metlifecare's three-month VWAP of $4.09 ending 3 July 2020; and
- a 18.1% premium to the share price of $5.08 per share on 19 November 2019 prior to announcement of receipt of the unsolicited non-binding preliminary expression of interest to acquire Metlifecare.

d) *Metlifecare's largest shareholder has committed to vote its shares in favour of the Scheme*

NZ Super Fund, which holds 19.86% of Metlifecare Shares, has committed to vote all of its Metlifecare Shares in favour of the Scheme, in accordance with the Voting Deed described in section 5.6(a). NZ Super Fund can terminate the Voting Deed if a third party makes a cash takeover offer at a higher price than the Scheme Consideration and APVG does not vary the Scheme to match that takeover offer within a specified timeframe.

e) *The price at which Metlifecare Shares trade may be lower than the Scheme Consideration if the Scheme is not implemented and no Superior Proposal emerges*

The Director Majority is unable to predict the price at which Metlifecare Shares will trade in the future but believes that if the Scheme is not implemented, and in the absence of a Superior Proposal, the price at which your Metlifecare Shares are likely to trade immediately following the Scheme not being implemented would be below the Scheme Consideration being offered by APVG.

The future trading price of Metlifecare Shares will continue to be subject to market volatility. By contrast, the Scheme Consideration provides a more certain value of NZ$6.00 cash for each Scheme Share under the Scheme.

f) *No Superior Proposal has emerged since the Scheme was announced*

Since the initial announcement of the unsolicited takeover interest on 20 November 2019, and up to the date of this Scheme Booklet, no Superior Proposal has emerged.

As at the date of this Scheme Booklet, Metlifecare has not received, and does not expect to receive, any other offer to purchase Metlifecare.

g) *No brokerage costs will be charged on the transfer of your Metlifecare Shares to APVG if the Scheme proceeds*

This is in contrast to selling your Metlifecare Shares on the NZX Main Board or ASX where you may incur brokerage charges.

3.4 Other reasons you may vote against the Scheme

a) *You may consider that the Scheme is not in your best interests*

You may believe that the Scheme is not in the best interests of Shareholders or not in your individual interests.

b) *You may wish to maintain an investment in a publicly listed company with the specific characteristics of Metlifecare in terms of industry, operations, profile, size, capital structure and potential dividend stream*

If the Scheme is approved and implemented, you will cease to be a Shareholder. As such, you will no longer be able to participate in Metlifecare's future financial performance or the future prospects of its ongoing business. Section 5 of the Independent Adviser's Report discusses Metlifecare's financial performance and prospects.

c) *You may consider that there is a possibility that a Superior Proposal could emerge*

The emergence of a Superior Proposal cannot be ruled out.

d) *You may consider that Metlifecare has greater value over the longer term than you will receive under the Scheme*

You may consider that Metlifecare has stronger long-term growth potential and that the Scheme Consideration does not fully reflect your views on long-term value. For example, you may have a more optimistic view on the growth in house prices in Metlifecare's key markets of Auckland and Tauranga or Metlifecare's development prospects. You may therefore prefer to retain your listed Metlifecare Shares and realise the value of them over the longer term.

e) *The tax implications of the Scheme may not suit your current financial position*

If the Scheme is approved and implemented, it will potentially result in tax implications for you, which may arise earlier than may otherwise have been the case.

f) *You may consider that the Scheme is subject to conditions that you consider unacceptable*

The Scheme is subject to a number of Conditions, including Shareholder approval, Overseas Investment Office approval, High Court approval and no Prescribed Occurrence arising.

All the outstanding Conditions are summarised in section 3.9. If these Conditions are not satisfied or waived (where capable of waiver) by 25 January 2021 (or such later date as Metlifecare and APVG may agree or the Court directs), the Scheme will not proceed (even if it has been approved by Shareholders) and you will not receive the Scheme Consideration as contemplated by the Scheme, unless Metlifecare and APVG agree to extend this timeframe.

3.5 Additional matters for you to consider

a) *The Independent Adviser's Report*

Shareholders are encouraged to carefully read the Independent Adviser's Report set out in Annexure A of this Scheme Booklet.

b) *You may sell your Metlifecare Shares on the NZX Main Board or ASX at any time prior to suspension of Metlifecare Shares from trading*

You should take into account that you may be able to sell your Metlifecare Shares on the NZX Main Board or ASX at any time prior to the close of trading on the date which is two Business Days after the Final Orders Date if you do not wish to hold them and participate in the Scheme. However, you should be aware that you may not receive consideration equivalent to the Scheme Consideration of NZ$6.00 cash per share and may incur brokerage charges on the sale. You should seek your own independent professional advice to determine if your individual financial or taxation circumstances may make it preferable for you to do so.

Metlifecare Shares are currently trading below the Scheme Consideration.

c) *The Scheme may be implemented even if you do not vote at the Special Meeting or you vote against the Scheme*

Regardless of whether you vote for or against the Scheme, abstain or do not vote at all, the Scheme may be implemented if it is approved by Shareholders and the High Court, and the other Conditions are satisfied or waived. If this occurs, your Metlifecare Shares will be transferred to APVG and you will receive the Scheme Consideration.

d) *If the Scheme is implemented the Metlifecare Shares will be delisted from the NZX Main Board and ASX*

If the Scheme is implemented, on a date to be determined by APVG, Metlifecare will apply for termination of the official quotation of Metlifecare Shares on the NZX Main Board and ASX.

e) *A break fee may be payable in some circumstances*

Depending on the reasons why the Scheme does not proceed, either Metlifecare or APVG may be liable to pay the break fee to the other party. However, a break fee is not payable by Metlifecare merely if the relevant shareholder voting thresholds are not achieved.

A break fee may be payable if the Scheme is terminated because it is determined that a "Prescribed Occurrence" has occurred.

Further information on the break fee is set out in section 3.1(b).

f) *By voting for the Scheme, you are authorising Metlifecare to enforce the Scheme on your behalf*

If the Scheme is approved, you authorise Metlifecare to enforce the Scheme on your behalf against APVG.

g) *An Independent Adviser's Report has been prepared in respect of the Scheme Consideration. A copy of that report is included in Annexure A.*

3.6 What happens if the Scheme is not approved?

If the Scheme is not approved by Shareholders, or the High Court, or the other Conditions are not satisfied or waived:

- you will not receive the Scheme Consideration;
- your Metlifecare Shares will not be transferred to APVG (they will be retained by you);
- Metlifecare will continue to operate as a stand-alone entity;
- you will continue to be exposed to the benefits and risks associated with an investment in Metlifecare and other general benefits and risks relating to any investment in a publicly listed company; and

- the Metlifecare share price may fall.

If the Scheme is not approved and implemented, Metlifecare's Board will next make a decision on approving further dividends at the time of release of Metlifecare's half year results in February/March 2021.

3.7 What you will receive under the Scheme

If the Scheme is implemented, Shareholders will receive NZ$6.00 cash per Metlifecare Share from APVG for each Metlifecare Share held as at the Scheme Record Date. Metlifecare has agreed under the Scheme Implementation Agreement not to pay any further dividends while the Scheme remains conditional. No further dividends will be paid to you if the Scheme is implemented.

3.8 Tax implications of the Scheme

The tax implications of the Scheme will depend on the specific circumstances of each Shareholder.

For most New Zealand and Australian resident Shareholders that are not in the business of dealing in shares (or otherwise hold their shares on "revenue account") it is expected that the Scheme Consideration should not be taxable income.

For Australian resident Shareholders, capital gains tax may be payable depending on their own circumstances.

Each Shareholder should seek their own professional tax advice in relation to their personal tax position.

3.9 Status of Conditions

As at the date of this Scheme Booklet, the following Conditions remain outstanding:

- Overseas Investment Office approval;
- Shareholder approval of the Scheme by the requisite majorities as set out in section 3.11;
- The Takeovers Panel providing a no-objection statement as described in more detail in section 3.12;
- High Court approval of the Scheme;
- no restraining order or injunction being ordered by the Court on the application of any Government Agency at 8.00 am on the Implementation Date that prohibits, prevents or materially restricts the implementation of the Scheme; and
- no Prescribed Occurrence occurring prior to 8.00 am on the Implementation Date (this covers matters such as changes to Metlifecare's capital structure or business, insolvency events and various other prescribed events).

APVG's application for Overseas Investment Office approval was submitted on 17 July 2020.

Under the Scheme Implementation Agreement, APVG is required to use all reasonable endeavours to obtain all consents required under the Overseas Investment Act 2005. Metlifecare is required to provide its reasonable assistance, including to provide the Overseas Investment Office with a 'vendor information form' in connection with the application. Metlifecare did so on or about 17 July 2020.

The Condition of obtaining the consent of the statutory supervisors of the Metlifecare Group villages to the change of control of Metlifecare arising from the Scheme was satisfied on 22 July 2020.

The Condition of obtaining the consent of Metlifecare's lenders under bank facility agreements to the change of control of Metlifecare arising from the Scheme was satisfied on 28 July 2020.

If the Conditions are not satisfied or waived (where capable of waiver) by the End Date (being 25 January 2021 or such later date as Metlifecare and APVG may agree or that the Court directs), the Scheme cannot proceed (even if it has been approved by Shareholders) and you may not receive the Scheme Consideration. The High Court also has the power to order that the Scheme is subject to other terms and conditions as it sees fit, which may impact the implementation of the Scheme.

Metlifecare intends to announce on the NZX Main Board and ASX the satisfaction or waiver of the material Conditions as they occur, including the results of the Scheme Meeting.

If the Scheme is approved by the requisite majorities of votes, the High Court gives approval (and any conditions of that approval are satisfied) and all other Conditions are satisfied or waived (where capable of waiver) and you are a Shareholder as at the Scheme Record Date, your Metlifecare Shares will be transferred to APVG and you will receive the Scheme Consideration.

3.10 High Court approval of the Scheme

As the Scheme is to be implemented by a High Court approved scheme of arrangement under Part 15 of the Companies Act, the High Court is empowered to make orders binding on Metlifecare, the Shareholders, APVG and any other affected parties. Initial Court Orders were granted by the High Court on 1 September 2020. These Initial Court Orders require Metlifecare to convene the Scheme Meeting. Provided that the Scheme Resolution is passed by the requisite majorities at the Scheme Meeting (refer below) and the other steps required to implement the Scheme (as set out in this Scheme Booklet) are realised, Metlifecare will seek the Final Court Orders from the High Court, which will make the Scheme binding on Metlifecare, the Shareholders (regardless of how or if individual Shareholders vote on the Scheme Resolution) and APVG.

3.11 Voting requirements to approve the Scheme

For the Scheme to be approved by the Shareholders:

- 75% or more of the votes cast in each interest class must be voted in favour of the Scheme Resolution; and
- more than 50% of the votes of the total number of Metlifecare Shares on issue must be voted in favour of the Scheme Resolution.

Both of the voting thresholds set out above must be met for the Scheme Resolution to be approved. Metlifecare only has one class of shares, all of which are fully paid up, ordinary shares, with identical voting rights. That, combined with the fact that neither APVG nor any of its Associates holds (and will not hold immediately prior to implementation) any Metlifecare Shares, means that as at the date of this Scheme Booklet, there is only one interest class in Metlifecare.[2] This is expected to remain the case at the time of the Scheme Meeting.

In addition, APVG must approve the Scheme. It has already agreed to do so under the terms of the Deed Poll contained in Annexure C of this Scheme Booklet.

3.12 Takeovers Panel's no objection statement

Metlifecare has applied for a statement from the Takeovers Panel indicating that the Takeovers Panel has no objection to the High Court making the Final Court Orders to approve the Scheme. This is commonly referred to as a "no objection statement".

However, the Takeovers Panel does not issue "no objection statements" until just before documents are filed for the Final Court Hearing on the Scheme in respect of the Scheme. This will not take place until after the Scheme Meeting. In the meantime, Metlifecare has obtained from the Takeovers Panel a preliminary statement (called a "letter of intention"), which was presented to the High Court with Metlifecare's application for Initial Court Orders. The Takeovers Panel has indicated in its "letter of intention" that, on the basis of the documents and information provided to it, it intends to issue a final "no objection statement" on or before the Final Orders Date.

3.13 Shareholder warranties

Each Scheme Shareholder is deemed to have warranted to APVG that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred under the Scheme to APVG will, at the time of transfer, vest in APVG free from all encumbrances and interests of third parties of any kind.

3.14 Payment of Scheme Consideration

The Scheme provides for the Scheme Consideration to be paid in New Zealand dollars. Payments will be made by direct credit if Computershare has bank account details recorded for the relevant Shareholder. If Computershare does not have bank account details sufficiently recorded, payment will instead be made by cheque, which is sent to the registered address. If a Shareholder has not previously provided bank account details and wants to be paid the Scheme Consideration by electronic transaction, please contact Computershare directly by the date that is 5 Business Days prior to the Scheme Record Date.

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[2] This position has been reached having regard to the factors that a Court would consider when determining interest classes for the purposes of a scheme of arrangement, including those principles set out in Schedule 10 of the Companies Act.

Payment of the Scheme Consideration will be made on the Implementation Date.

If a Shareholder does not have a registered address, or Metlifecare considers the Shareholder is not known at its registered address and no bank account has been nominated, payment due to the Shareholder will be held by Metlifecare unclaimed or applied under Metlifecare's constitution and the relevant laws dealing with unclaimed money (and otherwise in accordance with the Scheme Plan set out in Annexure B).

3.15 Metlifecare Long Term Incentive Plans

Metlifecare has three Long Term Incentive Plans for certain executives.

a) *Metlifecare's senior leadership restricted share plan governed by plan rules dated June 2018*

As at the date of this Scheme Booklet, Metlifecare LTIP Trustee Limited (**Trustee**) holds 522,928 Metlifecare Shares under Metlifecare's senior leadership restricted share plan.

Of those Shares, 219,030 have been forfeited and are no longer held for the benefit of an executive, following relevant executives having ceased employment or because relevant performance hurdles were not met.

The remaining 303,898 Shares are held on trust for relevant executives and could become capable of 'vesting' (by being transferred to relevant executives) in the future depending on the extent to which Metlifecare share price performance hurdles are met comprising measurement of Metlifecare total shareholder returns compared to performance of peer groups comprising members of the NZX50 Index and, in the most recent tranche, other listed retirement village operators.

Under the terms of the plan rules, if a takeover or scheme of arrangement arises, the Metlifecare Board has a discretion to accelerate vesting in executives of some or all Shares held and to arrange to cancel the balance.

On 10 July 2020, the Metlifecare Board determined that none of these shares should vest.

The Board has therefore determined to arrange for Metlifecare to acquire from the Trustee and cancel prior to the Scheme Record Date for an amount equal to the outstanding loan amount due to the Company in respect of those Shares (or nil net monetary consideration if there is no loan outstanding) (i) the 219,030 Shares that have already been forfeited, and (ii) the 303,898 Shares where the Board has not exercised a discretion to accelerate vesting. Accordingly, on implementation of the Scheme, the Trustee would no longer hold any Shares. The Board has resolved that this acquisition is in the best interests of Metlifecare and its Shareholders and that the terms are fair and reasonable to Metlifecare and its Shareholders, because it is an option it has under the restricted share plan, and the acquisition is financially advantageous to Metlifecare. No director has any relevant interest in the Shares to be acquired. This paragraph constitutes a disclosure document for the purposes of section 61(5) of the Companies Act.

Under the terms of the restricted share plan the Trustee has agreed not to vote any Shares it holds, and accordingly the Trustee will not vote on the Scheme.

b) *CEO Cash Equity Plan dated 30 May 2016*

Under a letter dated 30 May 2016 Metlifecare invited its Chief Executive Officer, Glen Sowry, to participate in a cash equity plan intended to replicate features of the restricted share plan described above, except to be settled in cash rather than a vesting of Shares to the extent performance hurdles were met at a future date. On 10 July 2020, the Board determined that no vesting should occur as a consequence of the Scheme.

c) *Metlifecare's employee share scheme governed by plan rules dated August 2019*

In 2019, Metlifecare established an employee share scheme governed by plan rules dated August 2019 to replace the senior leadership restricted share plan described above.

Under this plan Metlifecare has issued 314,528 unlisted performance share rights to certain executives.

The unlisted performance share rights could become capable of 'vesting' (by being converted into fully paid Shares) in the future depending on the extent to which Metlifecare share price performance hurdles are met comprising measurement of Metlifecare's total shareholder returns compared to performance of peer groups comprising members of the NZX50 Index and other listed retirement village operators.

Under the terms of the plan rules, if a takeover or scheme of arrangement arises, the Metlifecare Board has a discretion to accelerate vesting of some or all of the unlisted performance share rights (by converting them into Shares) and to arrange to cancel the balance of performance rights.

After its decision to enter into the Scheme Implementation Agreement, the Metlifecare Board approved on 10 July 2020 accelerated vesting of all of the performance share rights, conditional upon the executive remaining employed, having had regard to an assessment of the performance hurdles as at the date the Board approved entry into the Scheme Implementation Agreement with vesting and additional Metlifecare Shares to be issued prior to the Scheme Record Date (but after the Scheme Meeting, so the new Shares will not be voted). Pursuant to this approval, the Senior Manager Glen Sowry (Chief Executive Officer) would be issued 93,035 Shares for his benefit and Senior Manager Richard Thomson (Chief Financial Officer) would be issued 63,536 Shares for his benefit.

The accelerated vesting of the unlisted performance share rights has no impact on the amount of the Scheme Consideration payable to Metlifecare shareholders.

3.16 Shareholder Objection Rights

If you do not support the Scheme, you can vote against the Scheme Resolution at the Scheme Meeting.

In addition, if you are a Shareholder, you also have the right to appear and be heard at the Final Court Hearing on the Scheme (proceeding CIV-2020-404-1433), which is expected to occur at 9.00 am on Thursday, 15 October 2020 at the High Court at Auckland.

To do so, you must file a notice of appearance or a notice of opposition in proceeding CIV-2020-404-1433 (in either case containing an address for service), and any affidavits or memoranda of submissions on which you intend to rely, by 5.00 pm on Wednesday, 7 October 2020 and serve a copy on Metlifecare at the offices of Chapman Tripp, Level 34, PwC Tower, 15 Customs Street West, Auckland 1010, New Zealand or by electronic mail addressed to michael.arthur@chapmantripp.com.

If you do this, Metlifecare will serve you, at your address for service, a copy of all documents filed in support of the application for Final Court Orders by 5.00 pm on Thursday, 8 October 2020.

Any other person claiming to have a proper interest in the Scheme who wishes to appear and be heard on the application for Final Court Orders in proceeding CIV-2020-404-1433 must file an application for leave to be heard and a notice of opposition (both containing an address for service), any affidavits, and a memorandum of submissions upon which such person intends to rely, by 5.00 pm on Wednesday, 7 October 2020 and serve a copy on Metlifecare at the offices of Chapman Tripp, Level 34, PwC Tower, 15 Customs Street West, Auckland 1010, New Zealand or by electronic mail addressed to michael.arthur@chapmantripp.com.

If any such person does this, Metlifecare will serve upon any such person, at their address for service, a copy of the affidavits in support of the application for Final Court Orders by 5.00 pm on Thursday, 8 October 2020.

The Takeovers Panel may also appear and make submissions at the hearing for Final Court Orders. In addition, the Takeovers Panel may consider an objection by a Shareholder or other interested party to the Scheme when determining whether to provide its "no objection statement". Written objections can be submitted directly to the Takeovers Panel by email (takeovers.panel@takeovers.govt.nz).

There are no other dissent or buy-out rights for Shareholders who do not support the Scheme.

If you do not want to participate in the Scheme, you are free to sell your Shares on the NZX Main Board at any time before close of trading on the NZX Main Board on the date which is expected to be two Business Days after the Final Orders Date. The then prevailing market price may be lower than the Scheme Consideration.

3.17 Delisting from the NZX Main Board

Subject to the Scheme Resolution being passed, Metlifecare will apply for termination of the official quotation of Shares on the NZX Main Board and the ASX. If the Scheme is implemented, Metlifecare will be removed from the NZX Main Board and the ASX from close of trading on the Scheme Implementation Date.

SECTION 4: INFORMATION ABOUT APVG AND EQT

4.1 Information about APVG

Information in this section has been prepared by APVG. The information concerning APVG and EQT, and the intentions, views and opinions contained in this section are the responsibility of APVG. Metlifecare, members of the Metlifecare Group and their directors, officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

The intentions of APVG have been formed on the basis of facts and information concerning Metlifecare, the general business environment, and the circumstances affecting the business of the Metlifecare Group as at the date of this Scheme Booklet, in each case as to the extent known by APVG.

4.2 APVG

If the Scheme is implemented, APVG will acquire all of the Scheme Shares. APVG is a New Zealand limited liability company incorporated on 18 December 2019 for the sole purpose of acquiring the Scheme Shares. If the Scheme is implemented, APVG will be ultimately controlled by the EQT Infrastructure IV Fund.

Further details about APVG are set out in section 5.2.

4.3 Overview of EQT

EQT is a leading global investment organisation with more than EUR 62 billion (NZ$ 108 billion)[3] in raised capital and around EUR 40 billion (NZ$69.74 billion)[4] in assets under management across 19 active funds. EQT funds have portfolio companies in Europe, Asia and the US with approximately 158,000 employees. EQT works with portfolio companies to achieve sustainable growth, operational excellence and market leadership.

EQT has extensive experience and an excellent track record in the healthcare sector and is a significant private equity investor in the healthcare sector. One of EQT's notable investments in the sector is Charleston, a German provider of aged care and nursing home care facilities. Under EQT ownership, Charleston's operations, care quality and systems improved materially, and it grew from approximately 300 beds upon EQT's acquisition to over 4,000 beds when the business was sold in 2019. Funds managed by EQT also owned (until February 2018) I-MED, Australia's largest provider of diagnostic imaging services.

The EQT Infrastructure IV Fund is the flagship fund of EQT's infrastructure strategy and has approximately EUR 9 billion (NZD$15.66 billion)[5] in committed equity capital. The EQT Infrastructure IV Fund has a focus on the acquisition and development of operating infrastructure companies, especially in Europe, North America, and Asia Pacific (which includes New Zealand). The EQT Infrastructure IV Fund, together with EQT's first, second and third infrastructure funds, have invested in approximately 30 platform companies and conducted numerous add-on acquisitions. EQT Infrastructure's core focus sectors are social infrastructure (including retirement villages and aged care), telecommunications, energy, logistics and transportation, and services.

Building on EQT's industrial approach to investing and developing companies, the EQT Infrastructure IV Fund and its predecessor funds have focused on operational infrastructure since its inception in 2008. EQT's strategy is to invest in, develop and futureproof market leading companies that provide an essential service to both society and industries. The EQT Infrastructure IV Fund is supported by an investment advisory committee and infrastructure advisory team with extensive experience in infrastructure and infrastructure investments.

[3] At an exchange rate of EUR 1:1.74 NZD.
[4] At an exchange rate of EUR 1:1.74 NZD.
[5] At an exchange rate of EUR 1:1.74 NZD.

SECTION 5: INFORMATION EQUIVALENT TO SCHEDULE 1 OF THE TAKEOVERS CODE

APVG Information equivalent to Schedule 1 of the Takeovers Code

This section contains information, to the extent applicable, equivalent to the information that would be provided by APVG in a takeover offer document in accordance with Schedule 1 of the Takeovers Code.

The information set out in this section has been prepared by APVG. APVG is solely responsible for information contained in this section. APVG has not prepared, and is not responsible for, information which is referred to in this section, but which is set out in another section of this Scheme Booklet.

5.1 Date

This section was prepared and is current as at 1 September 2020.

5.2 APVG and its directors

The name and address of APVG is:

Asia Pacific Village Group Limited
c/- Bell Gully
Level 22, Vero Centre
48 Shortland Street
Auckland 1010, New Zealand

The directors of APVG are:

Nathalie Brabers-Jastrow
Samuel Alexander Franklin
Peter Veldman

APVG can be contacted by email to anna.buchly@bellgully.com or james.gibson@bellgully.com

EQT Fund Management as the manager (*gérant*) of the EQT Infrastructure IV Fund will become the controller of an increased percentage of voting securities in Metlifecare as a result of the Scheme.

EQT Fund Management controls and manages the EQT Infrastructure IV Fund. As the manager (*gérant*), EQT Fund Management makes all decisions in relation to the EQT Infrastructure IV Fund. EQT Fund Management is ultimately wholly owned by EQT AB, a listed entity.

The managers (*gérants*) of EQT Fund Management are:

Adam Larsson
James Arrol
Joshua Stone
Nicholas Curwen
Peter Veldman

See section 4 for further information on APVG and EQT.

5.3 Scheme company

The name of the company to which the Scheme relates is Metlifecare Limited.

5.4 Ownership of equity securities of Metlifecare

None of the following persons hold or control any equity securities of (or a relevant interest in any derivative in respect of) any class of Metlifecare as at the date of this Scheme Booklet:

(a) APVG;

(b) any Related Company of APVG;

(c) any person acting jointly or in concert with APVG; and

(d) any director of any of the persons described in paragraphs (a) to (c) above.

Information about the persons who hold or control 5% or more of the equity securities in Metlifecare (including through derivative interests) is set out in section 6.4.

5.5 Trading in Metlifecare equity securities

None of the persons referred to in paragraphs 5.4 (a) to (d) above have acquired or disposed of any equity securities in Metlifecare during the six-month period ending on the date of this Scheme Booklet.

5.6 Agreements to vote in favour of Scheme

Other than set out below, no person has agreed with APVG conditionally or unconditionally to vote in favour of the Scheme as at the date of this Scheme Booklet.

APVG has entered into the following agreements to vote in favour of the Scheme:

(a) On 10 July 2020 APVG entered into a Voting Deed with NZ Super Fund (which holds 42,363,688 Metlifecare Shares, representing 19.861% of the total Metlifecare Shares on issue) under which NZ Super Fund undertakes to:

(i) not transfer or otherwise deal with the Metlifecare Shares held by NZ Super Fund in such a way that the Voting Deed is frustrated or NZ Super Fund's obligations under the Voting Deed are negated;

(ii) not solicit a Competing Proposal to the Scheme; and

(iii) vote in favour of the Scheme,

subject to certain termination rights held by NZ Super Fund. These termination rights include where:

(iv) a third party makes a takeover offer for Metlifecare with consideration for that takeover offer being cash in excess of NZ$6.00 per Metlifecare Share; and

(v) NZ Super Fund considers this to be an offer superior to the Scheme; and

(vi) APVG does not vary the Scheme to match the takeover offer within a specified time.

(b) The Scheme Implementation Agreement contains an undertaking on Metlifecare to procure that those Directors comprising the Director Majority who hold and control Scheme Shares will vote such Metlifecare Shares in favour of the Scheme in the absence of a Superior Proposal, as contemplated by the statements elsewhere in this Scheme Booklet. Details of the shareholdings of those Directors are set out in section 6.3.

5.7 Arrangements to pay consideration

APVG confirms that sufficient financial resources will be available to it by way of an equity funding commitment agreement with the EQT Infrastructure IV Fund to meet the total Scheme Consideration to be provided to Scheme Shareholders upon the Scheme being implemented.

APVG has executed the Deed Poll pursuant to which it has undertaken in favour of each Scheme Shareholder to pay the Scheme Consideration to which each Scheme Shareholder is entitled under the Scheme, subject to the Scheme being implemented.

5.8 Arrangements between APVG and Metlifecare

Except as set out below, as at the date of this Scheme Booklet, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between APVG or any of its Associates and Metlifecare or any Related Company of Metlifecare, in connection with, in anticipation of, or in response to, the Scheme.

(a) Metlifecare, EQT Partners Singapore Pte Ltd and others entered into a confidentiality agreement dated 24 November 2019 setting out the terms on which Metlifecare would provide the EQT group with access to information for due diligence purposes.

(b) Metlifecare and the EQT Infrastructure IV Fund represented by its manager (*gérant*) EQT Fund Management entered into an exclusivity letter dated 26 November 2019 setting out the terms on which the EQT group would be granted exclusive access to undertake due diligence, subject to Metlifecare retaining an ability to respond to unsolicited proposals from third parties.

(c) Metlifecare and APVG entered into a scheme implementation agreement on 29 December 2019. This agreement was terminated by APVG on 28 April 2020 and Metlifecare and APVG entered into the Settlement Agreement on 10 July 2020 to fully and finally settle all claims and counterclaims arising out of that agreement with immediate effect. The Settlement Agreement has been given effect to and the approval, implementation or not of the Scheme has no effect on the Settlement Agreement.

(d) Metlifecare and APVG entered into the Scheme Implementation Agreement on 10 July 2020.

5.9 Arrangements between APVG and Directors and Senior Managers of Metlifecare

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between APVG or any Associates of APVG, and any Director or Senior Manager of Metlifecare or any of Metlifecare's Related Companies (including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to the Scheme. As set out in section 3.2, those Directors comprising the Director Majority that hold or control Metlifecare Shares intend to vote all of the Metlifecare Shares held or controlled by him or her or his or her associates in favour of the Scheme, in the absence of a Superior Proposal.

For completeness, and as disclosed in section 3.15 of this Scheme Booklet, the Metlifecare Board has exercised its discretion to conditionally accelerate vesting of some of the interests under the company's Long Term Incentive Plans and to cancel the balance, with effect from the Scheme Record Date.

5.10 Financial assistance

As noted in section 5.7, arrangements are in place to pay the total Scheme Consideration upon the Scheme being implemented. Thereafter, Metlifecare and its subsidiaries will be wholly owned by APVG and may join the financing arrangements of APVG.

For completeness, as contemplated by the Scheme Implementation Agreement, Metlifecare has obtained consent from the lenders under its bank facility agreements to the change of control of Metlifecare arising from the Scheme.

5.11 Intentions about material changes to Metlifecare

Given that if the Scheme is implemented APVG will acquire all of the Metlifecare Shares on issue, APVG is not required to disclose its intentions for Metlifecare.

5.12 Pre-emption clauses in Metlifecare's constitution

There is no restriction on the right to transfer equity securities to which the Scheme relates contained in the constitution of Metlifecare that has the effect of requiring the holders of the equity securities to offer the equity securities for purchase to Shareholders of Metlifecare or to any other person before transferring the equity securities.

5.13 No escalation clause

There is no agreement or arrangement (whether legally enforceable or not) under which any existing holder of equity securities in Metlifecare will or may receive in relation to, or as a consequence of, the Scheme any additional consideration or other benefit from APVG or any of its Associates over and above the Scheme Consideration, or any prior holder of equity securities in Metlifecare will or may receive any consideration or other benefit from APVG or any of its Associates as a consequence of the Scheme.

5.14 Classes of securities

No report is required to be obtained by APVG as to the fairness and reasonableness of the consideration and terms of the Scheme as between different classes of financial products as there is only one class of equity security of Metlifecare on issue.

SECTION 6: INFORMATION EQUIVALENT TO SCHEDULE 2 OF THE TAKEOVERS CODE

This Section contains the applicable information that would be provided by Metlifecare in a Metlifecare company statement under Schedule 2 of the Takeovers Code.

6.1 Date

This section was prepared and is current as at 1 September 2020.

6.2 Metlifecare and its Directors

The name of the company to which the Scheme relates is Metlifecare Limited. Its postal address is PO Box 37463, Parnell, Auckland 1151, New Zealand, Attention Andrew Peskett. Metlifecare's email address for enquiries is andrewp@metlifecare.co.nz.

The Directors of Metlifecare are:

- Kim Ellis (Chair), Independent Director
- Chris Aiken, Independent Director
- Mark Binns, Independent Director
- Alistair Ryan, Independent Director
- Rod Snodgrass, Independent Director
- Carolyn Steele, Non-executive Director

6.3 Ownership of equity securities of Metlifecare

The table below sets out the number and the percentage of Metlifecare Shares held or controlled by each Director or Senior Manager of Metlifecare or their Associates.

No other Director or Senior Manager or their Associates holds or controls any equity securities of Metlifecare.

Name	Number of Metlifecare Shares held or controlled	Percentage of total Metlifecare Shares
Directors		
Ellis Trust (Kim Ellis and MK Trustee 2015 Limited as Trustees)	185,000	0.087%
Annette Ellis Trust (A.M. Ellis and MK Trustee 2015 Limited as Trustees)	73,100	0.034%
Cameron Trust (Chris Aiken and W.A. Aiken as Trustees)	29,051	0.014%
Mark Binns	15,000	0.007%
Alistair Ryan	13,904	0.007%
Rod Snodgrass	7,000	0.003%
Senior Manager		
Glen Sowry	10,000	0.005%

Notes:

1. *This information is taken from information provided by the Directors and Senior Managers.*
2. *The Senior Managers for the purposes of this Scheme Booklet are Glen Sowry and Richard Thomson.*
3. *Percentages have been rounded to three decimal places.*
4. *A.M. Ellis is the wife of Kim Ellis.*
5. *Director Carolyn Steele does not currently hold or control any Metlifecare Shares. Senior Manager Richard Thomson does not currently hold or control any Metlifecare Shares (but see section 3.15 and note 6 immediately below).*
6. *In addition, CEO Glen Sowry has a beneficial interest in 107,231 shares, and CFO Richard Thomson has a beneficial interest in 52,074 shares, held by Metlifecare LTIP Trustee Limited under Metlifecare's senior leadership restricted share plan governed by plan rules dated June 2018. Under the terms of that share plan Metlifecare LTIP Trustee Limited has agreed not to vote those shares. Neither Senior Manager has control over these shares and, as detailed further in*

section 3.15, the Metlifecare Board has determined not to accelerate vesting of any of those shares, but to acquire and cancel those shares with effect from the Scheme Record Date.

7. *As detailed further in section 3.15, the Metlifecare Board has determined (subject to the relevant executives continued employment) to exercise its discretion for the company to accelerate vesting of unlisted performance share rights which would result in Glen Sowry being issued 93,035 additional Shares and Richard Thomson being issued 63,536 additional Shares prior to the Scheme Record Date (but after the Scheme Meeting).*
8. *None of the Directors or Senior Managers or their respective Associates disclosed above have a relevant interest in any derivative in respect of underlying Metlifecare Shares.*

6.4 Ownership interests of holders or controllers of 5% or more of Metlifecare Shares (including derivative interests in underlying Metlifecare Shares)

The table below sets out the number and the percentage of Metlifecare Shares held or controlled by any other person holding or controlling 5% or more of the Metlifecare Shares, to the knowledge of Metlifecare as at 1 September 2020.

Name	Number of Metlifecare Shares held or controlled (including derivative interests in underlying Metlifecare Shares)	Percentage of total Metlifecare Shares	Date of last available substantial product holder notice
New Zealand Central Securities Depository Limited (**NZCSD**)	174,213,028	81.673%	N/A
The NZ Super Fund	42,363,688	19.861%	10 July 2020
UBS Group AG and its related bodies corporate	28,331,921	13.282%	24 August 2020
Maso Capital Partners Limited	11,597,797	5.437%	28 February 2020
J.P. Morgan Chase & Co. and its affiliates	11,320,257	5.307%	3 August 2020
Credit Suisse Holdings (Australia) Limited and its related bodies corporate	10,982,468	5.149%	14 July 2020
Mitsubishi UFJ Financial Group, Inc., First Sentier Investors Realindex Pty Limited	10,875,975	5.099%	4 August 2020

Notes:

1. *This information is based on information known to Metlifecare (from Metlifecare's share register, in the case of NZCSD, substantial product holder notices provided to the NZX Main Board or provided by the relevant Shareholder) as at 1 September 2020 (being the latest practicable date before the date of this Scheme Booklet). Substantial product holder notices provided to the NZX Main Board after that date will be available to review at https://www.nzx.com/companies/MET/announcements.*
2. *Percentages have been rounded to three decimal places.*
3. *NZCSD is a bare trustee custodian that holds legal title to Shares but has no control over the voting, acquisition or disposition of the Shares it holds.*
4. *In addition on 10 July 2020 APVG entered into the Voting Deed with NZ Super Fund described in section 5.6(a) and APVG and NZ Super Fund each released a substantial product holder notice to the market in respect of that agreement.*
5. *The information set out in the table above includes an interest in derivatives in the form of cash settled swaps as follows:*

   UBS Group AG and its related bodies corporate have disclosed that UBS O'Connor LLC has entered into cash settled swap agreements with various clients to provide a derivative exposure for which 7,179,550 underlying Shares in Metlifecare are the underlying equity securities and notional amount and that UBS Asset Management (Singapore) Limited has entered into cash settled swap agreements with various clients to provide a derivative exposure for which 1,192,104 underlying Shares in Metlifecare are the underlying equity securities and notional amount.

   To Metlifecare's knowledge no other person holds or controls more than 5% of a class of equity securities of Metlifecare.

6.5 Issues of equity securities

The following equity securities of Metlifecare have, during the two year period ending on the date of this Scheme Booklet, been issued to Directors or Senior Managers or their Associates:

Name	Position	Number of Metlifecare Shares Issued	Reason for issue	Consideration per Metlifecare Share (NZ$)	Date of transaction
Richard Thomson	Chief Financial Officer	29,352	Issue of shares further to vesting under Metlifecare's senior leadership restricted share plan	$6.2857	24 September 2018
Glen Sowry	Chief Executive Officer	42,954	Issue of shares further to vesting under Metlifecare's senior leadership restricted share plan	$6.2857	24 September 2018

6.6 Trading by Directors and Senior Managers of Metlifecare

No Director, Senior Manager or any Associate has acquired or disposed of any Metlifecare Shares during the six-month period before 1 September 2020 (being the latest practicable date before the date of this Scheme Booklet).

6.7 Trading by substantial product holders of Metlifecare

The tables below set out details of any Metlifecare Shares acquired or disposed of during the six-month period before 1 September 2020 (being the latest practicable date before the date of this Scheme Booklet) by any person holding or controlling 5% or more of the Metlifecare Shares.

Notes to the tables below

1. *This information is based on information known to Metlifecare as at 1 September 2020 (being the latest practicable date before the date of this Scheme Booklet). Details of further trading by substantial product holders after that date will be available to review in any further substantial product holder notices filed at https://www.nzx.com/companies/MET/announcements.*
2. *In the case of multiple acquisitions or disposals in any given week, the total number of securities, and the weighted average consideration per security, acquired or disposed of in that week have been provided.*
3. *The dates marked with a * relate to single transactions that occurred during that week.*
4. *For the purpose of presenting this data, securities lending transactions have not been included in the analysis.*

UBS AG London Branch

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	43,123,967	6,284,500	6.86	1/03/2020
Acquisition	5,756,572	882,218	7.00	8/03/2020
Acquisition	7,611,704	1,381,998	6.00	15/03/2020
Acquisition	19,325,279	4,859,727	3.98	22/03/2020
Acquisition	418,086	110,015	3.80	29/03/2020
Acquisition	994,704	301,929	3.29	5/03/2020
Acquisition	987,138	244,684	4.03	12/04/2020
Acquisition	886,823	205,876	4.31	19/04/2020
Acquisition	141,222	33,541	4.21	26/04/2020
Acquisition	558,984	132,414	4.22	3/05/2020
Acquisition	253,677	57,930	4.38	10/05/2020
Acquisition	984,89	22,663	4.35	24/05/2020*
Acquisition	1,332,951	310,000	4.30	31/05/2020*
Acquisition	505,855	109,569	4.62	7/06/2020
Acquisition	250,970	52,282	4.80	14/06/2020
Acquisition	970,247	193,046	5.03	21/06/2020
Acquisition	10,612,543	2,108,425	5.03	28/06/2020
Acquisition	4,570,507	791,559	5.77	5/07/2020
Acquisition	42,220,932	7,157,084	5.90	12/07/2020
Acquisition	5,555,888	940,710	5.91	19/07/2020

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	405,570	68,476	5.92	26/07/2020
Acquisition	21,345,422	3,614,326	5.91	2/08/2020
Acquisition	18,247,230	3,088,337	5.91	9/08/2020
Acquisition	1,278,898	216,340	5.91	16/08/2020
Disposal	528,297	-76,799	-6.88	1/03/2020
Disposal	4,247,100	-703,008	-6.00	8/03/2020
Disposal	28,007,637	-5,089,199	-5.50	15/03/2020
Disposal	33,351,434	-8,332,137	-4.00	22/03/2020
Disposal	19,121,743	-5,491,686	-3.48	5/03/2020
Disposal	3,988,991	-959,222	-4.16	19/04/2020
Disposal	308,978	-75,000	-4.12	26/04/2020
Disposal	3,588,185	-842,452	-4.26	3/05/2020
Disposal	4,192,929	-962,686	-4.36	10/05/2020
Disposal	2,602,567	-599,809	-4.34	17/05/2020
Disposal	3,912,600	-894,966	-4.37	24/05/2020
Disposal	11,149,932	-2,595,354	-4.30	31/05/2020
Disposal	14,346,291	-3,297,958	-4.35	7/06/2020
Disposal	22,120	-4,653	-4.75	14/06/2020
Disposal	26,443	-5,246	-5.04	21/06/2020
Disposal	11,799,530	-2,347,697	-5.03	28/06/2020
Disposal	1,640,663	-284,534	-5.77	5/07/2020
Disposal	1,000,576	-169,823	-5.89	12/07/2020
Disposal	902,221	-152,942	-5.90	19/07/2020
Disposal	327,671	-55,441	-5.91	26/07/2020
Disposal	12,418,457	-2,104,094	-5.90	2/08/2020
Disposal	5,908,107	-1,000,002	-5.91	9/08/2020

UBS AG Australia Branch

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	5,332,500	1,350,000	3.95	22/03/2020*
Disposal	2,268,093	-555,283	-4.08	22/03/2020
Disposal	795,191	-207,973	-3.82	29/03/2020
Disposal	2,171,328	-586,744	-3.70	5/04/2020

UBS Fund Management (Switzerland) AG

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	35,751	8,560	4.18	3/05/2020*
Acquisition	88,434	21,106	4.19	24/05/2020*
Disposal	257,835	-37,961	-7.00	11/03/2020*

UBS Asset Management

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	189,266	34,277	6.00	15/03/2020*
Acquisition	30,391	5,912	5.14	28/06/2020*
Disposal	266,249	-39,396	-6.76	8/03/2020
Disposal	46,665	-12,314	-3.79	29/03/2020*
Disposal	12,748	-3,244	-3.93	12/04/2020*
Disposal	7,428	-1,773	-4.19	3/05/2020*
Disposal	38,700	-7,589	-5.10	21/06/2020*

UBS New Zealand Limited

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	482,788	81,690	6	12/07/2020*
Acquisition	11,793,407	1,995,437	6	2/08/2020
Acquisition	675,353	114,273	6	9/08/2020*
Acquisition	1,373,819	232,064	6	16/08/2020

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Disposal	118,000	-20,000	-6	12/07/2020*
Disposal	363,971	-61,690	-5.9	19/07/2020*
Disposal	5,878,180	-994,599	-5.91	2/08/2020
Disposal	6,590,306	-1,115,111	-5.91	9/08/2020

UBS O'Connor LLC

UBS O'Connor LLC has disclosed that it has entered into cash settled swap agreements with various clients to provide a derivative exposure for the following amounts of underlying Metlifecare Shares and notional amounts on the following dates (and for which it is treated as holding or controlling through the derivative interest is):

Number of underlying Metlifecare Shares/notional amounts	Date
302,621	03/03/2020
530,000	12/03/2020
541,734	19/03/2020
415,000	24/03/2020
184,000	25/03/2020
130,000	25/05/2020
36,000	26/05/2020*
126,368	27/05/2020*
48,632	28/05/2020
108,609	2/06/2020
32,000	30/06/2020*
-8	2/07/2020
46,119	6/07/2020*
287,881	7/07/2020
52,800	8/07/2020*
130,000	13/07/2020*
165,992	04/08/2020

In each case the number of Metlifecare Shares acquired or disposed of on the same dates above, excluding the derivative interest, is nil.

Credit Suisse Funds AG

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	115,211.86	17,018	6.77	8/03/2020*
Acquisition	96,600	20,000	4.83	22/03/2020*
Acquisition	39906.90	9,570	4.17	26/05/2020*
Disposal	175,716.03	-41,937.00	-4.19	24/05/2020*

Credit Suisse Securities (Europe) Limited

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	5,454,359.41	793,431	6.87	1/03/2020
Acquisition	4,477,476.38	668,037	6.70	8/03/2020
Disposal	5,454,359.41	-793,431	-6.87	1/03/2020
Disposal	4,477,476.38	-668,037	-6.70	8/03/2020

Credit Suisse Hong Kong Limited

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	12,717,107.12	1,850,361	6.87	1/03/2020
Acquisition	7,116,125.50	1,058,699	6.72	8/03/2020
Acquisition	14,797,036.97	2,680,776	5.52	15/03/2020
Acquisition	7,005,160.22	1,705,394	4.11	22/03/2020
Acquisition	449,976.21	115,766	3.89	29/03/2020
Acquisition	237,833.89	58,165	4.09	5/04/2020
Acquisition	833,407.56	210,327	3.96	12/04/2020
Acquisition	50,754	12,072	4.20	19/04/2020
Acquisition	134,259.57	31,765	4.23	26/04/2020
Acquisition	156,955.70	37,305	4.21	4/05/2020
Acquisition	1,655,289.01	378,852	4.37	10/05/2020
Acquisition	436,461.74	100,517	4.34	17/05/2020

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	1,702,972.09	387,927	4.39	24/05/2020
Acquisition	10,180,106.99	2,359,724	4.31	31/05/2020
Acquisition	2,381,637.24	506,987	4.70	7/06/2020
Acquisition	2,131,803.08	440,589	4.84	14/06/2020
Acquisition	2,717,493.06	541,366	5.02	21/06/2020
Acquisition	1,345,883.80	261,856	5.14	28/06/2020
Acquisition	3,352,815.49	578,703	6	5/07/2020
Disposal	61,669.18	-9,001	-6.85	1/03/2020
Disposal	3,717,972.42	-557,145	-6.67	8/03/2020
Disposal	6,028,939.96	-1,161,614	-5.19	15/03/2020
Disposal	5,110,367.81	-1,256,153	-4.07	22/03/2020
Disposal	730,778	-190,000	-3.85	29/03/2020*
Disposal	13,791,733.60	-3,608,029	-3.82	5/04/2020
Disposal	3,010,627.84	-765,652	-3.93	12/04/2020
Disposal	3,049,949.41	-698,143	-4.37	19/04/2020
Disposal	111,863.72	-26,579	-4.21	26/04/2020
Disposal	2,257,051.33	-538,375	-4.19	3/05/2020
Disposal	2,004,822.41	-459,252	-4.37	10/05/2020
Disposal	53,116.33	-12,285	-4.32	17/05/2020
Disposal	45,746.12	-10,439	-4.38	24/05/2020
Disposal	248,027.40	-57,641	-4.30	31/05/2020
Disposal	111,849.11	-23,771	-4.71	7/06/2020
Disposal	102,783.32	-21,156	-4.86	14/06/2020
Disposal	105,098.26	-20,900	-5.03	21/06/2020
Disposal	7,088,970.60	-1,405,753	-5.04	28/06/2020
Disposal	1,851,516.60	-319,227	-5.80	5/07/2020*

J.P. Morgan Securities PLC

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	2,446,388.52	356,512	6.86	1/03/2020
Acquisition	5,411,656.17	800,318	6.76	8/03/2020
Acquisition	800.74	211	3.79	29/03/2020*
Acquisition	1,399.46	334	4.19	26/04/2020*
Acquisition	326,250.00	75,000	4.35	17/05/2020*
Acquisition	87,175.48	17,604	4.95	14/06/2020*
Acquisition	36,628.51	7,396	4.95	21/06/2020*
Disposal	3,965,025.54	-578,823	-6.85	1/03/2020
Disposal	12,113,370.62	-1,798,955	-6.73	8/03/2020
Disposal	1,884,216.45	-309,685	-6.084	15/03/2020*
Disposal	435,000	-75,000	-5.8	5/07/2020

Morgan Stanley & Co. International PIC

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	9,393.30	2,218	4.24	26/04/2020
Acquisition	20,880	4,800	4.35	17/05/2020*
Acquisition	112.79	24	4.70	7/06/2020*

First Sentier Investors Realindex Pty Ltd

Acquisition or disposal	Total consideration	Number of Metlifecare Shares	Consideration per Metlifecare Share (NZS)	Week commencing
Acquisition	27,876.80	7,336	3.8	29/03/2020*
Disposal	10,687.95	2,639	-4.05	12/04/2020*
Disposal	7,050.75	1,659	-4.25	10/05/2020*
Disposal	13,436.82	3,006	-4.47	24/05/2020*
Disposal	9,475	1,895	-5.00	14/06/2020*
Disposal	51,486.61	10,293	-5.00	21/06/2020*
Disposal	9,071.85	1,535	-5.91	26/07/2020*

6.8 Intentions to vote in favour of or against the Scheme

The table below sets out, as at the date of this Scheme Booklet, the name of every Director or Senior Manager or Associate of a Director who has advised Metlifecare that he or she intends to vote in favour of the Scheme, and the number of Metlifecare Shares in respect of which the person intends to vote.

Name	Number of Metlifecare Shares intended to be voted in favour of the Scheme
Chris Aiken and W.A. Aiken as Trustees of Cameron Trust	29,051
Mark Binns	15,000
Alistair Ryan	13,904
Rod Snodgrass	7,000
Glen Sowry	10,000

Notes:

1. *This information is taken from information provided by the Directors.*
2. *There are no Associates of either Senior Manager that hold Metlifecare Shares.*

Chair Kim Ellis has advised that the following shareholders that he is associated with intend to vote against the Scheme.

Name	Number of Metlifecare Shares intended to be voted against the Scheme
Kim Ellis and MK Trustee 2015 Limited as Trustees of Ellis Trust	185,000
A.M. Ellis and MK Trustee 2015 Limited as Trustees of Annette Ellis Trust - interested director Kim Ellis	73,100

Notes:

1. *A.M. Ellis is the wife of Kim Ellis.*

6.9 Ownership of equity securities of APVG

Neither Metlifecare, nor any Director, Senior Manager or any of their Associates, holds or controls any equity securities of APVG or any Related Company of APVG.

6.10 Trading in equity securities of APVG

Neither Metlifecare, nor any Director, Senior Manager or any of their Associates, has acquired or disposed of any equity securities of APVG or any Related Company of APVG during the six-month period before 1 September 2020 (being the latest practicable date before the date of this Scheme Booklet).

6.11 Arrangements between APVG and Metlifecare

Except in relation to the confidentiality agreement, the Scheme Implementation Agreement, the Settlement Agreement and the exclusivity letter described in section 5.8, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between APVG or any Associates of APVG and Metlifecare or any Related Company of Metlifecare, in connection with, in anticipation of, or in response to, the Scheme.

6.12 Relationship between APVG and Directors and Senior Managers of Metlifecare

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between APVG and any Associates of APVG, and any Director or Senior Manager of Metlifecare or any Related Company of Metlifecare in connection with, in anticipation of, or in response to, the Scheme other than as described in section 5.9.

None of the Directors or Senior Managers of Metlifecare is also a director or senior manager of APVG (or any Related Company of APVG).

6.13 Agreement between Metlifecare and its Directors and Senior Managers

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Metlifecare or any Related Company of Metlifecare and any Directors, Senior Managers or their

Associates of Metlifecare or its Related Companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Scheme other than on 19 December 2019 Metlifecare agreed with each of its Senior Managers that (a) if the relevant executive's employment is terminated within 12 months of a change of control (other than for a resignation unrelated to the change of control or for serious misconduct) the executive would be entitled to be paid a one-off severance payment equivalent to one year's base salary (plus their contracted notice periods to be worked or paid in lieu at Metlifecare's discretion) and (b) subject to continued employment, for the Metlifecare Board to exercise its discretion to accelerate unvested entitlements under its Long Term Incentive Plans by applying performance hurdles under those plans as at the date the Metlifecare Board approved entry into the Scheme Implementation Agreement as set out in section 3.15.

6.14 Interests of Directors and Senior Managers of Metlifecare in contracts of APVG or its Related Companies

No Director or Senior Manager or their Associates has an interest in any contract to which APVG, or any Related Company of APVG, is a party.

6.15 Interests of Metlifecare's substantial security holders in material contracts of APVG or its Related Companies

No person who, to the knowledge of the Directors or the Senior Managers holds or controls 5% or more of any class of equity securities of Metlifecare, has an interest in any material contract to which APVG or any Related Company of APVG is a party.

6.16 Additional information

In the opinion of the Directors, no additional information, to the knowledge of Metlifecare, is required to make the information in this Scheme Booklet correct or not misleading.

6.17 Actions of Metlifecare

Except for the arrangements summarised in sections 5.8 and 5.9, there are no material agreements or arrangements (whether legally enforceable or not) that Metlifecare or any Related Company of Metlifecare entered into as a consequence of, in response to, or in connection with, the Scheme. There are no negotiations underway as a consequence of, in response to, or in connection with the Scheme that relate to or could result in:

(a) an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving Metlifecare or any of its Related Companies; or

(b) the acquisition or disposition of material assets by Metlifecare or any of its Related Companies; or

(c) an acquisition of equity securities by, or of, Metlifecare or any Related Company of Metlifecare; or

(d) any material change in the equity securities on issue, or policy relating to distributions, of Metlifecare.

6.18 Equity securities of Metlifecare

As at the date of this Scheme Booklet, Metlifecare has 213,304,722 Metlifecare Shares on issue. The number of Metlifecare Shares is expected to adjust to 213,096,322 Shares at the time of the Scheme Record Date, as a consequence of the acceleration of some interests under the Long Term Incentive Plans and the acquisition and cancellation of the balance prior to the Scheme Record Date, as described further in section 3.15. All Metlifecare Shares are fully paid.

Subject to certain conditions in the constitution of Metlifecare and the NZX Listing Rules and ASX Listing Rules, each Metlifecare Share confers upon the holder the right to:

- an equal share in dividends authorised by the Metlifecare Board;
- an equal share in the distribution of surplus assets on liquidation of Metlifecare;
- participate in certain further issues of equity securities by Metlifecare; and
- cast one vote on a show of hands or cast one vote per Metlifecare Share on a poll, at a meeting of Shareholders on any resolution, including a resolution to:
    - appoint or remove a director or auditor;

- alter Metlifecare's constitution;
- approve a major transaction;
- approve an amalgamation involving Metlifecare; or
- put Metlifecare into liquidation.

In addition, as at the date of this Scheme Booklet Metlifecare has issued 314,528 unlisted performance share rights in respect of 314,528 unissued shares in Metlifecare to certain executives of Metlifecare, as described at section 3.15. The unlisted performance share rights have no right to vote and the executives are not able to require the share rights to be converted into Metlifecare Shares except with the agreement of Metlifecare, as detailed further in section 3.15.

6.19 Financial information

A copy of Metlifecare's most recent financial statements (for the year ended 30 June 2020) and its full year results announcement (for the 12 months ended 30 June 2020) are available on Metlifecare's website at www.metlifecare.co.nz/investor-centre/.

Each person who is eligible to vote on the Scheme is also entitled to obtain from Metlifecare a copy of Metlifecare's most recent annual report by making a written request to:

PO Box 37463
Parnell
Auckland 1151
New Zealand

The Scheme Consideration of NZ$6.00 per share is less than the net tangible assets per share of $7.18 at 30 June 2020 included in Metlifecare's consolidated financial statements but it is within the Independent Adviser's valuation range. The most significant component of Metlifecare Group's reported net assets is the value of its investment properties. The independent assessment of the value of investment properties at each reporting date reflects the aggregate of the values of each individual property asset owned by Metlifecare Group rather than the value of the property asset portfolio as a whole. The fair value of the assets when treated as a portfolio or an assembled group of properties can exceed, or be less than, the sum of the value of each asset individually. Although individual balance sheet items are carried at fair value or amounts that approximate their fair value, various factors influence the extent of the difference between the sum of the individual assets and the value of the portfolio sold in a single transaction. These factors include, but are not limited to:

1. the additional costs of owning and operating a portfolio of assets rather than an individual asset; these are not accounted for in the stand-alone valuation of individual assets
2. the size and geographic diversity of the portfolio and its assumed effect on the ability to spread asset specific or location risk and/or the liquidity of the portfolio
3. differences in viewpoint amongst investors regarding future macro-economic conditions and trading environment
4. the value of accumulated tax losses and the ability to protect them; and
5. returns available from alternative investment classes at a particular point in time.

Section 6.4 of the Independent Adviser's Report also discusses adjustments from the reported net book value of Metlifecare Group's assets that the Independent Adviser has taken account of when cross-checking the Independent Adviser's valuation range.

There have not been any material changes in the financial or trading position, or prospects, of Metlifecare since the most recent annual report was prepared and sent to Shareholders, other than as disclosed in Metlifecare's full year results announcement and elsewhere in this Scheme Booklet.

6.20 Asset valuations

No information provided in this Scheme Booklet refers to a valuation of any asset of Metlifecare.

6.21 Prospective financial information

Section 6.19 of this Scheme Booklet and the Independent Adviser's Report contain prospective financial information in relation to Metlifecare. The principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.

Other than the prospective financial information referred to above, this Scheme Booklet does not refer to any other prospective financial information about Metlifecare.

6.22 Sales of unquoted equity securities under the Scheme

There are no unquoted equity securities that are subject to the Scheme.

6.23 Market prices for quoted equity securities

The Metlifecare Shares are quoted on the NZX Main Board and ASX, although as at the date of this Scheme Booklet Metlifecare's shares have not traded on ASX.

The closing price on the NZX Main Board of Metlifecare Shares on:

- 9 July 2020, being the last day on which the NZX Main Board was open for business before the date on which Metlifecare announced that it had entered into the Scheme Implementation Agreement, was NZ $5.79; and
- 1 September 2020, being the latest practicable working day before the date on which this Scheme Booklet was sent to Shareholders, was NZ$5.94.

The highest and lowest closing market prices of Metlifecare Shares on the NZX Main Board (and the relevant dates) during the six months before 9 July 2020 (being the last day on which the NZX Main Board was open for business before the date on which Metlifecare announced that it entered into the Scheme Implementation Agreement), were as follows:

- the highest closing market price was NZ$6.93 per share (on 18 February 2020); and
- the lowest closing market price was NZ$3.51 per share (on 8 April 2020).

6.24 Other information

The Directors are not aware of any additional information, which is not required to be disclosed elsewhere in this Scheme Booklet, that could reasonably be expected to be material to the Shareholders when making a decision to vote for, or against, the Scheme Resolution.

6.25 Board approval of Metlifecare Information

The contents of the Scheme Booklet have been approved by the Metlifecare Board, other than:

- the APVG Information, which APVG has approved; and
- the Independent Adviser's Report, which has been prepared by the Independent Adviser.

SECTION 7: GLOSSARY

The meaning of terms used in this Scheme Booklet are set out below:

APVG	means Asia Pacific Village Group Limited (New Zealand Company Number 7858826), the entity acquiring all of the Scheme Shares under the Scheme
APVG Group	means APVG and each of its Related Companies and a reference to an APVG Group Member or a member of the APVG Group is to APVG or any of its Related Companies
APVG Information	means such information regarding the APVG Group that is provided or approved by the APVG Group or any of its advisers
Associate	has the same meaning as in section 4 of the Takeovers Code
ASX	means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires
Business Day	means any day (other than a Saturday, Sunday or public holiday) on which trading banks are generally open in Auckland New Zealand for normal business
Companies Act	means the Companies Act 1993 (New Zealand)
Competing Proposal	means any proposed: a) takeover (whether a full or partial takeover under the Takeovers Code) in respect of Metlifecare; b) scheme of arrangement in respect of Metlifecare; c) transfer or issuance of financial products of Metlifecare requiring shareholders' approval under the Takeovers Code; d) sale of assets (including any interests in land) or financial products of any Metlifecare Group member constituting a material part of the Metlifecare Group's business; or e) strategic alliance, joint venture, partnership, dual listed companies structure, economic or synthetic merger or combination or other transaction or arrangement which, if completed, would result in a Third Party directly or indirectly acquiring or being entitled to acquire a "relevant interest" (as that term is defined in the FMCA) or any other direct or indirect interest in more than 10% of the shares of Metlifecare or more than 10% of the shares in any other member or members of the Metlifecare Group that individually or collectively contribute 10% or more of the consolidated EBITDA of the Metlifecare Group or whose assets represent 10% or more of the total consolidated assets of the Metlifecare Group, and for the purposes of the definition of Competing Proposal: f) any such proposal may be an expression of interest, indicative, conditional or otherwise non-binding; g) paragraphs (c), (d) and (e) above include any agreement (within the meaning of section 6 of the FMCA) whereby such a transaction is effected through a series of linked or related transactions which if conducted as a single transaction would constitute a Competing Proposal within the meaning of either of paragraphs (c), (d) or (e); and h) Third Party shall mean a Third Party together with its Associates.

Computershare	means Computershare Investor Services Limited, Metlifecare's share registrar
Conditions	means the conditions set out in clause 3.1 of the Scheme Implementation Agreement and include: a) Overseas Investment Office approval; b) consent from Metlifecare's lenders under its bank facility agreements; c) consent from the statutory supervisors of the Metlifecare Group villages; d) regulatory clearances from the Takeovers Panel and the NZX Main Board; e) Shareholder approval by the requisite majorities as set out in section 3.11; f) High Court approval; g) no restraining order or injunction being ordered by the Court on the application of any Government Agency at 8.00 am on the Implementation Date that prohibits, prevents or materially restricts the implementation of the Scheme; and h) no Prescribed Occurrence occurring
Directors or **Director**	means a member or members of the Metlifecare Board
Director Majority	means Directors Christopher Aiken, Mark Binns, Alistair Ryan, and Rod Snodgrass
EBITDA	means earnings before interest, tax, depreciation and amortisation
End Date	means 25 January 2021, or such later date as agreed in writing between Metlifecare and APVG
EQT	where used on its own is an umbrella term and may refer interchangeably to EQT AB (publ), reg. no. 556849-4180 or any of its subsidiaries, or funds managed by EQT Fund Management, EQT AB (publ) or any of their respective subsidiaries
EQT Fund Management	means EQT Fund Management S.à r.l, a Luxembourg limited liability company (*société à responsabilité limitée*) with registered office at 26A, Boulevard Royal, L-2449 Luxembourg, registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés, Luxembourg*), under number B167.972, and acts as manager (*gérant*) of the EQT Infrastructure IV Fund
EQT Infrastructure IV Fund	means the various investment vehicles comprising the fund known as EQT Infrastructure IV, including EQT Infrastructure IV EUR SCSp and EQT Infrastructure IV USD SCSp, each a Luxembourg special limited partnership (*société en commandite spéciale*) with its registered office at 26A, Boulevard Royal, L-2449 Luxembourg, registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 225.967 and B 225.964 respectively, each represented by its manager (*gérant*) EQT Fund Management
Excluded Shares	means any Shares nominated in writing by APVG to Metlifecare not less than two Business Days prior to the Scheme Record Date which are held or controlled by APVG or any of its Associates at 5.00 pm on the Scheme Record Date

Final Court Hearing	means the final hearing of the High Court in respect of the Scheme, which is expected to take place at 9.00 a.m. on 15 October 2020, or such later date as the High Court directs
Final Court Orders	means on application of Metlifecare, orders that the Scheme shall be binding on Metlifecare, APVG, Scheme Shareholders and/or such other persons or class of persons as the Court may specify, in accordance with section 236(1) (and section 237, if applicable) of the Companies Act
Final Orders Date	means the day on which Final Court Orders are granted
FMCA	means the Financial Markets Conduct Act 2013
Government Agency	means any government, any department, officer or minister of any government and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity
High Court or **Court**	means the High Court of New Zealand, Auckland Registry
Implementation Date	means the date on which the Scheme is to be implemented, and the date on which the Scheme Shareholders are due to be paid the Scheme Consideration, being two Business Days after the Scheme Record Date, or such other date as agreed in writing by Metlifecare and APVG
Independent Adviser	means Calibre Partners Limited (New Zealand Company Number 7992756), an independent advisory firm appointed by Metlifecare as independent adviser to prepare the Independent Adviser’s Report and approved by the Takeovers Panel
Independent Adviser’s Report	means the Independent Adviser’s report prepared by the Independent Adviser in relation to the Scheme as amended or updated from time to time and including any supplementary or replacement report, stating its opinion on the merits of the Scheme
Independent Director	means a Director that the Metlifecare Board has determined to be an independent director for the purposes of the NZX Listing Rules
Initial Court Orders	means the initial court orders of the High Court relating to the Scheme dated 1 September 2020
Long Term Incentive Plans	means each of: a) Metlifecare’s senior leadership restricted share plan governed by plan rules dated June 2018; b) CEO Cash Equity Plan entered into between Metlifecare and Glen Sowry on 30 May 2016; and c) Metlifecare’s employee share scheme governed by plan rules dated August 2019
Metlifecare Board or **Board**	means the board of directors of Metlifecare
Metlifecare Group	means Metlifecare and each of its Related Companies and a reference to a Metlifecare Group Member or a member of the Metlifecare Group is to Metlifecare or any of its Related Companies
Metlifecare Information	means the information contained in this Scheme Booklet, other than the APVG Information and the copy of the Independent Adviser’s Report
Metlifecare Share	means a fully paid ordinary share of Metlifecare
Notice of Meeting	means the notice of meeting relating to the Scheme Meeting, which accompanies this Scheme Booklet

NZ Super Fund	means each of the New Zealand Superannuation Fund, New Zealand Superannuation Fund Nominees Limited, and Guardians of New Zealand Superannuation (as manager and administrator of the New Zealand Superannuation Fund) interchangeably
NZX Main Board	means the main board of the New Zealand exchange, operated by NZX Limited
Prescribed Occurrence	means an occurrence set out in Schedule 1 of the Scheme Implementation Agreement including matters such as changes to Metlifecare's capital structure or business, insolvency events and various other prescribed events
Proxy Form	means the voting and proxy form which accompanies this Scheme Booklet
Register	means the share register of Metlifecare
Related Company	in relation to a company, has the meaning given to that expression in section 2(3) of the Companies Act read as if a reference to a company was a reference to any company or body corporate wherever incorporated
Scheme or **Scheme of Arrangement**	means a scheme of arrangement under Part 15 of the Companies Act under which all of the Metlifecare Shares held by Scheme Shareholders will be transferred to APVG and the Scheme Shareholders will be entitled to receive the Scheme Consideration, in accordance with the Scheme Plan, subject to any amendment or modification made pursuant to section 236(2) of the Companies Act
Scheme Booklet	means this document together with its annexures
Scheme Consideration	means NZ$6.00 cash in respect of each Metlifecare Share held by a Scheme Shareholder on the Scheme Record Date (as reduced by the per Metlifecare Share value of any dividend, the record date for which falls between 10 July 2020 and the Implementation Date) (Note: Metlifecare has agreed in the Scheme Implementation Agreement that it will not approve or pay any dividend prior to the Implementation Date)
Scheme Implementation Agreement	means the scheme implementation agreement between Metlifecare and APVG dated 10 July 2020
Scheme Meeting	means the meeting of Shareholders ordered by the High Court to be convened in respect of the Scheme and includes any adjournment of that meeting
Scheme Plan	means the scheme plan attached as Annexure B to this Scheme Booklet, subject to any alterations or conditions approved by APVG and Metlifecare in writing and which are disclosed to the Court prior to the Court making the Final Court Orders
Scheme Record Date	means 5.00 pm (New Zealand time) on the fifth Business Day after the later of: a) the Final Orders Date; and b) the date on which the last of the Conditions (except the Conditions set out in clauses 3.1(g) and 3.1(h) of the Scheme Implementation Agreement) are satisfied or, if capable of waiver, waived in accordance with the Scheme Implementation Agreement, or such other date as agreed in writing by Metlifecare and APVG
Scheme Resolution	means the special resolution set out in the Notice of Meeting to approve the Scheme by the requisite majorities required under the Companies Act

Scheme Shares	means all of the Metlifecare Shares on issue as at 5.00 pm on the Scheme Record Date except for the Excluded Shares
Scheme Shareholder	means each person who is a Shareholder as at the Scheme Record Date
Senior Managers	means Chief Executive Officer Glen Sowry and Chief Financial Officer Richard Thomson
Settlement Agreement	means the agreement entered into between Metlifecare, APVG and others on 10 July 2020, which settles previous litigation between those parties
Shareholder	means each person registered in the Register as a holder of Metlifecare Shares
Superior Proposal	means a written bona fide Competing Proposal received after 10 July 2020 that: a) does not result from a breach by Metlifecare of any of its obligations under clause 12 of the Scheme Implementation Agreement, or from any act by a member of the Metlifecare Group or its Representatives (as defined in the Scheme Implementation Agreement) which, if done by Metlifecare, would constitute a breach of clause 12 of the Scheme Implementation Agreement by Metlifecare; and b) the Metlifecare Board determines, acting in good faith and after having received written advice from its external financial and legal advisers: i) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal, including its conditions precedent, timing considerations, the identity of the proponent and any other matters affecting the probability of the Competing Proposal being completed; ii) is more favourable to Shareholders than the Scheme, taking into account all the terms and conditions of the Competing Proposal and the Scheme; and iii) failing to attempt to advance such Competing Proposal would constitute a breach of the fiduciary duties or statutory obligations, as a director of Metlifecare, of any member of the Board
Takeovers Code	means the Takeovers Code recorded in the Takeovers Regulations 2000 (SR2000/210) (New Zealand), as amended
Takeovers Panel	means the Takeovers Panel established by section 5(1) of the Takeovers Act 1993
Voting Deed	means the agreement between NZ Super Fund and APVG, dated 10 July 2020, described in section 5.6(a) of this Scheme Booklet
Voting Eligibility Date	means the time for determining eligibility to vote at the Scheme Meeting, expected to be 5.00 pm on Wednesday, 30 September 2020 or, if the Scheme Meeting is adjourned, being 5.00 pm on the day which is two Business Days before the adjourned meeting time for the Scheme Meeting

ANNEXURE A: INDEPENDENT ADVISER'S REPORT

calibre partners

Metlifecare Limited

Independent Adviser's Report in relation to the proposed scheme of arrangement with Asia Pacific Village Group Limited

August 2020

STATEMENT OF INDEPENDENCE

Calibre Partners (previously known as KordaMentha) confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Calibre Partners has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Panel's Guidance Note on Independent Advisers for the purposes of preparing this report.

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1. Executive summary

1.1 Introduction

Metlifecare Limited (**Metlifecare** or **the Company**) is a New Zealand incorporated company listed on the NZX Main Board and ASX. Metlifecare owns and operates a portfolio of 25 retirement villages and related care facilities, which are predominantly located in the upper North Island of New Zealand.

On 10 July 2020, Metlifecare entered into a new Scheme Implementation Agreement (**SIA**) with Asia Pacific Village Group Limited (**APVG**), pursuant to which the parties agreed to implement a court-approved scheme of arrangement (**the Scheme**) to effect the sale of all outstanding shares in Metlifecare to APVG. APVG is a New Zealand incorporated subsidiary that is indirectly owned by the EQT Infrastructure IV Fund.

The proposed consideration is now $6.00 per Metlifecare share, in cash. The interim dividend that Metlifecare usually pays in March each year has been suspended for 2020.

1.2 APVG and Metlifecare dispute

Immediately prior to the SIA of 10 July 2020, Metlifecare and APVG were in dispute about a notice from APVG purporting to terminate the SIA dated 29 December 2019 (**Original SIA**). Metlifecare rejected that notice and considered APVG's actions as a 'repudiation' (invalid termination) of APVG's contractual obligations. Metlifecare filed a statement of claim seeking court orders requiring APVG and EQT Infrastructure IV Fund to comply with their obligations. APVG filed a statement of defence and a counterclaim.

On 5 July 2020, Metlifecare received a non-binding indicative offer (**NBIO**) from APVG to acquire all Metlifecare shares for $6.00 per share under the SIA. APVG required Metlifecare to fully settle the litigation in respect of the Original SIA, upon entry into a new SIA.

Upon entry into the SIA on 10 July 2020, the parties agreed to discontinue all litigation and settle all disputes related to the Original SIA, with the parties to cover their own costs in relation to the litigation.

1.3 COVID-19

New Zealand had its first confirmed case of COVID-19 on 28 February 2020. In response, the New Zealand Government introduced a four-level alert system on 21 March 2020 to manage the outbreak within New Zealand, with each level having extra restrictions on activities and the movement of people.

The New Zealand Government implemented Alert Level 4 lockdown restrictions at 11.59pm on Wednesday, 25 March 2020 and these restrictions were in place for approximately five weeks.
New Zealand subsequently had a period of two weeks with Alert Level 3 restrictions and then almost four weeks under Alert Level 2 restrictions.

After two months operating at Alert Level 1, a resurgence in COVID-19 cases led to Auckland returning to Alert Level 3 at midday on Wednesday, 12 August 2020. Alert Level 2 restrictions came into effect for all other regions of New Zealand on the same date. The New Zealand Government's current plans are for Auckland to transition to Alert Level 2 at 11:59pm on Sunday, 30 August 2020, and all restrictions are to be reviewed again on Sunday, 6 September 2020.

COVID-19, the lockdown restrictions and an expected deterioration in general economic conditions have had a significant impact on the share prices of listed companies in New Zealand and overseas. Many share prices experienced significant falls during March 2020 and at the time of this Independent Adviser's Report (**Report**), the share prices for many companies have partially recovered but remain volatile.

As an operator of retirement villages and aged-care homes, Metlifecare is an 'essential services' provider. Metlifecare was able to continue operating its villages and care homes while the lockdown restrictions were in place. However, Metlifecare was restricted from showing prospective residents around its villages, which affected the turnover of4 its units. The lockdown restrictions also affected Metlifecare's development activities, which were paused under Alert Level 4.

Calibre Partners' valuation of Metlifecare, as set out in this Report, was last updated on 25 August 2020. This valuation was based on financial forecasts provided by Metlifecare management in August 2020. The key assumptions that underpin the forecasts are set out at Section 6.2.1 of this Report. Management has considered the inputs to its forecasts, which span a period of 20 years, and advised that they reflect its best view as to Metlifecare's future financial performance. Nevertheless, management also considers there is uncertainty about economic conditions over the next few years, which makes it difficult to forecast Metlifecare's near-term financial performance.

Given the uncertain economic conditions at present and current volatility in share prices, shareholders should remember that this Report was finalised on 25 August 2020 and does not take account of unforeseen events that occurred after that date.

1.4 Potential outcomes

The Scheme is subject to several key conditions that are set out in the scheme booklet, including the approval of Metlifecare shareholders.

Metlifecare shareholders are being asked to vote to approve or reject the implementation of the Scheme. For the Scheme to proceed, it is necessary that both of the two voting thresholds are met, being:

1. 75% or more of the votes cast in each interest class[1] must be voted in favour of the Scheme.
2. More than 50% of the total number of shares on issue must be voted in favour of the Scheme.

The possible outcomes of the Scheme are:

- **The Scheme is implemented**

  If Metlifecare shareholders approve the Scheme and all other steps required to implement the Scheme (as set out in the scheme booklet) are completed, then the Scheme will be implemented. In that event, all shareholders in Metlifecare would have their shares acquired at $6.00 per share and Metlifecare's shares would cease to be quoted by the NZX Main Board and by ASX.

- **The Scheme does not proceed**

  If Metlifecare shareholders do not approve the Scheme, it will not proceed. The Scheme would also not proceed if Metlifecare shareholders vote in favour of it, but the other conditions in the SIA are either not satisfied or waived, or if the SIA is validly terminated. If the Scheme does not proceed, then no shares would be acquired by APVG and Metlifecare would remain quoted on the NZX Main Board and by ASX.

Pursuant to the SIA, Metlifecare cannot solicit any superior alternative proposal. However, should a superior proposal eventuate, in certain circumstances Metlifecare can respond and facilitate an alternative transaction. APVG has the right to match any superior alternative proposal.

The Board of Metlifecare was unanimous in its view that the Scheme should be put to shareholders. A majority of Metlifecare's six directors, comprising Christopher Aiken, Mark Binns, Alistair Ryan and Rod Snodgrass, recommend shareholders vote in favour of the Scheme in the absence of a superior proposal, and each has undertaken to vote all shares held or controlled by them in favour of the Scheme. In recommending approval of the Scheme, the majority of directors believe that the uncertainty and disruption associated with litigation, and the potential risks inherent in a COVID-19 environment, make the offer of $6.00 per share reasonable.

Metlifecare's Chairman, Kim Ellis, recommends shareholders vote against the Scheme for the reasons set out in section 3.2 of the scheme booklet. Carolyn Steele has abstained from making a recommendation given her association with the Guardians of the New Zealand Superannuation Fund (**NZ Super**). She previously worked as a portfolio manager at NZ Super and had been appointed as NZ Super's representative on the Board.

[1] At the date of this Report, it is expected that all shareholders will comprise one interest class.

According to an NZX announcement dated 10 July 2020, the Board canvassed Metlifecare investors and received strong support for the Scheme, with a number of shareholders indicating they prefer the alternative of the Scheme at $6.00 per share to the uncertainty of prolonged litigation. A minority of shareholders indicated that the price falls below, or at the lower end, of their own valuation range.

Metlifecare's largest shareholder, NZ Super, has entered a voting deed with APVG under which it has agreed to vote its 19.9% interest in favour of the Scheme, subject to certain terms and conditions.

1.5 Key issues to be considered by shareholders

For shareholders deciding whether to accept or reject the Scheme, key issues to consider include:

- Our assessed valuation range is $5.80 to $6.90 per share, with a midpoint of $6.35 per share. The proposed consideration of $6.00 per share sits below midpoint of the valuation range.
- Metlifecare's underlying profit (ungeared) was $91.4 million in FY20, excluding wage subsidy receipts, and is budgeted to be $91.2 million in FY21. Longer term, Metlifecare's financial performance is highly dependent on growth in house prices in Auckland and Tauranga, as well as the performance of its development activities. It is currently unclear whether COVID-19 will have a long-term impact on the prices of, and demand for, retirement village units. We note that underlying profit (ungeared) excludes fair value movements in investment properties. The fair value of investment properties at 30 June 2020 included a $74.8 million write down during FY20.
- Unlike many of the NZX-listed retirement village operators, Metlifecare earns a relatively low proportion of its underlying profit from development activities. Metlifecare plans to increase its level of development activity, which could improve its profitability. However, when compared to most other listed operators, it has less recent experience at undertaking developments, has less land available for development and is targeting a lower growth rate in units relative to the size of its existing portfolio. Metlifecare having less exposure to development activities may prove advantageous during a recession; its earnings are likely to be more resilient due to a lower reliance on development profits.
- At the date of this Report, there has been no superior alternative proposal to the $6.00 per share specified in the SIA. In any event, there is nothing to prevent another party from announcing its interest in acquiring Metlifecare at some time before Metlifecare shareholders vote on the proposed transaction. A potential acquirer could also acquire a blocking interest in Metlifecare on market, potentially at prices above the proposed consideration of the Scheme.
- The proposed consideration represents a 14.9% premium to a share price of $5.22 per share, being the closing price on 3 July 2020 just before Metlifecare announced the receipt of an NBIO from APVG. The proposed consideration is also at an 18.1% premium to a share price of $5.08 per share, being the closing price on 19 November 2019 just prior to an announcement that Metlifecare had received a non-binding, preliminary expression of interest from APVG. The proposed consideration is also at a premium to Metlifecare's share price at the time this Report went to print.
- If the Scheme is not implemented then Metlifecare's shares will remain quoted on the NZX Main Board and by ASX. In the absence of any other factors, we consider that there is a real prospect that Metlifecare's share price could recede from current levels.

In our opinion, the offer is reasonable. The proposed consideration sits within the assessed valuation range, albeit at the lower end of the range.

The above should be read in conjunction with our analysis of the merits of the Scheme, as set out at Section 7 of this Report.

Voting on the Scheme is a matter for individual shareholders based on their own views as to value and future market conditions, as well as their risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences can vary widely across shareholders and the proposed consideration may vary between shareholders given their respective tax positions. Shareholders will need to consider these consequences and, if appropriate, consult their own professional advisers.

2. Background

2.1 Prior to the Scheme

On 29 December 2019, Metlifecare entered into the Original SIA with APVG, pursuant to which APVG agreed to acquire all of Metlifecare's shares on issue for $7.00 per share, in cash.

APVG later issued a notice to Metlifecare on 7 April 2020, outlining its intention to terminate the Original SIA. APVG asserted in its notice that COVID-19 is a specified event triggering the 'Material Adverse Change' clause (as defined in the Original SIA), and also that Metlifecare had not provided certain information to APVG and had made decisions in response to the Alert Level 4 lockdown restrictions without consultation with and/or the consent of APVG.

Metlifecare's view was that APVG did not have a lawful basis to terminate the Original SIA and it filed a statement of claim seeking court orders requiring APVG and EQT Infrastructure IV Fund to comply with their obligations.

On 5 July 2020, Metlifecare received an NBIO from APVG to acquire all Metlifecare shares for $6.00 per share under the SIA. APVG required Metlifecare to fully settle the litigation in respect of the Original SIA dated 29 December 2019, upon entry into the SIA.

Metlifecare and APVG subsequently entered into the SIA on 10 July 2020, after the Metlifecare Board had further assessed the NBIO and canvassed the views of shareholders. The parties have agreed to discontinue all litigation and settle all disputes related to the Original SIA, with the parties to cover their own costs in relation to the litigation.

2.2 The Scheme

On 10 July 2020, Metlifecare entered into the SIA to effect the sale of all outstanding shares in Metlifecare to APVG.

The proposed consideration is now $6.00 per Metlifecare share, in cash. The interim dividend that Metlifecare usually pays annually in March has been suspended for 2020.

The SIA is to be implemented through a scheme of arrangement under the Companies Act 1993 (**the Companies Act**) between Metlifecare, APVG and Metlifecare's shareholders, and is subject to several key conditions that include:

- The approval of Metlifecare's shareholders.
- The approval of the High Court of New Zealand in accordance with the Companies Act.
- The approval of the New Zealand Overseas Investment Office.

Unlike the Original SIA, the SIA is not subject to a 'Material Adverse Change' clause and there is no longer a requirement for the transaction price to fall within or above the independent adviser's valuation range.

Pursuant to the SIA, Metlifecare cannot solicit any superior alternative proposal. However, should a superior proposal eventuate, in certain circumstances Metlifecare can respond and facilitate an alternative transaction. APVG has the right to match any superior alternative proposal.

A majority of Metlifecare's six directors recommend shareholders vote in favour of the Scheme in the absence of a superior proposal. The Board of Metlifecare was unanimous in its view that the Scheme should be put to shareholders.

2.3 Profile of APVG

APVG is a New Zealand incorporated subsidiary that is indirectly owned by EQT Infrastructure IV Fund, represented by its manager (*gérant*) EQT Fund Management S.à r.l.[2]

EQT Infrastructure IV Fund is managed as part of the EQT AB Group, which is based in Sweden and includes entities advising EQT funds as well as general partners and fund managers of EQT funds.

EQT AB Group is a global differentiated investment organisation with more than EUR 62 billion in raised capital and around EUR 40 billion in assets under management across 19 active funds. Some of EQT's notable investments in the healthcare sector include Charleston, a German nursing home business and I-MED, Australia's largest provider of diagnostic imaging services.

[2] EQT Fund Management S.à r.l., is a Luxembourg limited liability company (*société à responsabilité limitée*) with registered office at 26A, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés, Luxembourg*), under number B167.972, and acts as manager (*gérant*) of the various investment vehicles comprising the fund known as EQT Infrastructure IV, including EQT Infrastructure IV EUR SCSp and EQT Infrastructure IV USD SCSp, each a Luxembourg special limited partnership (*société en commandite spéciale*) with its registered office at 26A, Boulevard Royal, L-2449 Luxembourg, registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés, Luxembourg*) under numbers B 225.967 and B 225.964 respectively.

2.4 Purpose of this Report

Metlifecare is subject to the Takeovers Code (**the Code**).

The Scheme is governed by the Companies Act and will need to be approved by the High Court of New Zealand in order to proceed. The High Court will not approve a scheme that affects the voting rights of a company subject to the Code unless:

- It is satisfied that the shareholders of the company will not be adversely affected by the use of a scheme rather than the Code to effect the change involving the company; or
- The Court is presented with a no-objection statement from the Takeovers Panel (**the Panel**). The Panel takes various factors into account when considering an application for a no-objection statement, including:
  - All material information relating to the scheme proposal has been disclosed.
  - The standard of disclosure to all shareholders has been equivalent to the standard that would be required by the Code in a Code-regulated transaction or is otherwise appropriate in all of the relevant circumstances.
  - The interest classes of shareholders have been adequately identified.
  - Other key matters have been addressed, and there are no other reasons for the Panel to object to the scheme.

The practice of the Panel (except in very limited circumstances) is to require the preparation of an Independent Adviser's Report before it will consider issuing a 'no-objection statement' to the High Court.

The Board has engaged Calibre Partners to prepare this Report to inform Metlifecare's shareholders on the merits of the Scheme. Our appointment has been approved by the Panel. Shareholders should read the scheme booklet issued by Metlifecare in conjunction with this Report.

Accepting or rejecting the Scheme is a matter for individual shareholders based on their own views as to value and future market conditions, as well as their risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences can vary widely between shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional advisers.

2.5 Other

The sources of information we have had access to and relied upon are set out in Appendix 1.

This Report should be read in conjunction with the statements and declarations set out in Appendix 2, regarding our independence, qualifications, general disclaimer and indemnity, as well as restrictions on the use of this Report.

References to '$', 'NZD' or dollars are to New Zealand Dollars, unless specified otherwise. When referring to Metlifecare, references to financial years or 'FY' mean Metlifecare's financial years ended 30 June. Tables may not add due to rounding.

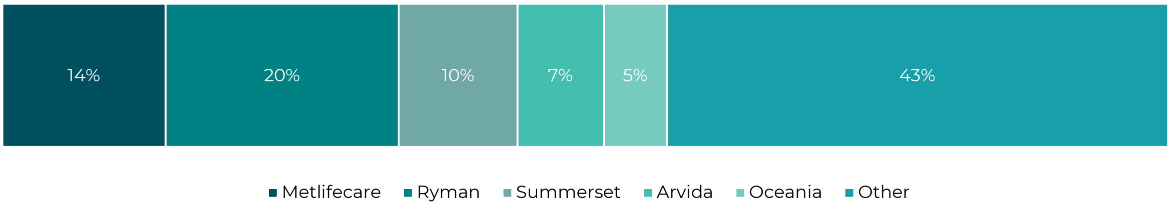
3. Retirement village industry

3.1 Overview

There are approximately 400 retirement villages and more than 40,000 village residents in New Zealand. The retirement village industry contributes approximately $1.1 billion or 0.4% to national GDP.[3]

The largest retirement village operators are predominantly NZX-listed companies (Metlifecare, Ryman Healthcare, Summerset Group, Oceania Healthcare and Arvida Group). The only other significant operator is global healthcare and insurance company, Bupa. Together, the five NZX-listed operators make up 57% of the New Zealand retirement village market, as is shown below.

Figure 1: Share of retirement village industry by operator (by units)



Source: Annual Reports, Investor Presentations of NZX-listed retirement village operators and Calibre Partners analysis

3.2 Accommodation and care options

New Zealand retirement village operators offer a mix of accommodation and care services. While there is a full continuum of options available to meet the needs of residents, operators generally differentiate their products into four categories:

- Independent living units (**ILU**)
- Serviced apartments (**SA**)
- Age-related residential care (**ARRC**) services in apartments
- Residential aged-care homes (**RCH**).

Independent living units

ILUs are designed for residents who are still active, self-sufficient and want to live independently. These units vary in size, typically comprising one, two and three-bedroom villas, townhouses and apartments. The benefit of these units, when compared to a standalone house, is that residents are able to live independently in their own home while enjoying the security, social aspects, convenience and facilities offered by the village community.

Serviced apartments

SAs are designed for residents who require extra assistance in their day-to-day life while maintaining independence within their own home. These apartments are typically smaller and offer a broader array of additional services, such as meals, cleaning and laundry services.

Age-related residential care services

Care apartments or suites provide certified residential aged-care services. For example, rest home care delivered to a resident's apartment. This enables a resident to stay in his or her own apartment while also receiving high quality care services.

[3] Retirement village contribution to housing, employment, and GDP in New Zealand report by PWC, March 2018

Residential aged-care homes

RCHs offer residents 24 hour-a-day certified hospital, dementia or rest home care services. Staff, including qualified nurses, provide residents with complex nursing care and assist residents with their daily activities.

Retirement village operators and other providers of aged-care services work closely with one another to provide a continuum of care to meet the varying needs of older adults. Approximately half of the aged-care industry's bed count is located within retirement villages.

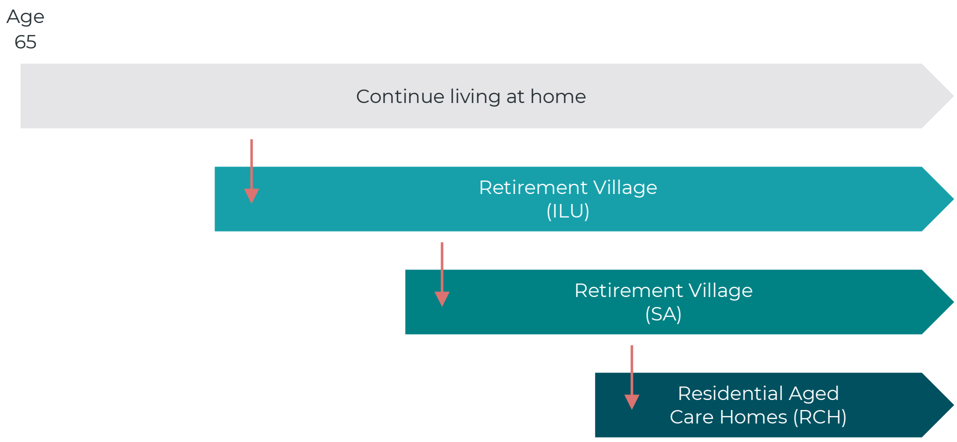
Entry into an RCH is usually prompted by deteriorating health or family support no longer being able to meet the required level of care. Residents can access an RCH from either the retirement village or directly from the community. To enter an RCH, a resident requires an independent assessment by a District Health Board Needs Assessor.

Work and Income New Zealand provides means-tested subsidies to support RCH residents with care fees.

Continuum of accommodation and care

The industry average entry age of a resident moving into an ILU is currently 79 years, and is 85 years for a resident moving into an SA. Figure 2 illustrates the typical movement of a resident through the retirement village continuum as they age and greater assistance is needed.

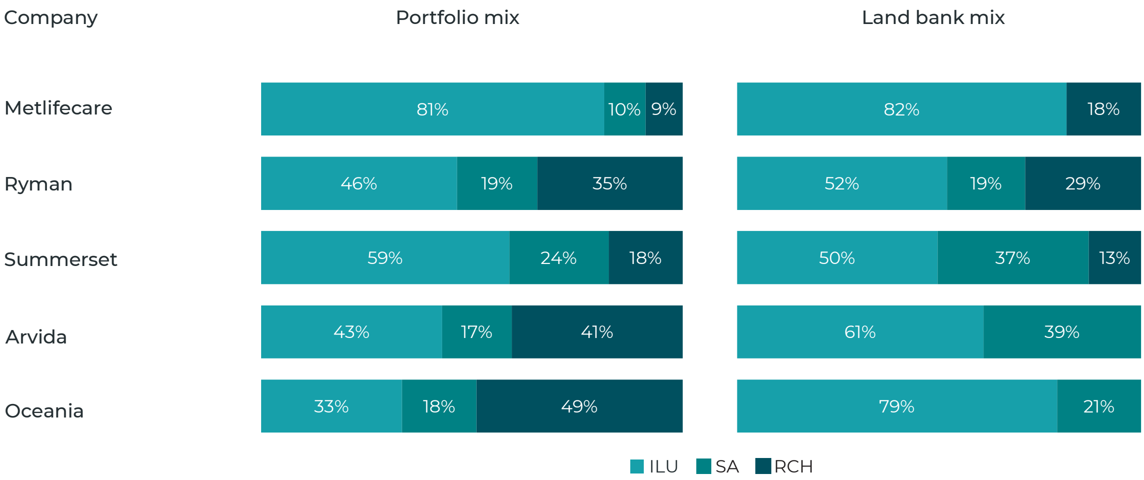
Figure 2: Continuum of accommodation and care provided by retirement village operators



Portfolio mix

Figure 3 shows the accommodation mix in each NZX-listed operator's portfolio and the transition toward ILUs in the development pipeline. Of all the operators, Metlifecare is the most focused on ILUs. Arvida and Oceania currently have the highest proportion of RCHs.

Figure 3: Retirement village operators' portfolios and development pipelines by accommodation type



Source: Annual Reports and Investor Presentations of NZX-listed retirement village operators

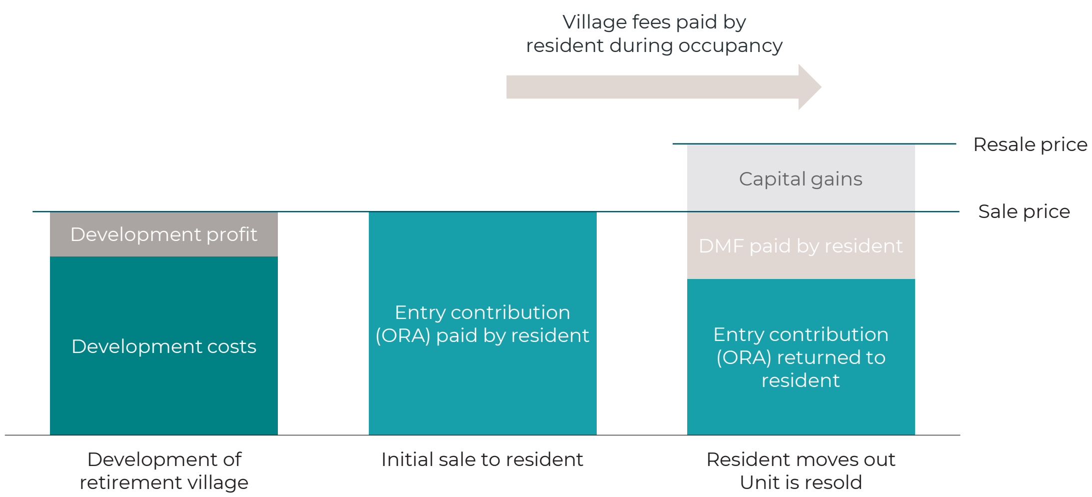
3.3 Ownership model

There are a variety of commercial models offered by retirement village operators, but the key components of the typical model are:

- An Occupational Right Agreement (**ORA**), which usually includes a Deferred Management Fee (**DMF**).
- Weekly village, services and care fees.

Figure 4 illustrates the typical revenue streams, shown in grey, for operators.

Figure 4: Retirement village revenue



Occupational Right Agreement

Most retirement village operators in New Zealand have adopted ORAs as the arrangement allowing individuals to take up residence.

Under the terms of an ORA, an incoming resident enters into an arrangement under which the village operator retains the freehold title of the unit. The resident pays an entry contribution to secure the ORA, which in turn secures their right to occupy their unit. The price paid for the ORA is generally equal to the market value of the unit, which varies based on the village and its facilities, the size and location of the unit and residential house prices in the area. Given the upfront capital sum required to secure an ORA, incoming residents often rely on selling their family home as the main source of capital to fund their entry into a retirement village. The entry contribution is paid back to a resident (less a DMF) when they leave the village and the operator is able to settle an ORA with a new resident.

The market value of the ORA often changes during the term of a resident's occupancy. When a resident moves out of the village, any increase in price between their original entry contribution and the entry contribution paid by the unit's new resident is generally retained by the village operator. That is, the village operator generally keeps any capital gains. In limited instances, capital gains (and losses) are shared with the resident.

As operators are legally obliged to return the entry contribution to an outgoing resident, the entry contribution is treated as an interest-free loan to the operator.

Operators do not realise in cash the appreciation in value of property until a resident moves out of a unit and a new resident signs and pays for a new ORA. However, operators generally revalue their property assets regularly and accrue any capital gains in their income statement.

For simplicity, we refer to the entry contribution paid to secure the ORA as the price paid for a unit. Likewise, we refer to the process of signing the ORA and payment of the entry contribution by a new resident as the sale or resale of a unit.

Deferred Management Fee

The DMF is typically capped at between 20% to 30% of the price paid for a unit and accrues contractually over the first three to five years of a resident's occupancy.[4] This fee is usually deducted from the entry contribution returned to the resident when the resident moves out and the operator sells the unit to a new resident.

The DMF is generally designed to cover the long-term maintenance costs of villages, together with costs associated with refurbishing and reselling the unit at the end of a resident's occupancy. Any surplus is retained by the operator.

DMF income increases when there is a higher turnover of residents. Increasing life expectancies could lengthen the average occupancy periods for retirement village residents, assuming the entry age of residents remains relatively constant. Accordingly, this could negatively impact the DMF revenue stream of operators over time. Conversely, lowering age-of-entry levels broadens the market for the operators' current product and future developments.

Village fees

Village fees cover the day-to-day maintenance and operating costs of the village. These fees, paid periodically, cover expenses such as rates, building insurance, maintenance of community amenities, staff costs and the cost of maintaining and managing the village as a whole. Residents are generally responsible for their own expenses such as internal maintenance, power and phone bills. Some providers offer these fees at a fixed rate for the length of the tenancy. These fees vary by village and by resident based on the facilities, activities, level of care and incremental support services offered by operators.

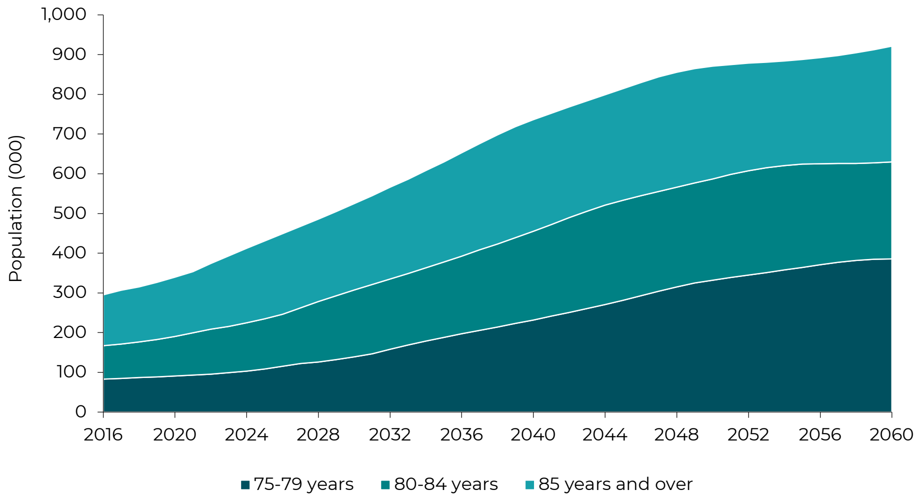
[4] For financial reporting purposes, the DMF is typically accrued over the expected length of occupancy.

3.4 Key industry drivers

3.4.1 Aging population

As shown in Figure 5, it is estimated that the New Zealand population aged 75+ years will grow at 3.9% per annum over the next 20 years, increasing from 340,000 to 736,000 by 2040. The growth rate is expected to slow after 2040 and plateau after 2050.[5]

Figure 5: Population aged 75+ years



Source: Statistics New Zealand

People aged 75+ years currently represent 7% of New Zealand's population and this is expected to increase to 13% by 2040.

As people age, they become more susceptible to a range of age-related and degenerative conditions, which cause the need for ongoing assistance with their everyday activities and personal care.[6] Compared to previous generations, elderly people moving into full-care residential facilities are older and have more complex needs. As the average age of retirement village residents increases, the demand for aged-care and incremental services offered by operators is likely to increase.

3.4.2 Penetration rates

Industry research indicates that people's views towards retirement villages have become more favourable over the last decade.[7] Reasons outlined for this shift in opinion are:

- Increased familiarity and acceptance of the retirement village concept. This includes a better understanding of the difference between rest homes and retirement villages, which offer a 'lifestyle resort'. Industry participants have made significant investments in marketing and education initiatives to expedite this market penetration.
- A shift in accommodation mix towards 'lifestyle resort' villages, which has widened the target market of the sector.
- Higher quality facilities and services offered by operators. The improved quality and consistency of product offerings has been aided by the consolidation of the sector over the last decade.

[5] Statistics New Zealand

[6] Aged Care Residential Services in New Zealand report by IBISWorld, May 2019

[7] Retirement Village Sector Insights by ANZ, October 2019

- Increased awareness of isolation and loneliness within the elderly community. Research has found that physical and mental wellbeing among retirement village residents is greater due to better social environments and more opportunities to keep active.[8]
- Increased efforts by operators to engage with the local community, which is partly aimed at changing perceptions that retirement villages are expensive and a luxury that only the wealthy can afford.
- The proportion of people aged over 75 who reside in retirement villages steadily increased between 2008 and 2018. The proportion in Auckland increased from approximately 13.0% to 18.0% over this period. Across the rest of New Zealand, the proportion increased from approximately 9.5% to 13.5%.[9]

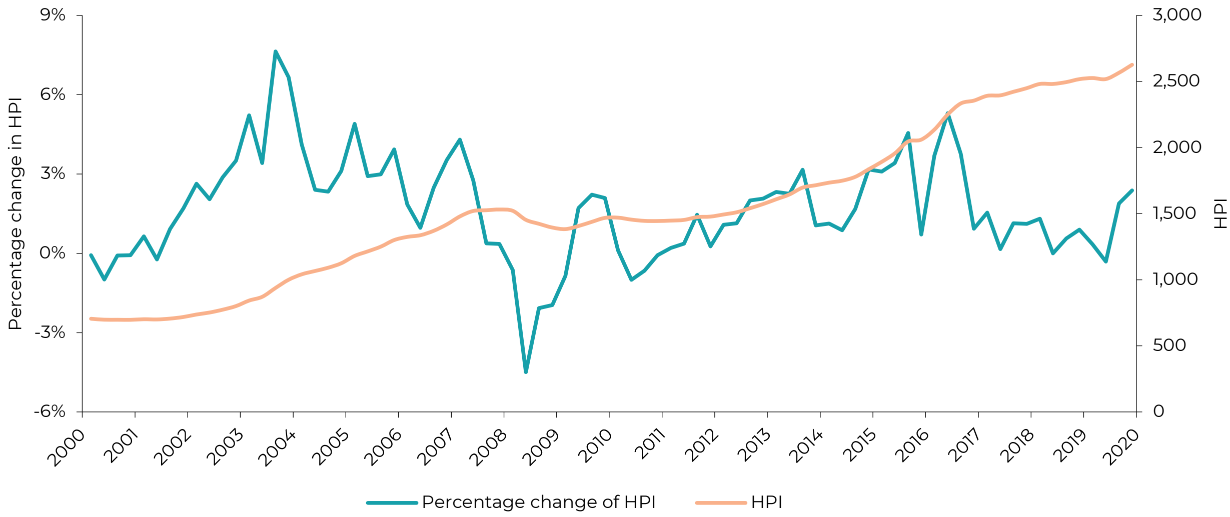
3.4.3 Property market

Residential house prices

Retirement village operators generally price their units with reference to prevailing house prices in the area surrounding a village. Under the ORA ownership model, operators will generally capture capital gains for the units if house prices in the area appreciate in value. This is explained in Section 3.3 and shown in Figure 4. Because of this, residential house prices significantly influence the industry's financial performance.

Over the last 10 years, New Zealand residential property prices have experienced strong growth. The Housing Price Index (**HPI**), which is a measure of property values in New Zealand, increased by 78% over this period. In absolute terms, New Zealand's median house price increased from $352,000 to $629,000 between December 2009 and December 2019.

Figure 6: Growth in Housing Price Index over last 20 years



Source: Reserve Bank of New Zealand

The growth in house prices has been driven by:

- Natural population growth and strong net migration. In the twelve months to June 2019, New Zealand's net migration was +56,000, which equates to a population increase of approximately 1.1% in a single year.[10] For comparison, this rate is similar to Australia's growth but triple that of the United States and the United Kingdom. Net migration has ranged between +48,000 and +64,000 since 2014, but forecasts estimate that net migration will decline over the next few years.

[8] 'What matters most to people in retirement villages and their transition to residential aged care' by P Yeung and others, 2015

[9] CBRE, Statistics New Zealand, First NZ Capital and Credit Suisse broker reports

[10] Statistics New Zealand

- The construction of new homes has lagged the demand for housing. High construction costs and shortages of skilled labour have impacted development, both in terms of timing and profitability. This has resulted in an undersupply in housing stock – it is estimated that there is a total shortfall of 130,000 homes in New Zealand[11], although this shortage is not distributed evenly throughout the country. It is estimated that Auckland needs nearly 30,000 new homes to meet current demand, whereas Christchurch has an oversupply of approximately 11,000 homes.
- The low interest rate environment since the economic downturn of 2008/09 has reduced the cost of capital and has generally allowed homeowners to borrow more when purchasing property. Interest rates have decreased further to counteract the economic impacts of COVID-19.

The growth profile of house prices over the last decade can be categorised between Auckland and the rest of the country:

- The Auckland market was the first to experience strong growth following the economic downturn in 2008/09, with the median house price doubling in the five years between 2012 and 2017.
- In contrast, house prices in the rest of the country generally experienced low or no growth between 2009 and 2016. However, most areas have experienced high growth since 2016.

Table 1 shows economists' forecasts for year-on-year HPI growth. These forecasts are subjective in nature and often influenced by prevailing market sentiment when issued. A fall in house prices is predicted in 2020, followed by a recovery and growth in the following years.

Table 1: Housing Price Index forecasts (calendar year-on-year growth rate, %)

Organisation	Report date	2019	2020	2021	2022
ANZ	July 2020	5.3	(7.0)	2.0	7.7
ASB[12]	May 2020	4.3	(3.9)	1.0	2.9
Kiwibank	April 2020	5.5	(6.0)[13]	4.5	6.3
RBNZ	May 2020	4.7	(6.8)	6.4	4.3
Westpac	May 2020	4.3	(4.7)	3.0	11.0
Median		**4.7**	**(6.0)**	**3.0**	**6.3**
Mean		**4.8**	**(5.7)**	**3.4**	**6.4**

Source: Published economic updates and RBNZ Monetary Policy Statement May 2020

Metlifecare considers that the demand for retirement village units is less price elastic than for general housing stock. Management expects that when compared to the changes shown in Table 1, there will be a smaller reduction in the prices of retirement village units in 2020, followed by lower growth rates in each of 2021 and 2022.

Liquidity of property market

New residents often rely on selling their family home to source the capital needed to fund their entry into a retirement village. It will typically take potential new residents longer to sell their homes when liquidity is low, and the property market is slowing. This can delay entry into a village for potential new residents, which impacts on the turnover of units and cash flows of retirement village operators.

[11] 'Property Insights: New Zealand's housing shortage is getting worse, not better' by Kiwibank, July 2019

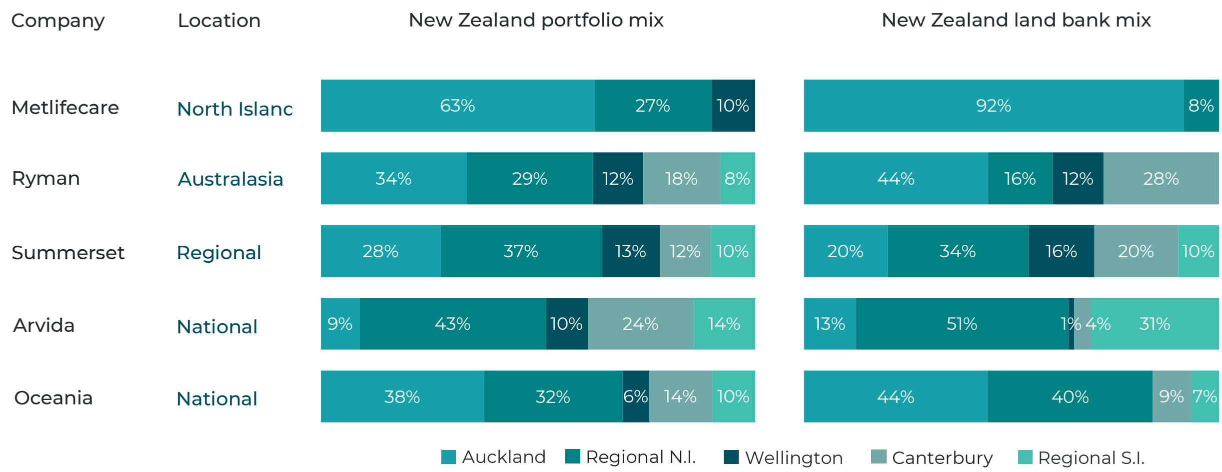
[12] The ASB data for 2021 and 2022 is based on the 12-month periods ended 31 March 2022 and 31 March 2023.

[13] Kiwibank economists have since changed their 2020 HPI estimate to (6.0%) from (9.0%).

3.4.4 Demographics and location

The main catchment area for a retirement village is often considered to be within an 8-10km radius. As such, competition in the retirement village sector is generally localised. Figure 7 shows the breakdown of each NZX-listed operator's portfolio by location.

Figure 7: Industry portfolios by location (by units)



Source: Annual Reports and Investor Presentations of NZX-listed retirement village operators

Metlifecare's portfolio is strongly weighted towards the Auckland market, with 63% of its existing and 92% of its land-banked capacity located in the area. In contrast, the four other operators have portfolios balanced throughout New Zealand, including between 22% and 38% of their portfolios in the South Island.

Operators complete a detailed analysis of demand for, and the supply of, retirement living and aged-care facilities in a particular community before making the decision to acquire or develop a new village in the area. Key determinants that are considered by this measure are the local community's socio-economic status, ethnicity, home ownership levels and median house prices, among other demographic factors. While most potential village residents will be locals, the desirability of the area is also carefully considered in order to attract potential village residents from further afield.

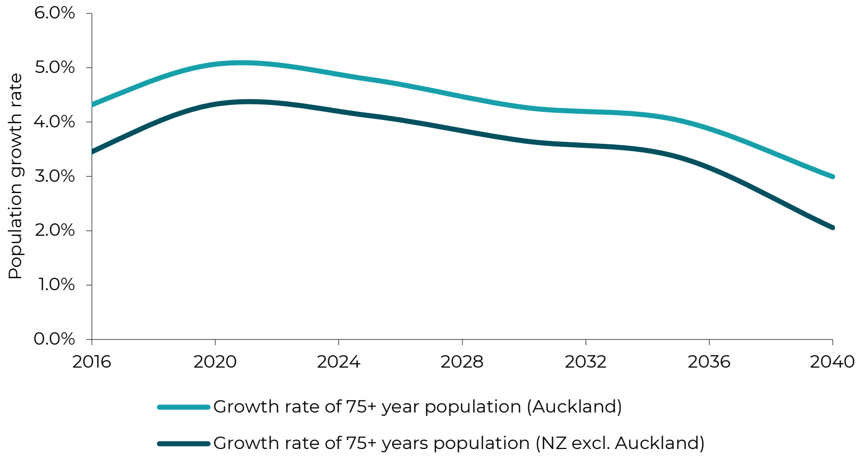
The urbanisation of New Zealand's population is not necessarily reflected in the retirement village population. This is likely driven by the preference of some residents to:

- Return to their hometown.
- Seek a quiet location for retirement.
- Release equity by moving from a high-priced housing area to a lower-priced area.[14]

[14] Retirement Village Sector Insights by ANZ, October 2019

The growth in the population aged 75+ years is expected to be approximately 0.75% higher in Auckland than the rest of New Zealand over the next 20 years, as shown in Figure 8 below. In absolute terms, this equates to 125,000 additional people in Auckland.[15] As a result, the proportion of the population aged 75+ who live in Auckland is forecast to increase from 27% to 31% of the total across New Zealand.

Figure 8: Growth rate of 75+ year population



Source: Statistics New Zealand

3.4.5 Staffing

The retirement village industry is a major employer across New Zealand. Retirement villages employ more than 19,000 people and demand a variety of skillsets and roles, including onsite carers, registered nurses, kitchen staff, activity coordinators, cleaners, village managers and administrators.[16]

Industry surveys have identified higher wage demands and difficulty in finding the right staff as key concerns of operators.[17] These staffing concerns could be further exacerbated by the industry's planned development of approximately 14,700 accommodation units in the next eight years, which may require over 9,500 new staff.

[15] Statistics New Zealand

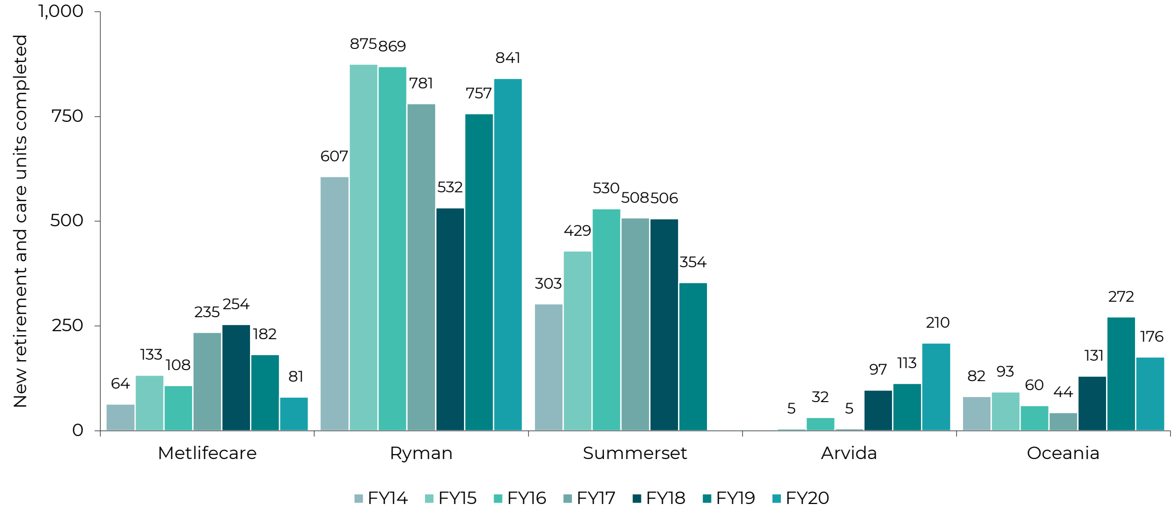
[16] Retirement village contribution to housing, employment and GDP in New Zealand report by PWC, March 2018

[17] Retirement Village Sector Insights by ANZ, October 2019

3.5 Development

With the occupancy rates at many existing villages exceeding 95%, the development of new retirement villages represents the main growth opportunity for operators. Operators have increased their development activities in recent years (as shown in Figure 9), in response to the anticipated growth in the population aged over 75 years.

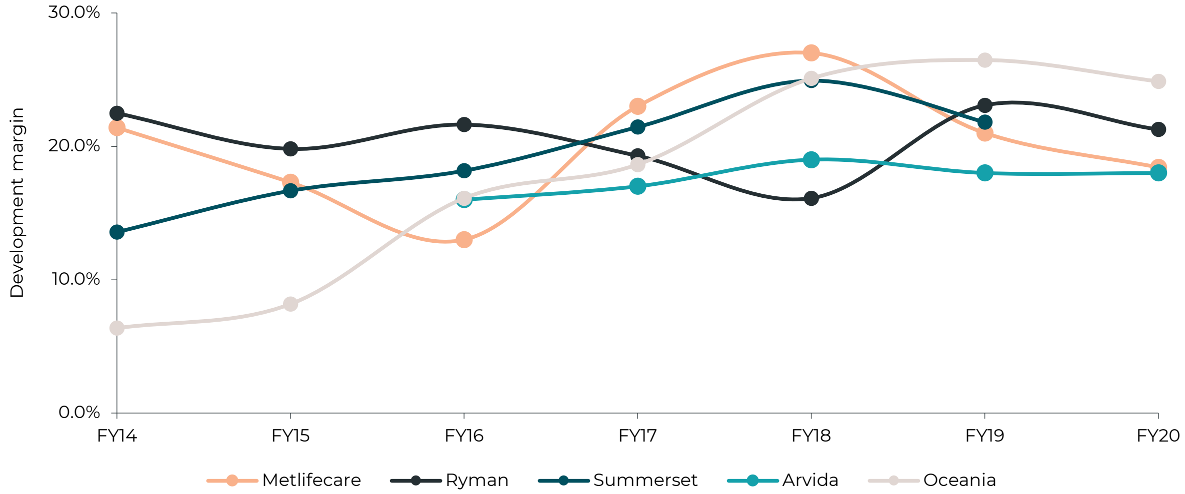
Figure 9: New retirement and care units completed by NZX-listed operators



Source: Annual Reports and Investor Presentations of NZX-listed retirement village operators

The new units added between FY14 and FY20 represent a 25% increase to the Metlifecare portfolio. This compares to 85% and 105% for the Ryman and Summerset[18] portfolios, respectively. Figure 10 below shows the development margins achieved by the NZX-listed operators. The development margin is the difference between the cost of building a new unit and the sale price of that unit as a percentage of the unit's sale price.[19]

Figure 10: Development margins for NZX-listed operators



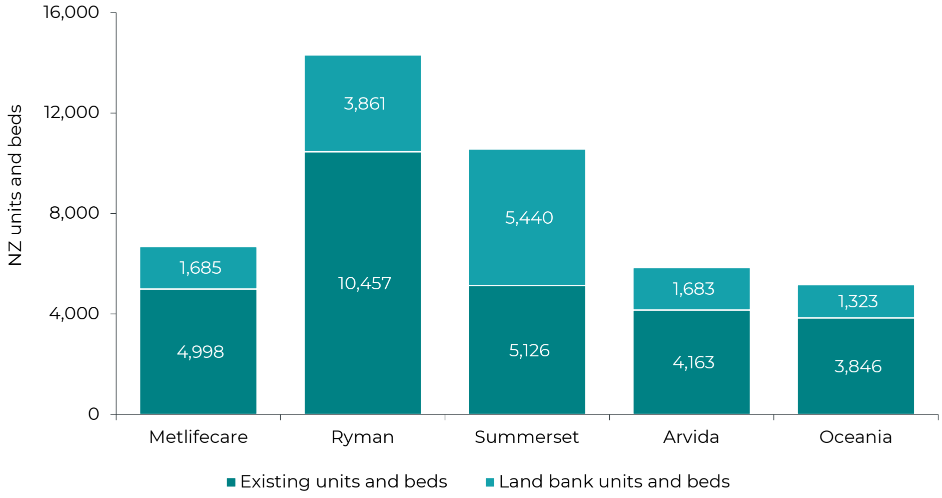
Source: Annual Reports, Investor Presentations of NZX-listed retirement village operators and Calibre Partners analysis

[18] 105% for Summerset is measured over the period FY14 to FY19, as Summerset has a 31 December balance date.

[19] Metlifecare understands that published development margins of some other publicly-listed retirement village operators are calculated as a percentage of the cost of building, whereas Metlifecare reports development margins as a percentage of sale price. To allow comparison, we have adjusted margins of other publicly-listed companies to be comparable to Metlifecare.

Development activity is likely to continue, as operators have significant amounts of land-banked property. Figure 11 shows the relative size of each NZX-listed operator's portfolio and development pipeline by the number of units and beds within New Zealand.

Figure 11: Relative size of industry portfolios and development pipelines in New Zealand



Source: Investor Presentations for NZX-listed retirement village operators

Summerset has the most significant New Zealand land bank relative to the size of its existing portfolio, at a ratio of 1.06:1. In comparison, Metlifecare has the smallest land bank, at a ratio of 0.34:1.

In addition to the units and beds shown in Figure 11, Ryman has a material presence in Australia, with a number of existing sites (877 units and beds) and a large land bank (2,734 units and beds). Including its Australian assets, Ryman has approximately 6,600 land bank units and beds, and a ratio between its land bank and existing portfolio of 0.58:1.

Retirement village operators were required to pause their development activities while the Alert Level 4 lockdown restrictions were in place. The timing of future development activity may also be impacted by a deterioration in general economic conditions due to COVID-19 and the lockdown restrictions.

3.6 Regulation

Retirement Villages Act 2003

The rapid development of the sector in the late 1990's led to the introduction of the Retirement Villages Act 2003. The aim of this legislation, which is administered by the Ministry of Housing and Urban Development, is to standardise and regulate the industry, thereby protecting the interests of retirement village residents. Among other obligations, the Retirement Villages Act requires operators to:

- Register the village on the Retirement Villages Register, which is maintained by the Companies Office.
- Make annual returns to the Registrar.
- Appoint an approved statutory supervisor (statutory supervisors are appointed under a deed of supervision and provide the role of safeguarding the interests of residents).
- Provide a disclosure statement to every potential resident.
- Have a clear and unambiguous ORA.
- Ensure potential residents receive independent legal advice.
- Provide potential residents with a minimum 15 working days "cooling off" period (i.e. a period that allows residents to change their mind about becoming a resident after signing an ORA and receive a refund of any deposit that may already have been paid).

This regulatory regime is considered by industry bodies as world leading. In a report commissioned by the UK industry body, Associated Retirement Community Operators, it was noted that "perhaps the strongest example of legislation specific to this (retirement villages) sector comes from New Zealand, where the Retirement Village Act was passed in 2003" and "the NZ model incorporates a range of innovative elements that outline the requirements for operators and offer extensive consumer protection".[20]

There has been a growing policy focus on the aged-care sector in New Zealand, which could affect retirement village operators. The New Zealand Aged Care Association has been calling for a dedicated Minister of Health and Ageing to be established, to coordinate a united response to the changing nature of aged-care services.[21]

Tax

Under New Zealand's income tax rules, the income earned through the revaluation of operators' property assets is not included in taxable income. This means that retirement village operators typically pay relatively low levels of income tax.

The basis of this approach is that the underlying land and buildings are rarely, if ever, legally sold. Under the widely adopted ORA ownership model, the change in valuation stems from the present value of the expected cash flows from future ORA entry contributions. Pursuant to the ORA financial arrangement, operators are legally obliged to return the entry contribution to an outgoing resident. Accordingly, any income arising on receipt of the entry contribution is immediately offset by an equal deduction for its future repayment. As such, the entry contribution is treated as an advance or interest-free loan for tax purposes and is therefore not considered taxable income. Consequently, the economic gain of retirement village operators through capital gains does not give rise to net income for tax purposes.

The Tax Working Group investigated the tax treatment of the retirement village industry in its broader review of the New Zealand tax system in 2018. Submissions from an independent adviser and the Retirement Village Association of New Zealand both noted that, while income tax paid by operators is low, dividends paid to shareholders are generally unimputed meaning the tax obligations are borne by shareholders.[22] As such, commercial operators are fully taxed on economic income, albeit in a different way than companies in other industries. The Tax Working Group made no recommendations to change the tax structure of the industry, but this does not rule out the possibility of future change.

[20] 'Stronger Foundations: International Lessons for the Housing-with-Care Sector in the UK' by B Beach, 2018

[21] Aged Care Residential Services in New Zealand report by IBISWorld

[22] Tax Working Group submission: Retirement villages and capital income by Andrea Black, August 2018 and Tax Working Group submission: Future of Tax - Background Paper by Retirement Village Association of New Zealand, April 2018

4. Metlifecare overview

4.1 Background and history

Established in 1984, Metlifecare is one of New Zealand's largest retirement village operators with a portfolio of 25 retirement villages, over 5,600 residents and approximately 1,000 staff. Metlifecare is headquartered in Auckland.

Metlifecare has positioned itself at the premium end of the retirement living market, with a geographic focus on the upper North Island of New Zealand. It provides a continuum of care to residents, including 4,066 ILUs, 492 SAs and 440 care beds. Metlifecare also has ten sites for future development, which have the potential to add 1,344 ILUs, 30 SAs and 311 care beds to its portfolio.

The majority of Metlifecare's earnings are generated from DMF and capital gains under the ORA ownership structure. Metlifecare also receives ongoing revenue from village operations and services, as well as fees for its care suites.

A timeline of key events since Metlifecare was established is shown in Figure 12 below.

Figure 12: Timeline of key events

1984	Metlifecare was established as a joint venture between Mr Cliff Cook and Metropolitan Life Assurance Company of New Zealand Limited, with a focus on developing retirement villages and related facilities.
1994	Metlifecare lists on the NZX, raising $12.7 million equity capital through issuance of shares at $0.85 per share.
2001	Metlifecare raises $20.5 million equity capital, issuing shares at $1.00 per share.
2008	Metlifecare's financial performance is impacted by the Global Financial Crisis and economic downturn in 2008/09. Its share price declines 67%.
2009	Metlifecare raises $37.4 million equity capital, issuing shares at $1.08 per share. This capital is needed to strengthen its balance sheet and secure new bank facilities.
2011	Metlifecare implements a capital restructure and raises $45.5 million equity capital, issuing shares at $2.10 per share. Metlifecare's majority shareholder, Retirement Villages New Zealand, reduces its interest in Metlifecare from 82.0% to 50.1%.
2012	Metlifecare undertakes a three-way merger with Vision Senior Living Limited and Private Life Care Holdings Limited, adding eight retirement villages to its existing portfolio of 16 villages.
2013	Metlifecare raises $78.0 million new equity capital under a share placement and associated share purchase plan, issuing shares at $3.10 per share.
2019	Metlifecare enters the Original SIA, under which APVG agrees to acquire all Metlifecare shares at $7.00 per share. This was later terminated on 8 April 2020 due to COVID-19 and litigation commenced.
2020	Metlifecare enters the SIA, under which APVG agrees to acquire all Metlifecare shares at $6.00 per share.

Since 2015, Metlifecare has had a broad refresh of personnel throughout its development, operations, sales and marketing teams, as well as the appointments of Glen Sowry as CEO in 2016 and Richard Thomson as CFO in 2017.

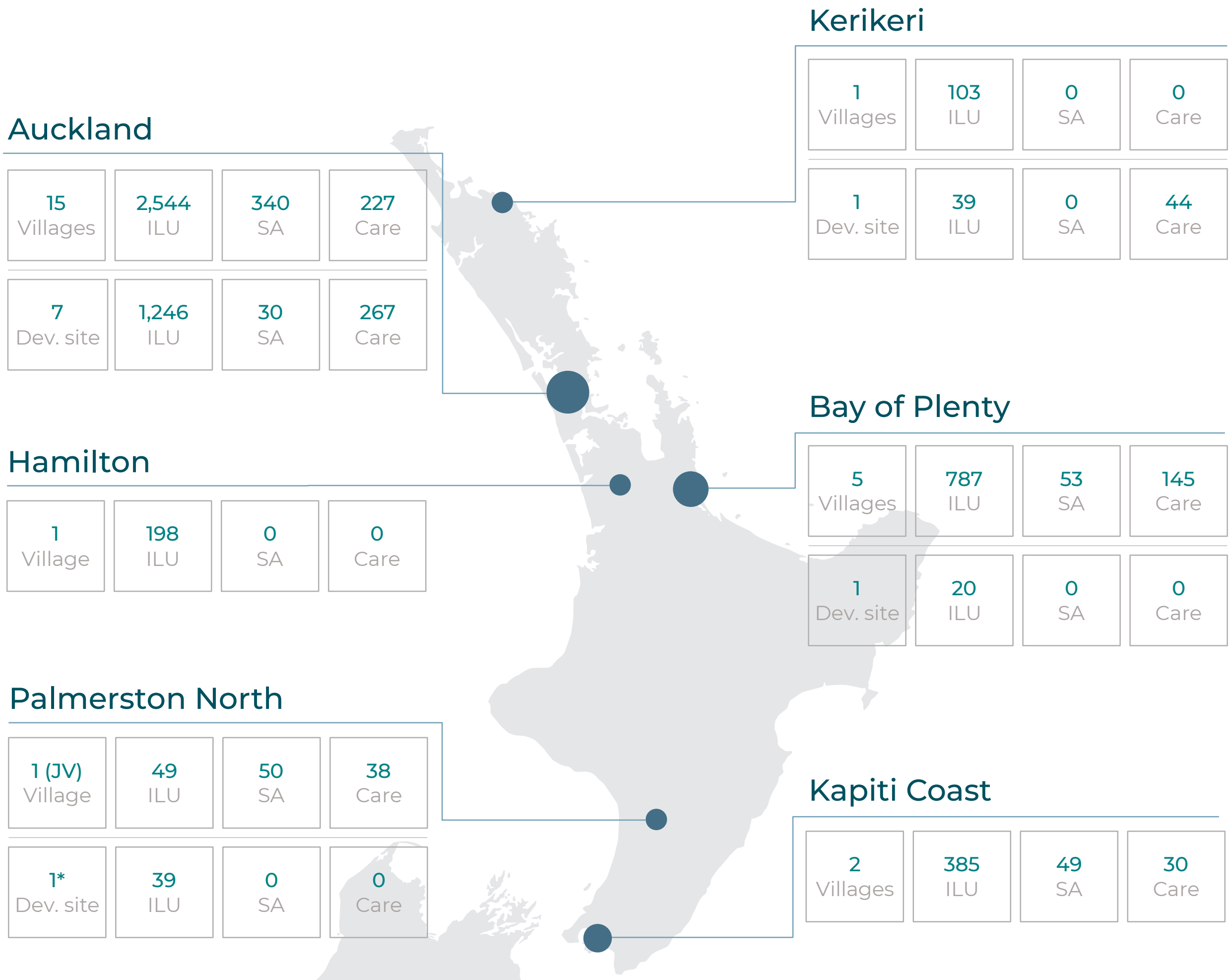
4.2 Geographic coverage

Metlifecare's operations are predominantly based in the 'Golden Triangle' of the North Island of New Zealand, which comprises the Auckland, Waikato and Bay of Plenty regions.

Metlifecare is particularly focused on the key urban centres of Auckland and Tauranga, which are among the fastest growing areas in New Zealand, with population growth of 15.6% and 18.9% respectively between 2009 and 2019 (compared to a national average of 14.4%).[23] Auckland and Tauranga also have high median house prices of $928,000 and $720,000 respectively, which compare to a national average of $639,000[24], and have populations with relatively high net worth, which makes passing on construction costs to incoming residents less challenging.

The geographic distribution of Metlifecare's villages and development sites is shown in Figure 13.

Figure 13: Metlifecare villages and development sites as at 30 June 2020



** The Palmerston North development site is owned by the Palmerston North Maori Reserve Corporate Trustee Limited. Metlifecare and the iwi are in the process of jointly developing the land as an extension of the existing retirement village.*

Source: Metlifecare information

[23] Statistics New Zealand

[24] Monthly Property Report by REINZ, June 2020

4.3 Retirement village operations

Table 2 summarises the key metrics for Metlifecare's villages. Metlifecare's ILUs and SAs constitute more than 90% of its total units. Metlifecare's 25 existing villages all have ILUs, while SAs and care beds are available at 16 and 14 villages respectively.

Table 2: Metlifecare villages – key metrics as at 30 June 2020

Village	ILU	SA	Care beds	Occupancy	Village age	Average resident age	CBRE valuation[25] ($ million)
Crestwood	134	14	41	97%	34	82.1	51.6
Dannemora Gardens	201	–	–	99%	18	81.1	79.8
The Orchards	96	–	36	98%	5	80.9	38.2
Hibiscus Coast Village	221	48	–	97%	34	83.6	91.1
Hillsborough Heights	176	42	–	90%	35	82.0	65.8
Highlands	129	70	41	93%	33	84.1	71.9
Longford Park Village	144	49	–	94%	23	83.8	55.8
Edgewater Village	62	13	–	96%	34	82.7	23.6
Pinesong	360	27	9	96%	21	81.8	159.5
Powley	46	34	45	86%	35	84.0	24.5
The Poynton	242	15	5	95%	11	81.8	121.9
7 Saint Vincent	81	12	2	86%	21	86.7	71.8
Greenwich Gardens	273	16	48	96%	5	79.3	146.0
Waitakere Gardens	324	–	–	97%	21	81.7	100.8
Gulf Rise	55	–	–	Just opened	1	77.0	45.2
Auckland villages	**2,544**	**340**	**227**	**95%**			**1,147.5**
The Avenues	90	–	30	99%	20	82.1	38.2
Bayswater	215	17	6	99%	24	82.9	82.4
Greenwood Park	231	9	–	99%	37	82.8	82.0
Papamoa Beach Village	168	–	40	100%	15	79.0	47.7
Somervale	83	27	69	96%	35	86.5	40.5
Bay of Plenty villages	**787**	**53**	**145**	**99%**			**290.8**
Coastal Villas	160	49	30	98%	24	83.4	56.3
Kapiti Village	225	–	–	99%	25	81.5	51.5
Palmerston North Village	49	50	38	96%	26	85.2	24.5
Oakridge Villas	103	–	–	96%	16	79.5	28.2
Forest Lake Gardens	198	–	–	94%	17	82.4	63.8
Other villages	**735**	**99**	**68**	**97%**			**224.3**
All villages	**4,066**	**492**	**440**	**96%**	**22**	**82.0**	**1,662.6**

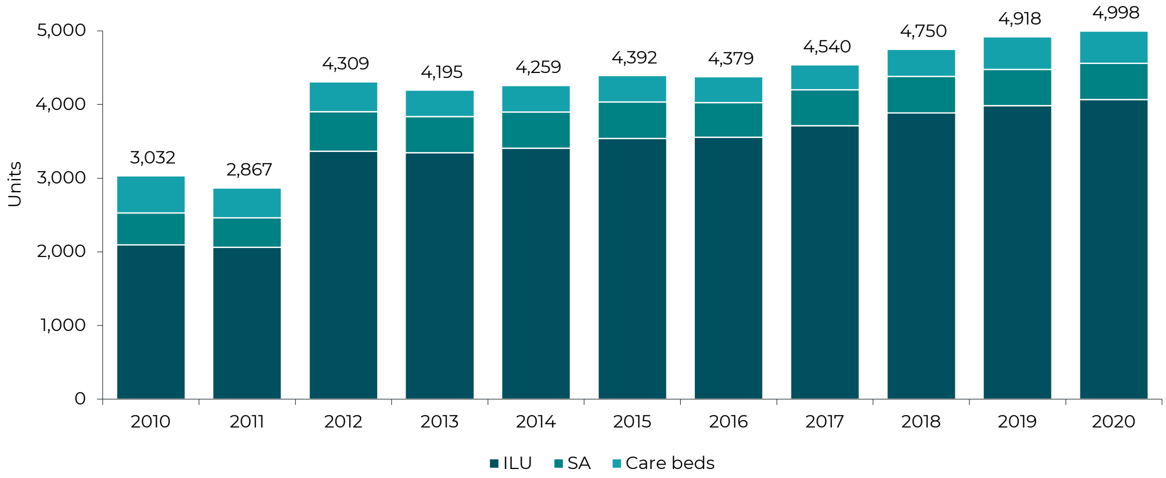
Source: Metlifecare information

[25] Independent property valuer, CBRE, undertakes a valuation of each retirement village in the Metlifecare portfolio every six months for financial reporting purposes.

Village acquisitions and developments

Figure 14 shows the growth of Metlifecare's portfolio over time.

Figure 14: Metlifecare units (data as at 30 June each year)



Source: Metlifecare information

The most significant change in units occurred in 2012, when Metlifecare undertook its merger with Vision Senior Living and Private Life Care. In that merger, the following villages were consolidated into Metlifecare's existing portfolio:

- **Vision Senior Living**: Dannemora Gardens, Forest Lake Gardens, Oakridge Villas, Papamoa Beach Village and Waitakere Gardens.
- **Private Life Care**: Hillsborough Heights, Hibiscus Coast and Longford Park Village.

Some of the villages acquired in Metlifecare's merger have suffered from water ingress issues, particularly Waitakere Gardens and Dannemora Gardens. Metlifecare has incurred $34 million to date to remediate sites that have suffered from water ingress and expects to incur a further $46 million over the next few years to complete the remediation.

Since the merger, Metlifecare has increased its total number of units and care beds from 4,309 to 4,998 as at 30 June 2020. Included in this 'net' change is Metlifecare selling its 'Oakwoods' village in FY13. Excluding the merger, most of the growth has occurred since 2016, as Metlifecare has increased its development activities in recent years.

Key development activities undertaken by Metlifecare include:

- **The Avenues**: This village is in Tauranga, Bay of Plenty. Metlifecare completed an integrative homestead care home in 2019, offering 30 new care beds.
- **The Poynton**: This village is in Takapuna, Auckland. It was developed over seven years on a staged basis and completed in 2015. The Poynton has 242 ILUs and a small number of SAs and care beds.
- **The Orchards**: This village is in Glenfield, Auckland. Metlifecare acquired the land for this development in 2012 and completed construction of the village in late 2016. The Orchards has 96 ILUs and 36 care beds.
- **Oakridge Villas**: This village is in Kerikeri, Northland. This village was originally acquired as part of Metlifecare's merger with Vision Senior Living. Metlifecare has developed Oakridge Villas, increasing the number of ILUs from 40 to 103. Metlifecare acquired land adjacent to this site in 2016 and again in 2019, on which it plans to construct a care home and further ILUs.

- **Somervale**: This village is in Mount Maunganui, Bay of Plenty. In 2018, Metlifecare completed 16 new SAs and 69 care beds in an innovative homestead style RCH on this site. Metlifecare advises that further regeneration opportunities exist on the site of the previous care home, which was decommissioned.
- **Greenwich Gardens**: This village is in Unsworth Heights, Auckland. The land for this village was acquired as part of Metlifecare's merger with Vision Senior Living. Metlifecare has subsequently undertaken a staged development on this site, delivering an award-winning homestead style care home in 2017 that houses 48 care beds. Stages 9 and 10 were completed in calendar year 2019, adding a further 48 ILUs in each stage.
- **Papamoa Beach Village**: This village is in Papamoa, Bay of Plenty. The village was originally acquired as part of Metlifecare's merger with Vision Senior Living. It had 33 units at the time of the merger. Metlifecare completed its development of the site in 2019, having added 135 ILUs (taking the total to 168), a 40-bed RCH and dementia unit and an expanded village centre.
- **Crestwood**: This village is in New Lynn, Auckland. 13 ILUs were completed on this site in late 2019.

Village maintenance and betterment

Although Metlifecare has eight villages in its portfolio that are over 30 years old, the units and facilities are maintained and upgraded over time to maximise their economic value. For example, in 2020 Metlifecare:

- Refurbished 344 homes (9% of units) as residents moved out. Depending on the condition of the returned unit, this work ranged from a 'deep clean' to a 'modernised refurbishment' that included the installation of new kitchen styles and replacement bathrooms.
- Upgraded and developed the communal spaces at seven villages, that included new bars, cafés, conservatories and leisure facilities (petanque courts, gyms and swimming pools).
- Completed regeneration projects at five villages, which are aimed at refreshing and modernising the villages in order to maintain their competitiveness, desirability and appeal.

Resident age

We understand from Metlifecare that it has historically had a younger resident profile than its competitors, particularly following its merger with Vision Senior Living and Private Life Care in 2012. However, the age profile of its residents has changed over time and is now broadly consistent with the industry average.

The weighted average age of Metlifecare's ILU residents is 81.8 years, with an average entry age of 78.5 years. The average length of occupancy in an ILU varies somewhat but is generally expected to be around 8 years. For the year ended 30 June 2020, the figure was 9.9 years.

The weighted average age of Metlifecare's SA residents is 86.8 years, with an average entry age of 85.9 years. The average length of occupancy in an SA is typically around 4 years. For the year ended 30 June 2020, the figure was 3.2 years.

Resident contracts

Metlifecare's ILUs and SAs are all occupied under ORA arrangements. Since 2014, Metlifecare's typical ORA terms have included the following:

- The DMF for incoming residents accrues at 10% of the ORA price each year, up to a maximum of 30%.
- All the capital gains and losses on the unit accrue to Metlifecare.
- Metlifecare is responsible for the refurbishment costs of the unit when the resident moves out.
- Village fees vary by village, unit and circumstance, but are typically between $600 and $800 per month.

Metlifecare has some legacy ORA contracts that feature terms that differ to those summarised above. For example, Metlifecare has approximately 100 contracts where the residents are entitled to share in all or part of any capital gains derived from the units. Similarly, there are approximately 500 contracts where, in some instances, the resident is responsible for the cost of refurbishing the unit at the end of their occupancy. These contracts generally commenced prior to 2006 at a small number of villages.

4.4 Aged-care operations

Metlifecare's aged-care operations make up a small portion of its whole business. It has 440 aged-care beds across 14 villages. Metlifecare considers its RCH operations to be an important part of its business, both for its standalone performance and the ability to support its core retirement village operations.

During 2019, Metlifecare increased its care capacity by 19% with the construction of 70 new care beds at The Avenues and Papamoa Beach Village, both of which were formally commissioned in October 2019. Occupancy at Metlifecare's existing RCH operations remains high at 96% and occupancy at the recently-opened RCH facilities is increasing.

Of Metlifecare's eleven villages that have RCHs, all are certified by the Ministry of Health. Six of these are "gold-standard" four-year certifications, three have three-year certifications and the recently-opened RCH facilities at The Avenues and Papamoa have two-year certifications as they become established. Certification requires an independent audit of the facility to ensure compliance with the Health and Disability Services (Safety) Act 2001.

4.5 Unit sales

The capital gains realised upon the sale and resale of new and existing units have historically been a key driver of Metlifecare's financial performance. The average sale prices for new and existing units are presented in Figure 15.

Figure 15: Historical sale prices of Metlifecare's new and existing units ($ 000)

Source: Metlifecare information

The prices that Metlifecare has sold new development units for have tended to be higher than the prices of existing units.

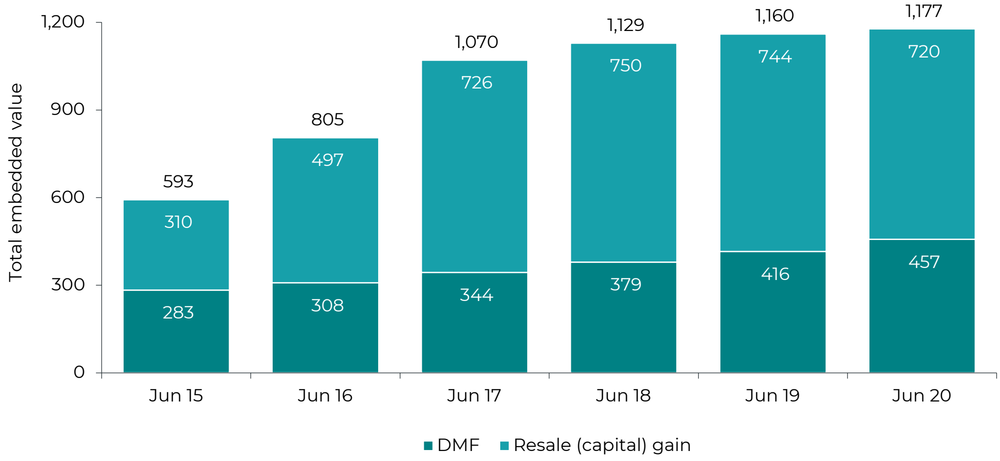
The prices of new units have increased at a slower rate than for existing units and consequently, the difference between the prices of new and existing units has narrowed over time. This partly depends on the type and features of the new units coming available at any point in time. The prices of new units have increased at a compound annual growth rate (**CAGR**) of 5.9% for ILUs and 6.3% for SAs over the last five years. In comparison, the CAGR for existing units has increased at 8.8% for ILUs and 7.7% for SAs over the same period.

The upward trend in the sale prices of Metlifecare's units reflects the influence of increasing residential house prices in recent years.

The average price of one of Metlifecare's Auckland ILUs is 68.8% of the median house price in the region. In comparison, Metlifecare's units in the Bay of Plenty and lower North Island are at 76.5% and 85.9% of the average house prices in those regions, respectively.

Metlifecare revalues its property assets on a semi-annual basis and reflects movements in the value of its property portfolio in its statement of financial performance. However, it does not realise in cash the appreciation in value of property until a resident moves out of a unit and a new resident signs and pays for a new ORA. Metlifecare uses a measure called embedded value, which provides an indication of the potential future cash generation of each unit in the portfolio in terms of yet-to-be realised capital gains and DMF. The embedded value takes the sum of all unit prices at a particular point in time and subtracts the value of all resident liabilities at that time, then splits the residual value between DMF and capital gains. Figure 16 shows the growth in Metlifecare's embedded value since June 2015.

Figure 16: Embedded value of Metlifecare portfolio ($ million)

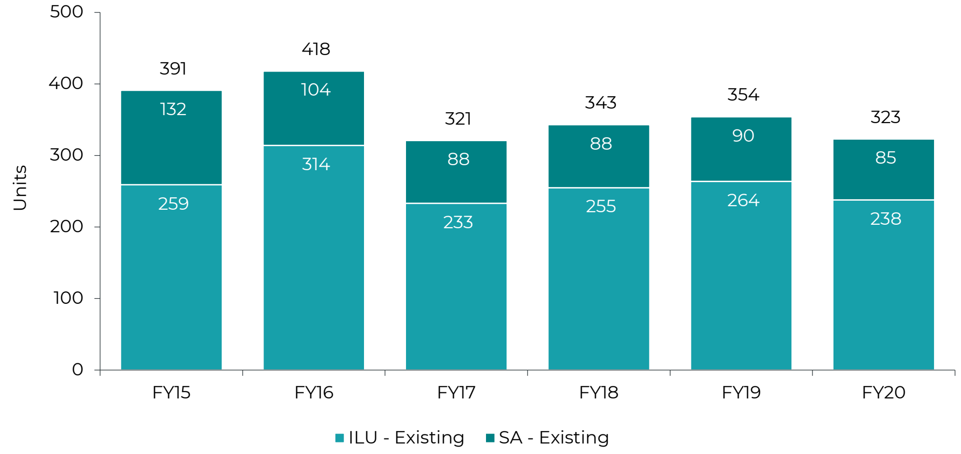


Source: Metlifecare information

The embedded value shown in Figure 16 implies that the value of future cash that will be extracted from units before costs, based on current valuations (at the time), has increased from $0.6 billion to $1.2 billion between June 2015 and June 2020.

The rate at which the embedded value can be realised in cash is determined by the rate at which units are turned over. Figure 17 shows Metlifecare's resale rate has ranged between 321 and 418 units per year over the last six years. FY20 settlement volumes were negatively impacted by the COVID-19 lockdown period between late March and early May in 2020, during which sales, marketing and settlement activities were highly restricted.

Figure 17: Historical resale volume of Metlifecare's existing units

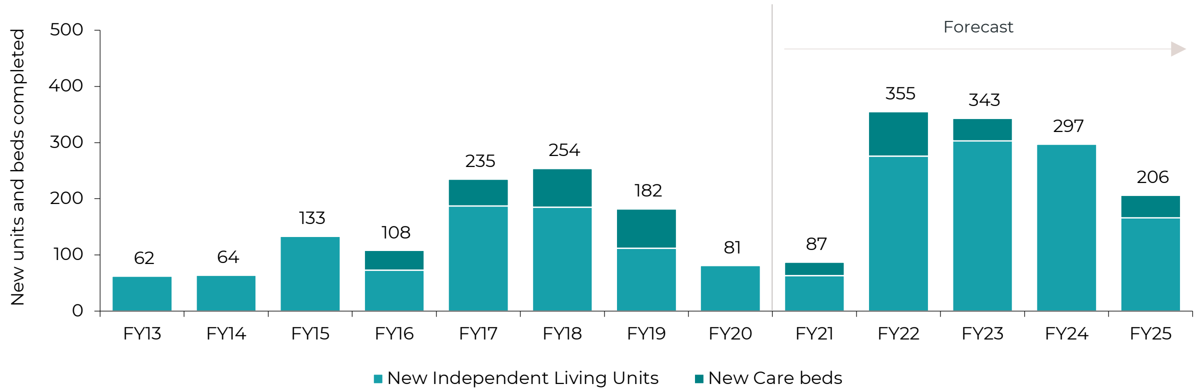


Source: Metlifecare information

4.6 Development performance and pipeline

Figure 18 shows Metlifecare's historical delivery and development pipeline for ILUs and care beds through to FY25.

Figure 18: Metlifecare's new ILUs and care beds completed by year



Source: Metlifecare information

Metlifecare's recent development track record can be categorised into three periods:

- **2005 – 2012**: Following the economic downturn of 2008/09, Metlifecare experienced tough trading conditions with high levels of debt and slowing unit sales. Metlifecare focused on its day-to-day operations.
- **2013 – 2016**: After the merger with Vision Senior Living and Private Life Care, Metlifecare focused on the integration of the new villages and extracting synergies from the merger.
- **Since 2016**: Metlifecare has become more focused on development-led growth. Metlifecare has increased its land bank through the acquisition of six additional sites and has developed brownfield and greenfield sites. It has also expanded its in-house design capabilities, standardisation and modularisation to provide cost efficiencies for future developments.

Management's stated target is to deliver a long-term average of 250 new units every year. The timing of future developments remains subject to regular review and on prevailing conditions prior to committing to each new stage of development.

Table 3 below lists the sites that are currently under development by Metlifecare, including those targeted.

Table 3: Current development pipeline (as at 30 June 2020)

Village	Region	Type	Expected completion	ILU and SA	Care beds
Edgewater Village	Auckland	Brownfield	FY21	47	24
Greenwich Gardens	Auckland	Staged	FY23	50	–
Gulf Rise	Auckland	Greenfield	FY22–FY24	181	43
Orion Point	Auckland	Greenfield	FY22–FY26	245	40
Fairway Gardens	Auckland	Greenfield	FY22–FY25	248	40
Pohutukawa Landing	Auckland	Greenfield	FY21–FY24	185	36
Albany	Auckland	Greenfield	FY24–FY27	320	84
Somervale	Bay of Plenty	Brownfield	To be determined	20+	–
Palmerston North Village	Palmerston North	Brownfield	FY22–FY23	39	–
Oakridge Villas	Kerikeri	Brownfield	To be determined	39	44
Total				**1,374**	**311**

Source: Metlifecare information

Metlifecare is undertaking staged developments and upgrades of existing brownfield sites, as well as developments of new greenfield sites. As part of its development strategy, Metlifecare is actively seeking new sites and particularly in the upper North Island.

Metlifecare targets a development margin between 20% and 30% (when calculated relative to sale price), with a targeted minimum of 15% for new developments. In August 2019, Metlifecare announced that it had made timing changes to its short-term development programme to ensure its vertical construction model met significant market changes, in order to retain development margins. In light of stabilising construction cost metrics and the Auckland residential housing market showing signs of recovery, Metlifecare announced its updated programme to the NZX and ASX on 6 December 2019. Based on the programme of activity at that time, 220 new units and beds were planned for FY21. These development activities continue to progress but, due to COVID-19 and the mandatory lockdown restrictions, practical completion dates at two large development sites are now expected to fall into early FY22.

4.7 Share ownership and price history

Metlifecare had 213,304,722 shares on issue and more than 4,400 registered shareholders as at 10 August 2020. Table 4 shows the top 20 named shareholders as at 10 August 2020, which together hold 87.32% of the shares on issue.

Table 4: Share register as at 10 August 2020

Shareholder		Shares	Percentage
1	HSBC Nominees (New Zealand) Limited	60,517,951	28.37%
2	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	42,363,688	19.86%
3	Citibank Nominees (New Zealand) Limited	22,080,611	10.35%
4	JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct	16,233,182	7.61%
5	HSBC Nominees (New Zealand) Limited A/C State Street	10,019,195	4.70%
6	Accident Compensation Corporation	8,468,790	3.97%
7	JBWere (NZ) Nominees Limited	4,236,468	1.99%
8	Generate Kiwisaver Public Trust Nominees Limited	2,802,973	1.31%
9	BNP Paribas Nominees (NZ) Limited	2,713,402	1.27%
10	New Zealand Depository Nominee Limited	2,536,478	1.19%
11	FNZ Custodians Limited	2,356,076	1.10%
12	JBWere (NZ) Nominees Limited	1,899,416	0.89%
13	Forsyth Barr Custodians Limited	1,888,382	0.89%
14	UBS New Zealand Limited	1,811,239	0.85%
15	BNP Paribas Nominees (NZ) Limited	1,656,267	0.78%
16	Custodial Services Limited	1,376,166	0.65%
17	Custodial Services Limited	1,069,220	0.50%
18	Custodial Services Limited	860,506	0.40%
19	PT (Booster Investments) Nominees Limited	700,716	0.33%
20	Public Trust	668,962	0.31%
Top 20 shareholders		**186,259,688**	**87.32%**
Remaining shareholders		27,045,034	12.68%
Total		**213,304,722**	**100.00%**

Source: Computershare data, which looks through shares held by New Zealand Central Securities Depository as a bare trustee custodian

Table 5 shows the most recent substantial product holder (**SPH**) interests notified to NZX, as at 25 August 2020. The SPH holdings differ from those in Table 4 due to timing and differences between legal interests and interests that need to be disclosed to the NZX under New Zealand legal requirements.

Table 5: Substantial product holders as at 25 August 2020

Entity	Date of notice	Shares	Percentage
Asia Pacific Village Group and EQT Infrastructure[26]	13 July 2020	42,363,688	19.86%
New Zealand Superannuation Fund Nominees Limited	10 July 2020	42,363,688	19.86%
UBS Group AG and its related bodies corporate	25 Aug 2020	28,331,921	13.28%
Maso Capital Partners Limited	2 Mar 2020	11,597,797	5.44%
J.P. Morgan Securities PLC and its related bodies corporate	4 Aug 2020	11,320,257	5.31%
Credit Suisse Group AG and its related bodies corporate	14 Jul 2020	10,982,468	5.15%

Source: SPH notices released as NZX announcements

Metlifecare's largest shareholder is currently NZ Super, although this shareholder has entered a voting deed with APVG under which it has agreed to vote its 19.9% interest in favour of the Scheme, subject to certain terms and conditions.

Other than NZ Super, the shares are widely held by institutional and retail investors, as well as certain hedge funds.

4.8 Share price performance

Figure 19 presents the prices and volumes of shares traded in Metlifecare since January 2017.

Figure 19: Share price and volume traded on NZX Main Board

Source: S&P Capital IQ and Calibre Partners analysis

Metlifecare's share price steadily increased between January 2017 and September 2018, from around $5.60 to a high of $6.50 per share. The share price then declined during a period when Auckland property prices stagnated and reached a low of $4.20 per share in June 2019. Metlifecare's share price increased modestly before a non-binding expression of interest by APVG was announced in November 2019, possibly due to signs of an improving outlook for the Auckland property market and the announcement of

[26] APVG's interest is in NZ Super's 19.86% shareholding, pursuant to a voting deed between the parties.

a proposed share buyback at the Annual Shareholders Meeting on 24 October 2019. For completeness, the share buyback did not occur after the expression of interest was received.

Metlifecare's share price increased strongly following the announcement of APVG's expression of interest and both parties entering the Original SIA in December 2019.

The emergence of COVID-19 in late March and APVG's termination notice in April 2020 (in relation to the Original SIA) led to a significant decline in Metlifecare's share price, from a high of $6.93 to a low of $3.16 (an intraday trade) per share.

The share price has since recovered due to New Zealand's relatively quick and effective response to COVID-19 and Metlifecare's announcement of the new SIA in July 2020.

Table 6: Share prices and volumes as at 3 July 2020

	Share price			Volume (million)	Proportion of issued capital
	Low	High	VWAP		
One month	4.28	5.23	4.75	19.2	9.0%
Three months	3.16	5.23	4.09	73.3	34.4%
Twelve months	3.16	6.94	5.59	273.4	128.2%

Source: S&P Capital IQ, Metlifecare information and Calibre Partners analysis

Approximately 273.4 million shares traded in the 12 months to 3 July 2020, just prior to Metlifecare's announcement of the receipt of an NBIO from APVG. Shares traded between $3.16 and $6.94 per share over this period. The proposed consideration of $6.00 per share represents:

- A premium of 14.9% to the share price of $5.22 on 3 July 2020.
- A premium of 26.3% to the VWAP of $4.75 in the month ended 3 July 2020.
- A premium of 46.7% to the VWAP of $4.09 in the three months ended 3 July 2020.
- A premium of 7.3% to the VWAP of $5.59 in the twelve months ended 3 July 2020.

5. Financial overview

5.1 Financial performance

Table 7 summarises Metlifecare's earnings for FY16 to FY20 (actual) and for FY21 (budget), based on audited financial statements and management accounts. The financials exclude abnormal/non-recurring amounts and are also based on realised, rather than accrued, gains on sale.

Table 7: Financial performance summary ($ million)[27]

	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Budget
Management fees	44.6	48.8	52.0	55.5	59.5	61.6
Rest home, hospital service fees	29.7	27.2	31.1	35.8	40.5	44.7
Village fees	27.8	28.8	28.8	29.6	30.6	31.3
Other revenue[28]	4.3	5.5	4.7	3.6	5.1	3.8
Total operating revenue	**106.4**	**110.3**	**116.7**	**124.4**	**135.7**	**141.4**
Employee costs	(44.6)	(43.3)	(49.7)	(53.1)	(57.1)	(59.9)
Property costs	(24.1)	(23.1)	(24.7)	(28.9)	(27.4)	(32.2)
Other expenses	(20.9)	(23.8)	(25.0)	(29.2)	(26.9)	(28.7)
EBITDA	**16.8**	**20.1**	**17.3**	**13.2**	**24.3**	**20.6**
Depreciation and amortisation	(2.5)	(3.0)	(4.2)	(5.8)	(5.1)	(6.3)
Net operating profit before fair value movements	**14.3**	**17.1**	**13.2**	**7.4**	**19.2**	**14.3**
Realised resale gains	46.5	55.3	62.3	71.5	60.5	69.8
Realised development margin	10.1	19.0	16.4	16.9	11.7	7.1
Wage subsidy (offset to employee costs)	–	–	–	–	6.8	–
Underlying profit (ungeared)	**70.8**	**91.4**	**91.9**	**95.8**	**98.2**	**91.2**
Shares on issue (millions)	212.9	213.0	213.1	213.3	213.3	
Adjusted EPS (cents)[29]	31.0	38.5	40.8	43.2	44.4	
DPS (cents)	5.8	8.1	10.0	11.0	–	

Source: Metlifecare statutory accounts, management accounts and budget

Metlifecare's FY20 financial performance was influenced by the government-mandated restrictions for the containment and elimination of COVID-19. These measures restricted access to Metlifecare's villages which, in turn, impacted Metlifecare's ability (in the short term) to market and sell existing and newly developed retirement village units, and undertake anything other than essential property maintenance. It also delayed construction activity relating to Metlifecare's development projects. In addition, Metlifecare incurred additional costs associated with ensuring the safe and effective operation of its villages and care facilities throughout the lockdown period.

Before resale gains and development margin, Metlifecare's net operating profit before fair value movements trended downwards from $14.3 million to $7.4 million between FY16 and FY19. Despite issues related to COVID-19, this earnings measure improved to $19.2 million in FY20 before allowing for the wage subsidy. Key reasons for the improvement in FY20 include further growth in care earnings, reduced maintenance spend and non-accrual of short term incentive payments as a result of the restrictions placed on the business by the COVID-19 lockdown period.

[27] The 'underlying profit (ungeared)' shown in Table 7 differs from the 'underlying profit' commonly reported by Metlifecare. We have measured underlying profit on an unlevered basis, before Metlifecare's net interest expense is deducted. In addition, we have not deducted the movement in the provision for the residents' share of capital gains because the capital gains that are realised and paid to qualifying residents are already captured within the net amount 'realised resale gains'.

[28] $6.5 million of one-off income received in FY19 has been excluded.

[29] Adjusted EPS (cents) has been adjusted for the residents' share of capital gains.

Metlifecare's underlying profit (ungeared) increased from $70.8 million to $98.2 million over the period from FY16 to FY20. Before the Alert Level 4 lockdown restrictions were implemented, Metlifecare had forecast $97.0 million of underlying profit (ungeared) for FY20. Lower realised resale gains and additional costs incurred in response to the lockdown restrictions were partially offset by a $6.8 million wage subsidy. We note that underlying profit (ungeared) excludes fair value movements in investment properties. The fair value of investment properties at 30 June 2020 included a $74.8 million write down during FY20.

Metlifecare has budgeted for its FY21 underlying profit (ungeared) to reduce to $91.2 million, reflecting expectations of lower development margins, higher sales and marketing costs and increases to rates and insurance. Other property-related costs are also anticipated, as work delayed by the lockdown period is to be completed in FY21. When the FY21 budget was set shortly after the first lockdown period ended, there was significant uncertainty surrounding the property market and its impact on Metlifecare's short-term financial performance. This is reflected in the FY21 budget.

We set out below an analysis of key parts of Metlifecare's financial performance.

Revenue – management fees

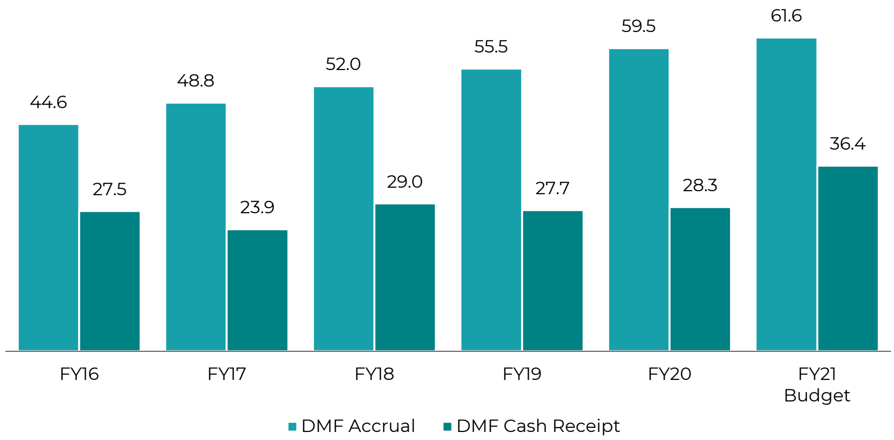
Management fees increased from $44.6 million to $59.5 million between FY16 and FY20, largely due to:

- The sale of new development units (Metlifecare increased its ILU and SA portfolio by 13% over this period).
- The resale of existing units being at higher prices, allowing a higher DMF to be realised.

Metlifecare's management fees are predominantly DMF, which are only received when residents exit their units. The accounting for DMF is sensitive to the expected turnover of residents. This is because DMF is recognised on a straight-line (accrual) basis over the expected occupancy period for residents.

Figure 20 shows the difference between the accrual and cash receipt of DMF. The accrual amounts are used in the financial accounts, including underlying profit. The cash amounts are important to valuation methodologies that rely on cash flows.

Figure 20: DMF accrual and cash receipt ($ million)



Source: Metlifecare information

Revenue – other operating revenue

Rest home, hospital service fees are governed by the individual care admission agreements with each care home resident. These fees are mainly earned in Metlifecare's RCH facilities, with some also being earned from ancillary services offered to its other residents.

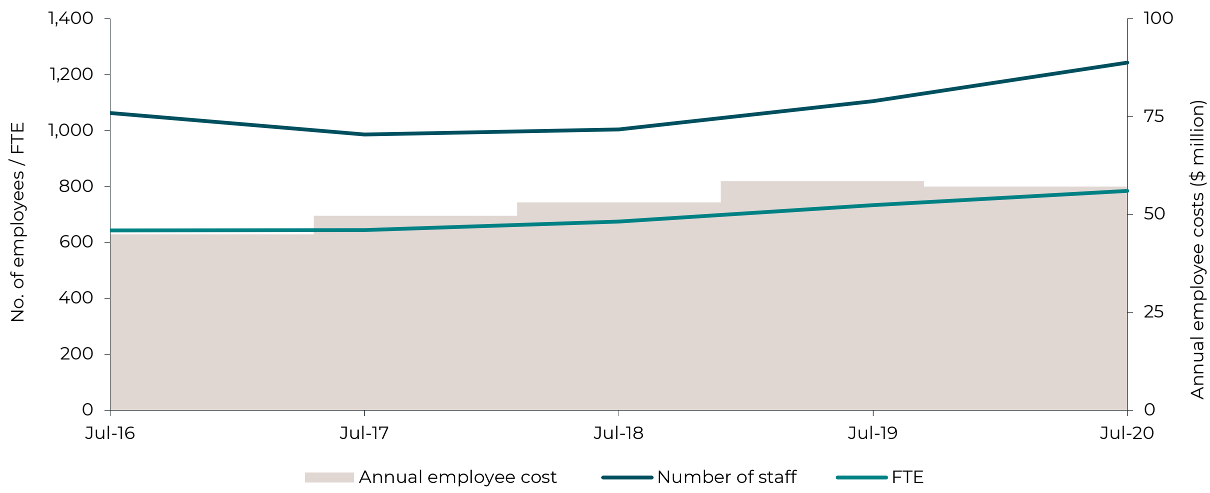
Metlifecare offers ILU and SA residents a flat-rate village fee for the duration of their occupancy. This is the same policy that has been adopted by all the major retirement village operators in New Zealand. The flat rate means that this revenue typically only increases when new residents enter a village.

Other revenue mostly relates to the refurbishment recoveries and administration fees collected from outgoing residents. This revenue is largely associated with legacy ORA contracts. These contracts were typically issued prior to 2006 and are reducing in number every year.

Employee costs

Employee costs increased from $44.6 million to $57.1 million between FY16 and FY20, and are expected to increase further in FY21. The primary causes for the higher employee costs are wage inflation (some of which related to the government's pay-equity settlement), increases to the number of people in the development team and an expansion to Metlifecare's village operations (e.g. new villages and care homes). Figure 21 shows annual employee costs increasing with a growing number of full time equivalent (**FTE**) employees.

Figure 21: Annual employee costs and number of staff



Source: Metlifecare information

Property costs

Property costs are a significant expense for retirement village operators. The major costs relate to repairs and maintenance and utilities. Table 8 presents a split of actual costs for Metlifecare between FY16 and FY20, and includes budgeted costs for FY21. Property costs are budgeted to be $32.2 million in FY21 (an increase of $4.8 million compared to FY20) due to increases in rates and insurance, and the incurrence of other property-related costs as work delayed by the lockdown period is to be completed.

Table 8: Property costs ($ million)

	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Budget
Repairs and maintenance	13.1	12.1	12.6	16.5	14.2	17.7
Utilities and other property costs	11.0	11.0	12.1	12.4	13.2	14.5
Property costs	**24.1**	**23.1**	**24.7**	**28.9**	**27.4**	**32.2**

Source: Metlifecare statutory and management accounts

Repairs and maintenance includes:

- Everyday 'break and fix' repairs and maintenance.
- Expensed costs associated with the refurbishment of unit interiors when residents move out.
- Planned preventative property maintenance, including painting, replacing roofs and the expensed portion of long-term maintenance.

Utilities and other property costs are mainly property rates and utility expenses for communal areas.

Other expenses

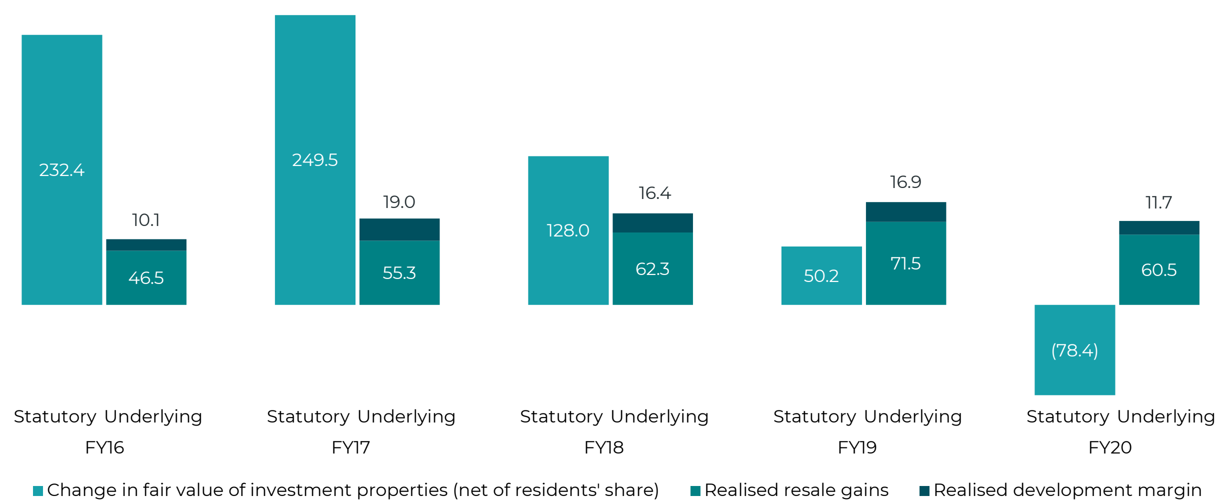
Other expenses include marketing and promotion, resident, communications and other employee costs. These costs increased consistently between FY16 and FY19, from $20.9 million to $29.2 million, reflecting a combination of factors that included greater spend on marketing and promotional activities for both existing villages and new developments. Other expenses reduced to $26.9 million in FY20, largely due to reduced sales and marketing spend compared to the previous year.

Change in fair value of investment properties

The majority of Metlifecare's underlying profit comes from movements in the fair value of its properties.

We have presented the financials in Table 7 (above) based on **realised** gains from the sale of units. In comparison, Metlifecare's statutory accounts show profits based on the accrued change in the value of units each year. Figure 22 illustrates the difference between statutory (accounting) gains and realised (underlying) gains.

Figure 22: Accrued change in fair value vs realised resale gains and development margin ($ million)



Source: Metlifecare Annual Reports

Metlifecare's realised resale gains are more stable than its accrued changes in fair value in any particular year. In effect, the accrued changes in fair value become embedded value in the units, which is then released as 'realised gains on sale' when units are sold.

In Table 9 below, we have shown realised gains net of the portion that has accrued to residents. Residents' share of capital gains is largely associated with legacy ORA contracts issued prior to 2006, under which residents were entitled to all or a portion of the capital gains over their occupancy period.

Table 9: Realised resale gains

	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Budget
Realised resale gains (gross amount)	47.8	59.4	66.6	75.7	64.6	74.4
Residents' share of capital gains	(1.3)	(4.1)	(4.3)	(4.2)	(4.1)	(4.6)
Realised resale gains (net of residents' share)	**46.5**	**55.3**	**62.3**	**71.5**	**60.5**	**69.8**

Source: Metlifecare information

The realised resale gains in FY20 were materially affected by COVID-19 and the lockdown restrictions. Before lockdown restrictions were implemented, Metlifecare had forecast $72.8 million of net realised resale gains for FY20.

5.2 Financial position

Table 10 shows Metlifecare's financial position as at 30 June between 2016 and 2019 (based on audited financial statements), and as at 30 June 2020 (based on unaudited management accounts).

Table 10: Historical financial position ($ million)

	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20
Cash and cash equivalents	6.6	2.9	16.3	3.4	5.2
Trade receivables and other assets	9.6	8.8	20.9	23.5	19.1
Derivative financial instrument	–	–	–	–	1.5
Property, plant and equipment	36.4	50.7	54.8	53.4	60.0
Intangible assets	1.5	1.5	1.2	1.0	1.0
Investment properties	2,524.8	2,885.3	3,182.6	3,423.6	3,471.7
Investment in joint venture	7.7	9.7	10.8	10.8	12.5
Total assets	**2,586.4**	**2,958.9**	**3,286.6**	**3,515.7**	**3,571.0**
Trade and other payables	(31.3)	(49.9)	(72.0)	(41.3)	(44.7)
Derivative financial instruments	–	–	(0.4)	(1.5)	(3.2)
Lease liabilities	(0.2)	(0.1)	(2.4)	(2.0)	(1.7)
Bank loans	(80.6)	(75.3)	(154.4)	(277.2)	(300.1)
Deferred management fees	(93.5)	(106.2)	(117.0)	(126.3)	(134.6)
Refundable ORA	(1,154.1)	(1,260.2)	(1,355.1)	(1,458.4)	(1,553.4)
Deferred tax liability	(27.3)	(30.1)	(32.0)	(26.9)	–
Total liabilities	**(1,387.0)**	**(1,521.8)**	**(1,733.3)**	**(1,933.6)**	**(2,037.7)**
Net assets	**1,199.4**	**1,437.1**	**1,553.3**	**1,582.1**	**1,533.2**
Shares on issue (million)	212.9	213.0	213.1	213.3	213.3
Net assets per share	$5.63	$6.75	$7.28	$7.41	$7.18

Source: Metlifecare statutory accounts and management accounts

Investment property is valued by CBRE, an independent property valuer. CBRE does not include head office costs in its valuation assessments.

Valuations of investment properties occur semi-annually for the reporting of June and December financial results. The 30 June 2020 balance sheet recognises some impacts of COVID-19, the lockdown restrictions and the prevailing economic conditions. Notably, the measure of investment properties at this date includes a $74.8 million write down to fair value during FY20.

Metlifecare's most significant asset is its investment property portfolio. As at 30 June 2020, investment properties included:

- $233.8 million of development land and construction work in progress (**WIP**).
- $3,237.9 million of retirement village assets, including newly-developed units that have not been sold for the first time.

As at 30 June 2020, Metlifecare had $296.6 million of net debt and financial derivatives. Metlifecare uses debt to fund its development projects and generally recovers more than the development cost when it sells the units in a new retirement village. Metlifecare advises that it does not generally require debt for its core (non-development) activities.

Metlifecare's investment in a joint venture relates to its 50% interest in the Metlifecare Palmerston North Village. This village is a joint venture with Palmerston North Maori Reserve Corporate Trustee Limited.

Metlifecare's net assets per share has increased from $5.63 at 30 June 2016 to $7.18 at 30 June 2020. Over this period, the number of Metlifecare shares on issue has been relatively stable.

The FY20 financial statements have been prepared on the basis that existing tax losses can continue to be recognised at 30 June 2020, notwithstanding an upcoming shareholder vote on the Scheme and possible loss of shareholder continuity. This reporting position is supported by Metlifecare's Audit & Risk Committee.

5.3 Capital expenditure

Metlifecare's capital expenditure is summarised in Table 11. Capital expenditure includes spend on new developments, asset replacement and regeneration, and remediation projects.

Table 11: Fixed asset additions ($ million)

	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Budget
Investment properties	132.3	115.6	166.8	187.3	122.9	226.7
Other property assets[30]	4.9	18.7	7.5	16.7	6.5	8.6
Plant, furniture, equipment and motor vehicles	2.0	3.9	3.5	2.6	3.1	4.0
Total additions	**139.3**	**138.2**	**177.8**	**206.6**	**132.5**	**239.3**

Source: Metlifecare information

Capital expenditure increased between FY17 and FY19, primarily due to increased investment property additions.

Capital expenditure has also been higher in recent periods due to remediation work being undertaken to address the water ingress issues at some villages. The majority of the remediation work started in FY17 and is scheduled to be mostly completed by FY23. Metlifecare has incurred $34 million of remediation costs to 30 June 2020 and expects to incur a further $46 million to complete the remediation works.

Metlifecare has budgeted $239.3 million of capital expenditure in FY21. The most notable spend earmarked for this financial year relates to construction activity at five development sites, planned land acquisitions and investment in existing villages, including planned remediation works.

[30] Includes 'construction work in progress' additions that are not otherwise captured within investment properties.

6. Valuation

6.1 Valuation approach

Impacts of COVID-19

The valuation contained in this Report was finalised on 25 August 2020. The valuation takes account of Metlifecare's best estimates of the impacts that COVID-19, lockdown restrictions and changes to general economic conditions will have on its operations. However, share prices remain volatile and the full impact of COVID-19 is unlikely to be known for several years. Metlifecare shareholders should therefore consider our valuation range in conjunction with the share price movements for listed companies that occur after 25 August 2020, as well as any further earnings guidance from Metlifecare.

Standard of value

We have estimated the 'fair market value' of Metlifecare. Fair market value is the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, both acting at arm's length.

Business interest being valued

Our valuation is based on the acquisition of the whole of Metlifecare and accordingly incorporates a premium for control.

All else being equal, a controlling interest in shares is typically more valuable than an interest without control. This is because a non-controlling interest has limited influence over important business decisions, such as declaring dividends and determining the investment strategy. Accordingly, the value we have assessed exceeds the level at which, under normal market conditions, we would generally expect shares in Metlifecare would trade on the share market.

Common valuation techniques

There are four valuation methodologies that are commonly used for valuing businesses:

1. Discounted cash flow (**DCF**) analysis
2. Capitalisation of earnings
3. Estimate of proceeds from an orderly realisation of assets
4. Industry rules of thumb.

Each of these methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of business involved. These valuation methodologies are explained in more detail at Appendix 3.

Valuation techniques to be employed

We have adopted the DCF methodology to estimate the fair market value of Metlifecare. We consider this approach is appropriate because:

- Metlifecare has prepared long-term projections for the 20-year period FY21–FY40 (**the Forecast**). The Forecast was finalised in August 2020 and is Metlifecare's best estimate of its future financial performance. Metlifecare expects there to be reduced liquidity in the residential housing market over the next two years, resulting in some softness in the prices of retirement village units and longer periods of time between unit vacation and resettlement. However, Metlifecare expects that the longer-term impacts of COVID-19 on its financial performance will be minimal.
- The DCF methodology is commonly used by participants in the retirement village industry.
- The DCF methodology is suited to valuing businesses where current earnings are not representative of expected future earnings. Metlifecare's statutory earnings are significantly influenced by the capital gains accrued in the period being measured and its underlying profits are influenced by the embedded value of its portfolio. Using the DCF methodology allows factors such as possible future house price inflation, the turnover of units, and development profits to be specifically addressed in the valuation.
- The DCF methodology is suited to businesses that have timing differences between their accounting earnings and cash flows. Most capitalisation of earnings valuations use earnings as a proxy for cash flows, so are ill-suited to situations where the timing of cash flows and the recognition of profits are significantly different (such as with retirement village operators).

We have considered the capitalisation of earnings methodology as a secondary valuation approach. We have focused on underlying profits (ungeared) when using the capitalisation of earnings approach, as this is more stable over time and therefore more likely to be comparable between operators. In contrast, statutory profits are dependent on the capital gains made in the particular year that earnings are measured, which vary significantly and can be highly dependent on where retirement villages are located.

We have also considered the book value of Metlifecare's net assets. However, the book values of retirement village operators' assets are based on DCF valuations that often exclude key business cash flows (e.g. head office costs and development profits). We have therefore assessed an adjusted book value to take account of these differences.

6.2 Discounted cash flow

6.2.1 Principal assumptions and valuation parameters

Valuation date: We have used a valuation date of 30 June 2020.

Discount rate: We have separately considered Metlifecare's existing and development operations. We consider the risks associated with each of these activities are different and have therefore applied different discount rates to each. The discount rates have been determined as follows:

- We have estimated Metlifecare's post-tax, nominal weighted average cost of capital (**WACC**) for its existing operations. Our assessment is detailed at Appendix 5.
- We have added an 8% premium to the discount rate that we use for Metlifecare's development operations, to account for the added risk to undertaking new developments. This premium is higher than we would have applied prior to the COVID-19 pandemic. We consider a higher premium is appropriate to take account of the increased uncertainty at the present time.
- We have applied different discount rates to each year's cash flows, based on their timing. The rates we have applied are broadly equivalent to a single discount rate of 8.1% for Metlifecare's existing operations and 15.5% for its development operations. This is equivalent to a single blended discount rate of 9.1% applied to Metlifecare's whole business (existing and development operations).

Forecast cash flows: The DCF valuation is based on Metlifecare's financial forecast to 30 June 2040. The principal assumptions that underpin the Forecast include:

- The realised DMF and gains on sale are forecast based on the turnover of units and price increases for those units.
- Metlifecare's units, which are predominantly located in Auckland and Tauranga, are assumed to increase/(decrease) in value at the following rates:
  - (1.4%) in FY21
  - 0.0% in FY22
  - 2.0% in FY23
  - 3.0% in FY24
  - 3.4% from FY25.
- These rates were adopted by Metlifecare after considering the latest HPI forecasts, as set out at Section 3.4.3 of this Report, as well as the significant events related to COVID-19 and its impact on economic conditions. The rates also take into account the rates adopted by CBRE when valuing the Metlifecare properties.
- The turnover of units is based on a Monte Carlo simulation undertaken by Metlifecare management. This simulation is based on the actual and expected gender (66% female and 34% male) and age (with a normal distribution) profiles of existing and new residents. Management expects the number of units turned over to increase from around 400 in FY21 (300 ILUs and 100 SAs) to around 500 in FY40 (400 ILUs and 100 SAs). This increase is solely for existing units and is largely due to new units that have been tenanted in recent years reaching a 'steady state' level of turnover.
- Metlifecare never needs to pay cash income tax (refer to Section 3.6).
- Excluding DMF and gains on sale, revenues and costs generally increase at 2.5% per annum (above inflation). Some amounts inflate at slightly different rates, but with changes in revenue offsetting changes in expenses. Metlifecare's costs are primarily associated with employees and maintenance costs. Excluding DMF and gains on sale, Metlifecare's revenue is generated from village operations, village services and its care facilities.

- The cost to refurbish units that are resold is forecast to reduce from around 8.6% of the unit's sale price in FY21 to around 6.4% in FY40.
- Metlifecare expects to incur a further $46 million of remediation costs for properties that currently suffer from water ingress issues. Following remediation, Metlifecare expects to receive income when the units re-enter circulation.
- For its development operations, Metlifecare forecasts having 87 new units and care beds in FY21 and is targeting an average of 250 new units per annum between FY22 and FY40, earning a development margin of 20% (relative to the sale price). The number of units to be delivered in FY21 is expected to be impacted by delays caused by the COVID-19 lockdown period, as well as delays due to softer economic conditions.

Terminal value assumptions: Terminal value is calculated by assuming the terminal year's unlevered free cash flows increase into perpetuity at a terminal growth rate (**TGR**). We have adopted different TGRs for Metlifecare's existing and development operations.

- We have adopted a TGR of 2.5% per annum (beyond FY40) for Metlifecare's existing operations. This rate is between:
  - The expected inflation rate, which is forecast by The Treasury to be 1.61% in 2041 and reach 2.00% per annum by 2083.[31]
  - The long-run HPI growth rate, which is forecast by CBRE to be 3.4% per annum in nominal terms.
- Although property prices are forecast to increase at 3.4% per annum over the long term, Metlifecare is likely to be more exposed to price pressure from 2040, as the number of people entering retirement villages is forecast to slow from this point in time.
- We have adopted a TGR of negative 10% per annum (beyond FY40) for Metlifecare's development operations. This rate has been determined based on the assumption that the number of people entering retirement villages will increase at a slowing rate from around 2040. With a lesser need for new villages, the rate of new development would reduce significantly. Furthermore, if there is a reduction in demand for new villages, we consider that the development margin earned by operators who do undertake new developments is likely to reduce.

[31] https://treasury.govt.nz/information-and-services/state-sector-leadership/guidance/financial-reporting-policies-and-guidance/discount-rates/discount-rates-and-cpi-assumptions-accounting-valuation-purposes

6.2.2 Risks to financial performance

Although an aging population and generally increasing property prices are supportive to Metlifecare's financial prospects, there are key risks that could impact its financial performance, including the following:

- Metlifecare has forecast 250 additional units per annum from FY22 and a development margin on these units of 20% of their sale price. Over the last several years, Metlifecare has developed fewer new retirement villages than its competitors and has added fewer than 250 units per annum. Furthermore, there is a risk that increased competition between retirement village operators will result in lower development margins.
- While the long-term macroeconomic environment is supportive, there may come a point when the market becomes saturated. Once this happens, Metlifecare and other retirement village operators may experience increased price pressure.
- Much of the revenue earned by retirement village operators is associated with DMF, which is fixed from the point in time that residents move into a village. If people stay in their units for longer than expected, then this could have a material impact on profits. Due to the fixed and long-term nature of these contracts, it takes a long time for operators to adjust their fee structure and have that flow through to cash flows.
- The Forecast is reliant on property prices increasing at the projected rate (3.4% per annum over the long term). If property prices increase faster or slower than projected, then this would have a significant positive or negative impact on the value of Metlifecare.
- Although management has provided Calibre Partners with its best estimate of Metlifecare's future financial performance, it is impossible to know the exact impacts that COVID-19, lockdown restrictions and the resulting changes to economic conditions will have on its financial performance. It is also unclear what impact COVID-19 might have on the demand for units in the longer term. There may be reduced demand if there are significant outbreaks of COVID-19 at multiple retirement villages. Conversely, retirement villages that are shown to have effective systems in place that keep the elderly safe might experience greater demand for their units.

6.2.3 DCF valuation

Our DCF valuation of Metlifecare is summarised in Table 12. We estimate the equity value of Metlifecare at between $1.2 billion and $1.5 billion, which is equivalent to $5.71 to $7.07 per share with a midpoint of $6.39 per share.

Table 12: Summary of DCF valuation ($ million)

	Low	High
Existing operations	943	1,166
Development operations	245	312
Land Bank, Completed Stock, WIP	326	326
Enterprise value	**1,514**	**1,805**
Net debt	(297)	(297)
Equity value	**1,217**	**1,508**
Shares on issue (millions)	213.3	213.3
Value per share	**$5.71**	**$7.07**

Source: Calibre Partners analysis

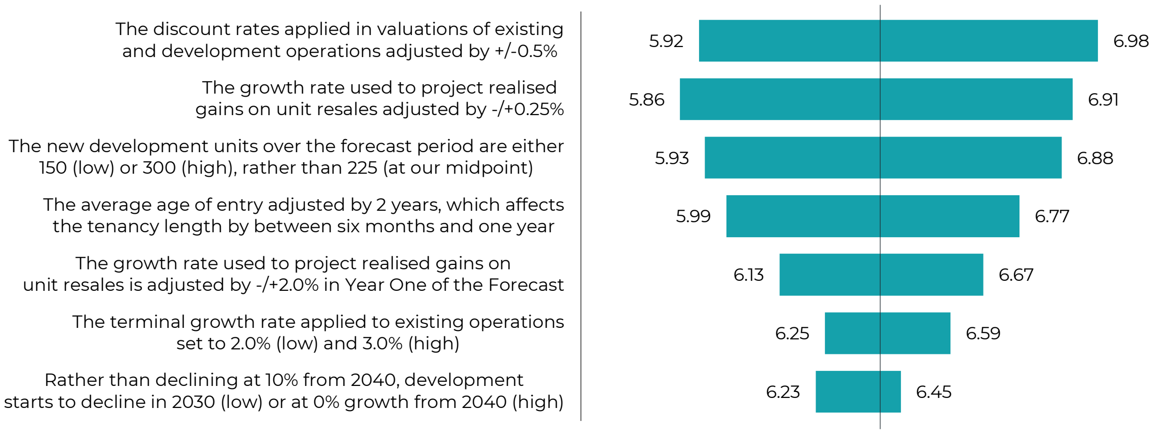
The low and high ends of our valuation range have been determined as follows:

- **Existing operations**: We have used the Forecast for Metlifecare's existing operations. However, due to the uncertainty around HPI forecasts and the significant influence these forecasts have on value, we have based the low and high ends of our range on HPI growth rates being 25 basis points below and above the base rates set out at Section 6.2.1.
- **Development operations**: For the high end of our valuation range, we have used Metlifecare's target build rate of 250 new units per annum from FY22 onwards. At the low end, we have set the new units to 200 per annum from FY22, to account for the risk that Metlifecare does not consistently achieve its target.
- **Land Bank, Completed Stock, WIP**: We have added on the value of properties held by Metlifecare that are not part of its existing operations. Most of this property is being, or is expected to be, used for future developments. We have added the same value to the low and high ends of our valuation range, which is based on the most recent land and buildings valuations for the properties.
- **Net debt**: We have deducted net debt held by Metlifecare as at the valuation date.

6.2.4 DCF sensitivity analysis

We have undertaken numerous sensitivities to our base case. Figure 23 shows the impact on our valuation of varying key assumptions.

Figure 23: DCF sensitivity analysis



Source: Calibre Partners analysis

Figure 23 shows that a significant portion of the value we ascribe to the Metlifecare shares is associated with the development of new units. Of the total $6.39 per share that we ascribe to Metlifecare (at the midpoint), approximately $1.31 per share (20%) is associated with future development profits earned by Metlifecare. This also suggests that our assumption that development activity declines at 10% from 2040 does not have a material impact on value, but if the decline began earlier (say in 2030), then the assessed value would reduce to approximately $6.23 per share.

This analysis also shows that the growth rate used to project the price of Metlifecare units has a material impact on the value we assess. The base case forecast has the change in sale prices going from a 1.4% decline in FY21 to positive growth of 3.4% per annum from FY25 onwards. Even relatively small changes of 25 basis points (every year) would have a significant impact of approximately 50 cents on the value of Metlifecare shares. This sensitivity is equivalent to long-term price increases averaging between 3.15% and 3.65% per annum.

We have also considered the effect of a short term but non-recurring impact on Metlifecare unit prices. A 200 basis point change in unit prices has an impact of approximately 27 cents on the value we assess for Metlifecare shares. This is relevant in the present circumstances, given the recent speculation in the media as to the impact that COVID-19 and an economic recession could have on property prices.

Figure 23 also presents the impact of changes to the average age of entry and the length of occupancy on the value of Metlifecare. If average occupancy is longer than projected, this would reduce the value of the shares, and vice versa. The sensitivity shown is a change in the entry age of two years, which is broadly equivalent to a change in occupancy period of between six months and one year.

6.3 Capitalisation of earnings

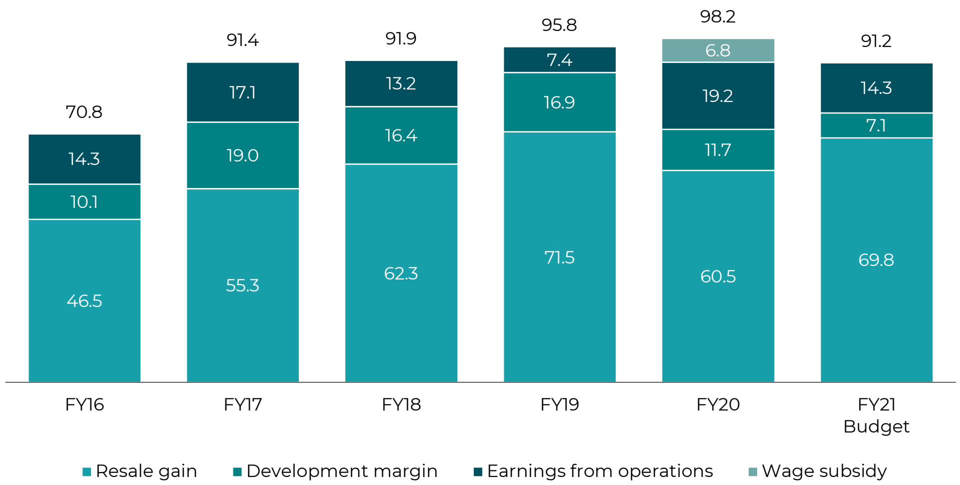
When undertaking a capitalisation of earnings valuation, the choice of the type of earnings and earnings multiple is typically based on the nature of the business and the industry in which it operates.

To value Metlifecare we have focused on its underlying profits (ungeared), which are more stable over time than statutory profits and we consider allow for better comparisons between operators. In contrast, statutory profits in any one year are significantly influenced by unrealised gains on units in that year, which will often be volatile and can depend on the period in which earnings are measured (i.e. the month in which a financial year ends) and the locations of operators' retirement villages.

6.3.1 Underlying profit

In order to assess a level of earnings to use in our capitalisation of earnings valuation, we have considered Metlifecare's underlying profits (ungeared) over the last five financial years and for the FY21 budget period, which are presented in Figure 24.

Figure 24: Underlying profit (ungeared) ($ million)



Source: Metlifecare statutory accounts, management accounts and forecast

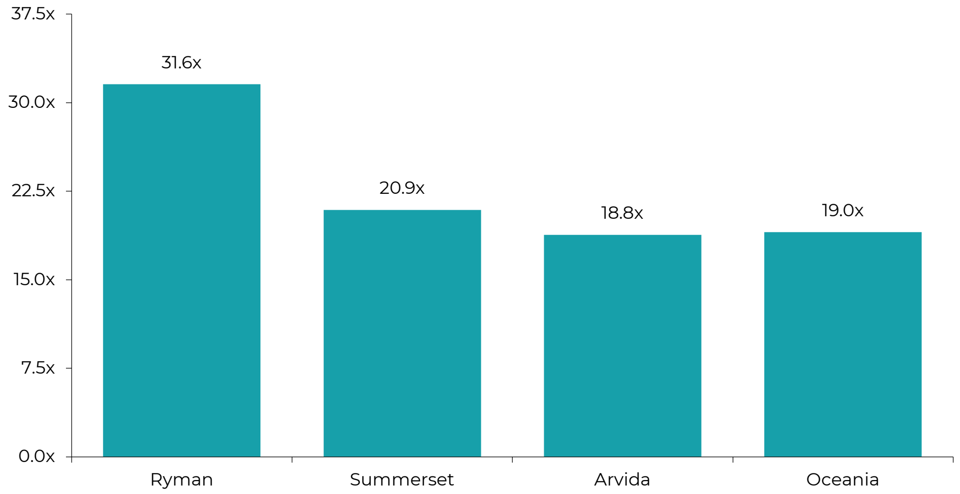
We have adopted an underlying profit (ungeared) of $91.4 million for Metlifecare. The bases for this estimate are as follows:

- Metlifecare reported $98.2 million of underlying profit (ungeared) in FY20, with lower realised resale gains and additional costs incurred in response to the lockdown restrictions partially offset by the wage subsidy of $6.8 million. Excluding the wage subsidy, underlying profit was $91.4 million. We consider FY20 earnings, excluding wage subsidy receipts, are relevant to our capitalisation of earnings valuation because when we benchmark Metlifecare against the other listed operators, we have analysed their historical (rather than forecast) earnings and have excluded impacts of the wage subsidy.
- Metlifecare has also budgeted $91.2 million of underlying profit (ungeared) in FY21, which is similar to the $91.4 million estimate we have adopted. Management is expecting lower development margins, higher sales and marketing costs and increases to rates and insurance during this period. No wage subsidy receipts are included in the FY21 budget.

6.3.2 Earnings multiple

We have benchmarked Metlifecare against the other listed retirement village operators in New Zealand. Figure 25 shows the earnings multiples for the other operators, based on the underlying profit they earned in their last full financial years.[32]

Figure 25: Underlying profit multiples as at 18 August 2020



Source: S&P Capital IQ, Annual Reports and Investor Presentations

A summarised description of each of the comparable operators is set out in Appendix 4.

The comparable listed operators have trading multiples between 18.8x and 31.6x underlying profit. There are fundamental differences between Metlifecare and the other listed operators, which are summarised in Table 13 below.

We observe that the median earnings multiple for the four comparable listed companies has increased by 8% since our previous Independent Adviser's Report in June 2020, as the companies' share prices continue to recover from the immediate effects of COVID-19 and the Alert Level 4 lockdown restrictions earlier this year.

[32] Some of the listed operators report underlying profits on a slightly different basis to Metlifecare. Where possible, Calibre Partners has adjusted the reported underlying profit of the other operators so that it is more comparable to Metlifecare. Summerset's multiple is based on its FY19 underlying profit (as 31 December balance date) and all other multiples have been calculated with respect to FY20 earnings results.

Table 13: Key metrics for retirement village operators

Company	Enterprise value[33]	Underlying profit split[34]			Earnings growth[35]	Land bank as % of existing portfolio[36]	Unit growth	
		Operations	Resale gains	Development			Historical[37]	Target[38]
Ryman	8,231	22%	43%	35%	11%	58%	8%	8%
Summerset	2,539	18%	28%	54%	14%	117%	11%	12%
Arvida	1,133	46%	36%	18%	28%	40%	18%	5%
Oceania	933	6%	29%	47%	14%	34%	(2%)	6%
Median	**1,836**	**20%**	**33%**	**41%**	**14%**	**49%**	**9%**	**7%**
Metlifecare	1,574	17%[39]	66%	17%	2%	34%	3%	5%

Source: Annual Reports and Investor Presentations of NZX-listed retirement village operators

Key observations concerning the metrics in Table 13 include the following:

- Over the last four years, Metlifecare has derived 17% of its underlying profit from operations. In contrast, the median for the other listed operators is to derive 20% of their underlying profit from operations. Arvida derives 46% of its underlying profit from operations, primarily due to its high proportion of care beds. Earnings from operations tend to be less reliant on HPI growth.
- Over the last four years, the portion of Metlifecare's underlying profit derived from resale gains has been double the median of the other operators. Metlifecare's resale gains have been achieved because of the high growth in residential house prices over the last decade, particularly in Auckland and Tauranga. Compared to other operators, Metlifecare's earnings appear to be more exposed to HPI changes. However, Metlifecare also has a relatively high embedded value, which means that much of its current value is already embedded and based on past (rather than forecast) HPI changes.
- Although influenced by external factors such as the property market and construction costs, earnings generated through development activity are also affected by the experience and efficiency of operators. Over the last four years, the share of Metlifecare's earnings generated from development operations has been less than half the median of the other operators. It is difficult to estimate the short to medium term impact of a deterioration in economic conditions on development profits; while a negative HPI change could lead to lower unit sale prices, development costs may also fall.
- Metlifecare's underlying profit has grown at approximately 2% per annum over its last four financial years, which is significantly less than for other operators.
- Metlifecare's land bank, relative to the size of its existing portfolio, is 34%. This is materially less than for the other operators. In particular, Summerset has a large land bank at 117% of its current portfolio. The value ascribed to an operator's land bank is part of its enterprise value, but has not contributed to past earnings. All else equal, an entity with a larger land bank should have a higher earnings multiple.
- Metlifecare's unit growth, in relative terms, has been below that of Ryman, Summerset and Arvida. The future build rates targeted by each operator suggest this trend is likely to continue. Oceania's units have declined in number as it has exited some villages, but it has achieved earnings growth over the same period.

[33] The enterprise values were assessed based on the comparable companies' share prices as at 18 August 2020 and the most recent disclosed cash and interest-bearing debt balances. Metlifecare's enterprise value is based on the proposed consideration value of $6.00 per share.

[34] We have split the underlying earnings based on a weighted average of the FY17 to FY20 (where available) financial results.

[35] The earnings growth is based on the annual change in underlying profit between FY17 and FY20 (where available).

[36] This percentage compares the number of land bank units and beds to the number of existing units and beds. This includes Australian sites for Ryman and Summerset.

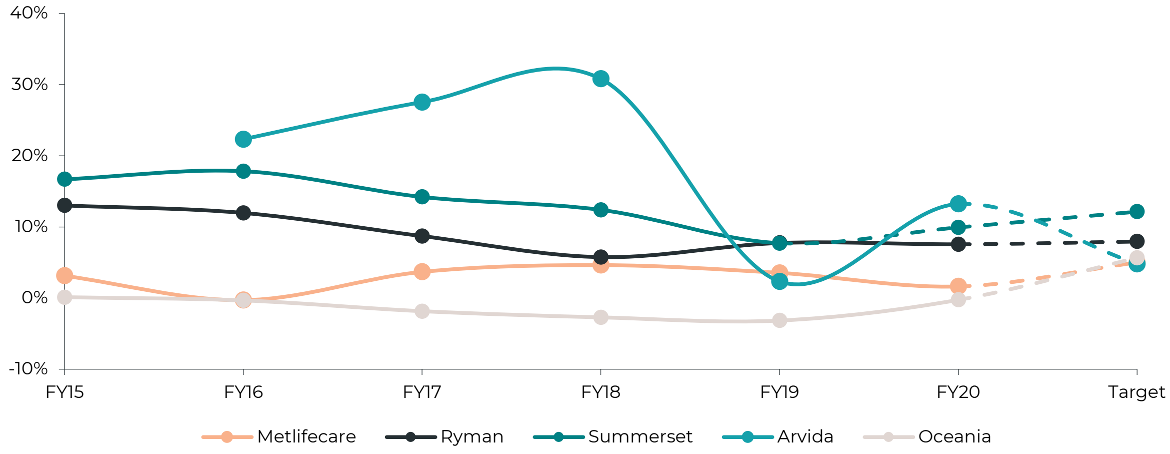
[37] The historical unit growth rate is based on the net annual change in units between FY16 and FY20 (where available).

[38] The target unit growth rate is based on the target number of units that the operators have stated will be added in or around FY21.

[39] This includes a $6.8 million wage subsidy received in the FY20 period.

Figure 26 shows the historical growth rates of the operators' portfolios between FY15 and FY20 (where available), plus their targets going forward. Metlifecare's growth rate, relative to its existing size, has typically been lower than for all the other NZX-listed operators, except Oceania. Its target growth rate is the same as Arvida's but lower than that for all the other listed operators.

Figure 26: Portfolio growth rates (by units)



Source: Annual Reports and Investor Presentations of NZX-listed retirement village operators

Selection of earnings multiple

We have adopted an earnings multiple of 17x to 19x underlying profit (ungeared) for Metlifecare, after considering the following:

- The comparable listed operators have historical multiples of between 18.8x and 31.6x underlying profit, with a median of 20.0x underlying profit. Excluding Ryman, the median multiple is 19.0x underlying profit.
- Typically, assuming business earnings are increasing, forward earnings multiples are lower than historical earnings multiples.
- The comparable trading multiples are based on prices assessed for small minority parcels of shares. Therefore, the multiples set out above do not include a control premium that would typically apply to a 100% shareholding.
- Compared to the other operators, Metlifecare earns a higher proportion of its underlying profit from resale gains, which leaves it relatively more exposed to changes in the residential housing market.
- Metlifecare's earnings growth has been materially lower than that of the other listed operators over the past four years.
- Metlifecare has undertaken less development activity than the other listed operators. While it expects to increase its development of new villages, its target development level is lower than for most of the other listed operators, relative to the size of its existing portfolio.
- Metlifecare has a smaller land bank, relative to the size of its existing portfolio, than most other listed operators.
- When compared to the other listed companies, Metlifecare has a relatively high share of its value as embedded value, which we consider is less affected by prevailing economic conditions than are development operations (which the other operators are more reliant on for their earnings).
- In our previous report, we adopted a multiple range of 16x to 18x underlying profit (ungeared). Observed trading multiples have since increased as companies recover from the immediate effects of COVID-19 and the Alert Level 4 lockdown restrictions.

6.3.3 Capitalisation of earnings valuation

Table 14 summarises our capitalisation of earnings valuation for Metlifecare. The valuation range is $5.89 to $6.75 per share, with a midpoint of $6.32 per share. This compares to the proposed consideration of $6.00 per share.

Table 14: Capitalisation of earnings valuation

	Low	High
Underlying profit (ungeared)	91.4	91.4
Underlying profit multiple	17x	19x
Enterprise value	**1,554**	**1,737**
Cash/(net debt)	(297)	(297)
Equity value	**1,257**	**1,440**
Shares on issue (million)	213.3	213.3
Value per share	**5.89**	**6.75**

Source: Calibre Partners analysis

As a summary of the inputs to our capitalisation of earnings valuation:

- **Approach**: We have used underlying profit (ungeared) as the basis for the valuation.
- **Underlying profit**: We have adopted underlying profit (ungeared) of $91.4 million. This is primarily based on Metlifecare's FY20 result, excluding the wage subsidy.
- **Underlying profit multiple**: We have adopted an earnings multiple range of 17x–19x. This was assessed by benchmarking Metlifecare against the other NZX-listed operators. This multiple includes a premium for control.

  Metlifecare generally compared less favourably on key metrics to the other listed operators. Partly offsetting this, the comparable trading multiples are based on prices assessed for small minority parcels of shares and therefore exclude a control premium that would typically apply to a 100% shareholding.
- **Net debt**: We have deducted net debt held by Metlifecare as at the valuation date.

6.4 Adjusted net assets cross-check

We have analysed the book value of Metlifecare as a valuation cross-check.

The majority of the book value of Metlifecare is based on DCF valuations of its property assets. However, those valuations exclude value associated with its development operations and also exclude head office costs.

To cross-check our valuation range, we have first adjusted Metlifecare's book value for the value associated with its development operations, as well as its head office costs (both of which are excluded from the valuations that underpin the book values of Metlifecare's assets). Our analysis is summarised in Table 15.

Table 15: Adjusted book value ($ per share)

Value per share	Low	High
Net assets	$7.18	$7.18
Development operations	$1.15	$1.46
Head office costs	($1.75)	($1.75)
Adjusted book value	**$6.58**	**$6.90**

Source: Calibre Partners analysis

We have assessed an adjusted book value for Metlifecare at between $6.58 and $6.90 per share, which is based on the following:

- **Net assets**: The value of Metlifecare's net assets is equivalent to $7.18 per share as at 30 June 2020. The net asset balance is based on CBRE valuation analysis at this date and therefore it recognises some impacts of COVID-19, the lockdown restrictions and resultant changes to economic conditions. Notably, a $74.8 million unrealised loss is included in the fair value measurement of Metlifecare's investment properties at 30 June 2020.
- **Development operations**: We assess the present value of Metlifecare's future development profits at between $245 million and $312 million, which is equivalent to $1.15 and $1.46 per share (refer to Section 6.2.3).
- **Head office costs**: We assess the present value of Metlifecare's shared support and corporate overhead costs (excluding the portion associated with development) at $373 million, which is equivalent to $1.75 per share. This is based on costs of $21.6 million in FY21, increasing at 1.0% per annum.

We observe that some of the other retirement village operators have price to net asset multiples that are higher than for Metlifecare. However, these entities have generally undertaken more development activity than Metlifecare, which has resulted in higher earnings growth. Ryman is also significantly larger in size than Metlifecare, which means its head office costs are spread over a larger business. These factors typically lead to higher price to net asset multiples.

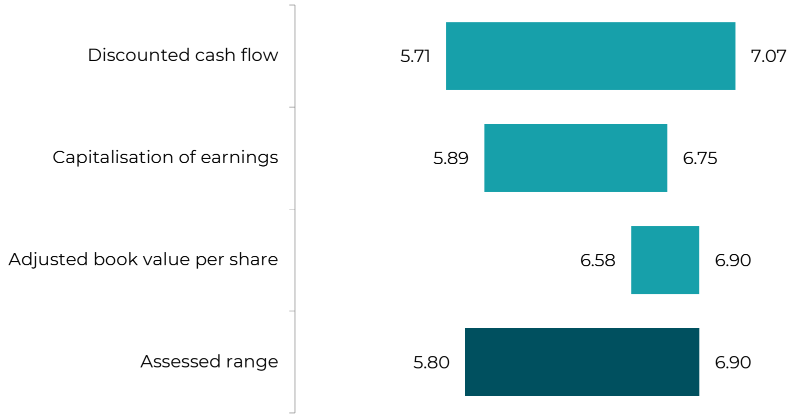
6.5 Valuation summary

We estimate the value of Metlifecare's equity at between $5.80 and $6.90 per share, with a midpoint of $6.35 per share. The valuation is for the full underlying value of Metlifecare assuming 100% of the company were available to be acquired, and therefore includes a premium for control. The value exceeds the price at which, based on current market conditions, Calibre Partners would expect Metlifecare shares to trade on the NZX in the absence of a takeover offer or acquisition scheme similar in nature to the Scheme.

We have adopted our valuation range after considering the DCF and capitalisation of earnings methodologies, as well as an adjusted book value per share for Metlifecare. Of the three approaches, we consider the DCF methodology is the best guide to Metlifecare's value, but consider the other approaches to be useful cross-checks.

The valuation ranges calculated under each methodology, as well as our assessed range, are presented in Figure 27.

Figure 27: Valuation summary ($ per share)



Source: Calibre Partners analysis

The proposed consideration of $6.00 per share sits within our assessed range, but below the midpoint.

7. Merits of the Scheme

The Code requires the independent adviser to form an opinion as to the merits of the proposed transaction and, in doing so, to take into consideration issues wider than just a valuation.

The term 'merits' has no definition in either the Code or in any statute dealing with securities or commercial law in New Zealand. Although the Code does not prescribe a meaning of the term 'merits', the Panel has interpreted the word to include both positives and negatives in respect of a transaction. We have adopted that approach in preparing this Report.

7.1 Metlifecare's recent performance

Metlifecare's underlying profit (ungeared) increased from $70.8 million to $98.2 million over the period from FY16 to FY20. This increase was achieved as a result of strong HPI growth, particularly in Auckland and Tauranga. This has increased the realised resale gains earned by Metlifecare when its units are sold.

Metlifecare's FY20 financial performance was influenced by the government-mandated restrictions for the containment and elimination of COVID-19. These measures restricted access to Metlifecare's villages which, in turn, impacted Metlifecare's ability (in the short term) to market and sell existing and newly developed retirement village units, and undertake anything other than essential property maintenance. Metlifecare also incurred additional costs to ensure the safe operation of its villages and care facilities throughout the lockdown periods. In addition, Metlifecare has delayed some construction activity relating to its development projects.

Before the Alert Level 4 lockdown restrictions were implemented, Metlifecare had forecast $97.0 million of underlying profit (ungeared) for FY20. Lower realised resale gains and additional costs incurred in response to the lockdown restrictions were partially offset by the $6.8 million wage subsidy. Excluding wage subsidy receipts, Metlifecare's underlying profit (ungeared) was $91.4 million in FY20.

Metlifecare has budgeted for its FY21 underlying profit (ungeared) to reduce to $91.2 million, reflecting expectations of lower development margins, higher sales and marketing costs and increases to rates and insurance. Other property-related costs are also anticipated, as work delayed by the lockdown period is to be completed in FY21.

In the longer term, Metlifecare considers its earnings should be relatively unaffected by COVID-19 and the lockdown period, but its performance could be affected by changes in economic conditions. Metlifecare's earnings are significantly influenced by the growth in house prices in Auckland and Tauranga, as well as the performance of its development activities.

Unlike many of the NZX-listed retirement village operators, Metlifecare earns a relatively low proportion of its underlying profit from development activities. Metlifecare plans to increase its level of development activity, which could improve its profitability. However, when compared to most other listed operators, it has less recent experience at undertaking developments and has less land available for development. Metlifecare having less exposure to development activities may prove advantageous during an economic recession, as its earnings are likely to be more resilient due to a lower reliance on development profits.

The emergence of COVID-19 in late March and APVG's termination notice in April 2020 (in relation to the Original SIA) led to a significant decline in Metlifecare's share price, from a high of $6.93 to an intraday low of $3.16 per share. The share price subsequently recovered to $5.22 per share, just prior to the announcement of the SIA. Since the SIA was announced, the Metlifecare share price has generally traded around $5.90 per share, which is slightly below the proposed consideration.

7.2 Valuation of Metlifecare

We assess the full underlying value of Metlifecare at between $5.80 and $6.90 per share, as set out in Section 6. This valuation range was determined on 25 August 2020. The proposed consideration of $6.00 per share is below the $6.35 per share midpoint of our assessed range.

Our assessment is based on the value of acquiring 100% of Metlifecare and therefore includes a premium for control. The value exceeds the price at which, based on current market conditions, Calibre Partners would expect Metlifecare shares to trade on the NZX in the absence of a takeover offer or acquisition scheme similar in nature to the Scheme.

We have adopted our valuation range after considering the DCF and capitalisation of earnings methodologies, as well as an adjusted book value per share for Metlifecare. Of the three approaches, we consider the DCF methodology to be the best guide to Metlifecare's value, but consider the other approaches to be useful cross-checks.

Our DCF valuation range is $5.71 to $7.07 per share. Important considerations to this estimate include:

- Approximately 20% of the midpoint value is associated with future development profits projected by Metlifecare. This is despite Metlifecare not having a strong development track record, when compared to other listed operators.
- Our valuation is highly sensitive to HPI growth, with even a relatively small change of 0.25% (25 basis points) every year having a significant impact of approximately 50 cents on the value of Metlifecare shares. A one-off change of 2.00% (200 basis points) has an impact of around 27 cents per share.
- We have assessed value assuming Metlifecare never needs to pay income tax. There is a risk that a New Zealand Government of the future could change the tax rules in a way that is detrimental to retirement village operators.

Our capitalisation of earnings valuation ($5.89 to $6.75 per share) is based on an earnings multiple range of 17x to 19x, which we have applied to underlying profit (ungeared) of $91.4 million. In assessing an earnings multiple, we benchmarked Metlifecare against the other listed operators in New Zealand. Metlifecare generally compared less favourably on key metrics to the other listed operators. Partly offsetting this, the comparable trading multiples are based on prices assessed for small minority parcels of shares and therefore exclude a control premium that would typically apply to a 100% shareholding.

The proposed consideration represents a 14.9% premium to a share price of $5.22 per share, being the closing price on 3 July 2020 just before Metlifecare announced the receipt of an NBIO from APVG. The proposed consideration is also at an 18.1% premium to a share price of $5.08 per share, being the closing price on 19 November 2019 just prior to the announcement that Metlifecare had received a non-binding, preliminary expression of interest from APVG.

7.3 Voting on the Scheme

For the Scheme to proceed, it is necessary that both of the two voting thresholds are met, being:

1. 75% or more of the votes cast in each interest class[40] must be voted in favour of the Scheme.
2. More than 50% of the total number of Metlifecare shares on issue must be voted in favour of the Scheme.

A majority of Metlifecare's six directors recommend shareholders vote in favour of the Scheme in the absence of a superior proposal. Metlifecare's Chairman, Kim Ellis, recommends shareholders vote against the Scheme for the reasons set out in section 3.2 of the scheme booklet. Carolyn Steele has abstained from making a recommendation given her association with NZ Super, the largest shareholder of Metlifecare.

[40] At the date of this Report, it is expected that all shareholders will comprise one interest class.

The largest shareholder is NZ Super, which has a substantial interest of 19.9% of the shares on issue. NZ Super has entered a voting deed with APVG under which it has agreed to vote its 19.9% interest in favour of the Scheme, subject to certain terms and conditions.

Other than NZ Super, Metlifecare's shares are widely held by institutional and retail investors, as well as certain hedge funds. Because its shares are widely held, the intentions of one or two key shareholders do not make it certain that the Scheme will be approved.

A significant number of Metlifecare shares have traded through the NZX Main Board in recent history. It is possible that a party could acquire an interest in Metlifecare that would reduce the probability of the 75% threshold being reached. Aside from NZ Super, there are four other substantial product holders with shareholdings of more than 5%. The aggregate of these SPH interests was 29.2% as at 25 August 2020.

7.4 Alternatives to the Scheme

Metlifecare shareholders could choose to vote against the Scheme, either on the basis that they prefer to remain shareholders of Metlifecare or in the expectation that they might realise superior value through an alternative transaction in the future.

If shareholders do not approve the Scheme, Metlifecare's shares would continue to be quoted on the NZX Main Board and by ASX. In the absence of any other factors, there is a real prospect that Metlifecare's share price may recede from current levels, due to a potential reversal of any positive effect that has been caused by the announced SIA.

The long-term consequences of a decision to reject the Scheme are less clear. Metlifecare expects COVID-19 and the lockdown periods will have a minimal impact on its long-term financial performance. Instead, Metlifecare's long-term performance is highly dependent on growth in house prices in Auckland and Tauranga, as well as its ability to execute on its development plans. Although Metlifecare has experience at undertaking developments, it has less recent experience than most of the other listed operators.

It is possible that Metlifecare shareholders may be able to realise greater value through an alternative transaction in the future. However, it would be presumptive to assume that one will eventuate, particularly given the uncertain economic conditions at present and current volatility in share prices.

No competing proposal has emerged since Metlifecare's announcement, on 20 November 2019, that it had received an unsolicited approach from a credible third party to acquire it. Following that announcement, EQT Infrastructure IV Fund undertook detailed and confidential due diligence and negotiations with Metlifecare that ultimately led to the Original SIA and later, the SIA. In December 2019, Metlifecare received two unsolicited expressions of interest from other parties, which were highly conditional and not further developed.

There is nothing to prevent any potential alternative acquirer from announcing its interest in an acquisition of Metlifecare at some time before the meeting at which shareholders will vote on the Scheme. An alternative acquirer could also purchase a blocking interest in Metlifecare on market, potentially at prices above the proposed consideration of the Scheme. In the absence of such a counter-offer, Metlifecare shareholders could have some confidence that there are no superior alternative transactions involving a currently unknown third party, in the near term at least.

If the Scheme is successful, shareholders that wish to maintain an exposure to retirement village operators would be able to invest the proceeds into shares of the other listed companies.

7.5 Likelihood of APVG increasing its proposed consideration

Unless a superior alternative proposal is forthcoming, we consider it unlikely that APVG will increase the proposed consideration to more than $6.00 per share. A majority of Metlifecare's six directors recommend shareholders vote in favour of the Scheme and the SIA also specifies no requirement for the transaction price to fall within or above the independent adviser's valuation range.

APVG may increase the proposed consideration if it thought the Scheme were otherwise likely to be rejected. However, there is no certainty that APVG would increase the consideration, particularly as we consider an important reason for APVG entering into the SIA was to settle its dispute with Metlifecare, which related to the Original SIA. The litigation has now been settled, regardless of whether the Scheme is approved or rejected.

Appendix 1: Sources of information

Documents relied upon

Key information sources we have used and relied on, without independent verification, in preparing this Report include the following:

- Metlifecare annual reports
- Metlifecare investor presentations
- Metlifecare management accounts
- Metlifecare FY21 budget
- Metlifecare 20-year forecast model
- Metlifecare share register and trading information
- Annual reports and investor presentations of other listed operators
- S&P Capital IQ
- Statistics New Zealand website (www.stats.govt.nz)
- New Zealand Treasury website (www.treasury.govt.nz)
- Reserve Bank of New Zealand website (www.rbnz.govt.nz)
- Broker reports
- Economic outlook reports from banks, including HPI forecasts
- Other publicly-available information

We have also had discussions with Metlifecare's management team in relation to the nature of Metlifecare's business operations and the known risks and opportunities for the Company in the foreseeable future.

Reliance upon information

In forming our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Metlifecare and its advisers. We have no reason to believe any material facts have been withheld.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion, but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audit on the accounting or other records of Metlifecare. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

Appendix 2: Qualifications and declarations

Qualifications

Calibre Partners (previously known as KordaMentha) is an independent New Zealand Chartered Accounting practice. The firm has established its reputation nationally through the provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because we have no audit or tax divisions, we avoid potential conflicts of interest that may otherwise arise. This allows Calibre Partners to regularly act as an independent adviser and prepare independent reports.

The persons responsible for preparing and issuing this Report are Grant Graham (BCom, CA), Shaun Hayward (BCom, BProp, CFA) and Hamish Don (BCom (Hons)). All have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

Disclaimers

This Report should not be used or relied upon for any purpose other than as an expression of Calibre Partners' opinion as to merits of the proposed transaction. Calibre Partners expressly disclaims any liability to any Metlifecare securityholder that relies, or purports to rely, on this Report for any other purpose and to any other party who relies, or purports to rely, on the Report for any purpose.

This Report has been prepared by Calibre Partners with care and diligence, and the statements and opinions given by Calibre Partners in this Report are given in good faith and in the belief, on reasonable grounds, that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Calibre Partners or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of the Report, provided that this shall not absolve Calibre Partners from liability arising from an opinion expressed recklessly or in bad faith.

Indemnity

Metlifecare has agreed that, to the extent permitted by law, it will indemnify Calibre Partners and its partners, employees and officers in respect of any liability suffered or incurred as a result of, or in connection with, the preparation of the Report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. Metlifecare has also agreed to indemnify Calibre Partners and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person, except where Calibre Partners or its partners, employees and officers are guilty of negligence, misconduct or breach of law, in which case Calibre Partners shall reimburse such costs.

Independence

Calibre Partners and the persons responsible for the preparation of this Report do not have at the date of this Report, and have not had, any shareholding in, or other relationship, or conflict of interest with Metlifecare that could affect their ability to provide an unbiased opinion in relation to this transaction. Calibre Partners will receive a fee for the preparation of this Report. This fee is not contingent on the success or implementation of the proposed transaction or any transaction complementary to it. Calibre Partners and the persons responsible for the preparation of this Report have no direct or indirect pecuniary interest or other interest in this transaction. We note for completeness that a draft of this Report was provided to Metlifecare and its advisers, solely for the purpose of verifying the factual matters contained in this Report. While minor changes were made to the drafting, no material alteration to any part of the substance of this Report, including the methodology or conclusions, were made as a result of issuing the draft.

Consent

Calibre Partners consents to the issuing of the Report, in the form and context in which it is included, in the information to be sent to Metlifecare shareholders. Neither the whole nor any part of the Report, nor any reference thereto, may be included in any other document without the prior written consent of Calibre Partners as to the form and context in which it appears.

Appendix 3: Valuation methodologies

There are four methodologies commonly used for valuing businesses:

1. Discounted cash flow (DCF) analysis
2. Capitalisation of earnings
3. Estimate of proceeds from an orderly realisation of assets
4. Industry rules of thumb.

Each of these valuation methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of business involved.

Discounted cash flow

It is a fundamental principle that the value of an asset or business is represented by its expected future cash flows, discounted to present value at a rate that reflects the risks inherent in those cash flows. This approach, referred to as the DCF methodology, is particularly suited to situations where a business is in a growth phase or requires significant additional investment to achieve its projected earnings.

The DCF methodology requires considerable judgement in estimating future cash flows and the valuer generally places significant reliance on medium to long term projections prepared by management. The DCF valuation methodology can also be very sensitive to changes in underlying assumptions. Notwithstanding these limitations, DCF valuations are appropriate where current earnings are not representative of reasonable expectations of future earnings.

Capitalisation of earnings

The capitalisation of earnings methodology requires an assessment of the maintainable earnings of the business and the selection of an appropriate capitalisation rate, or earnings multiple. This methodology is most appropriate where there is a long history of relatively stable returns and capital expenditure requirements are neither large nor irregular. In practice, it is often difficult to obtain accurate forecasts of future cash flows and therefore the capitalisation of earnings methodology is often used as a surrogate for the DCF methodology.

Realisation of assets

The realisation of assets approach is based on an estimate of the proceeds from an orderly sale of assets. This methodology is more commonly applied to businesses that are not going concerns. The valuation result reflects liquidation values and typically attributes no value to any goodwill associated with ongoing trading.

Industry rules of thumb

In some industries, businesses are valued using well established 'rules of thumb'. Generally, these rules of thumb are used as a cross-check for other valuation methodologies.

Appendix 4: Comparable listed companies

Ryman Healthcare

Ryman operates and develops integrated retirement villages, rest homes and hospitals in New Zealand and Australia. Ryman's portfolio, the largest of any NZX-listed operator, consists of 34 villages in New Zealand and two villages in Australia, and houses over 11,600 residents. The company's development portfolio includes nine greenfield villages in both New Zealand and Australia as well as brownfield developments. The company was founded in 1984 and is based in Christchurch, New Zealand.

Figure A1: Ryman portfolio mix (units)

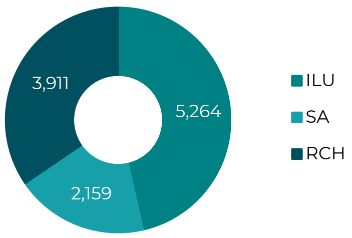


Figure A2: Ryman locations (by units)

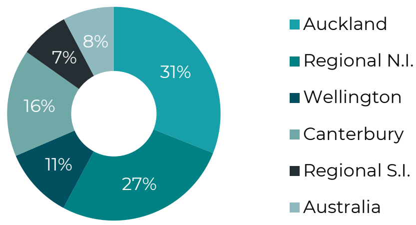
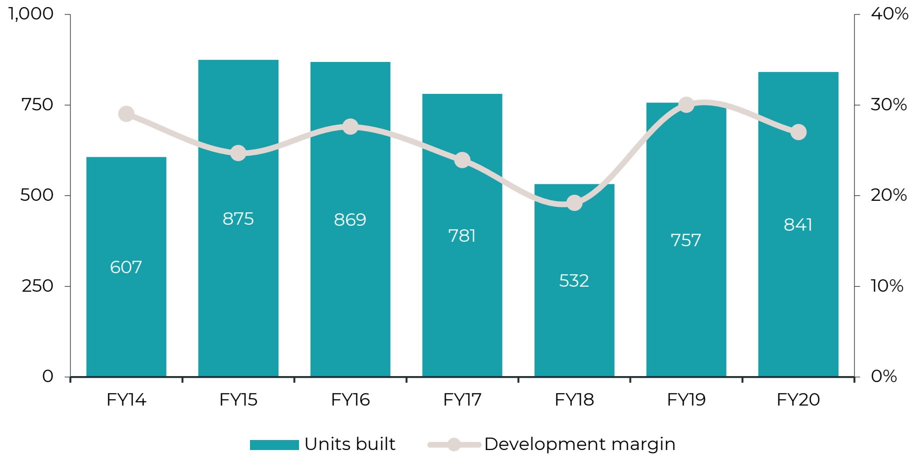


Table A1: Ryman financial information ($ million, March balance date)

		FY17	FY18	FY19	FY20
Earnings through operations		48.2	53.5	54.9	45.5
Resale gains		77.3	107.2	102.6	109.6
Development margin		63.0	59.0	87.9	105.8
Underlying profit		**188.5**	**219.7**	**245.4**	**260.8**
Enterprise value	**8,231**				
Current enterprise value to underlying profit		*43.7x*	*37.5x*	*33.5x*	*31.6x*
Underlying profit growth rate			*17%*	*12%*	*6%*

Figure A3: Ryman historical development profile



Summerset Group

Summerset has a portfolio of 31 villages across New Zealand. Its portfolio includes 4,225 units, 901 care beds and accommodates over 5,700 residents. Summerset has experienced strong growth over the last few years, led by the development of new villages. Summerset has two sites under development in Australia (Torquay and Cranbourne North). Summerset was established in 1994.

Figure A4: Summerset portfolio mix (units)

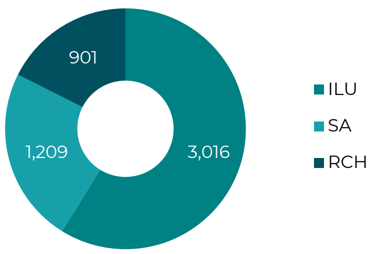


Figure A5: Summerset locations (by units)

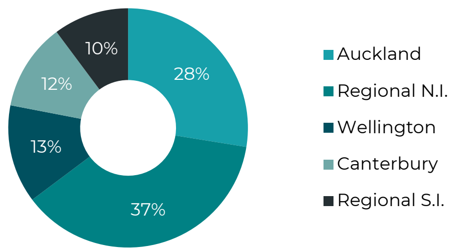
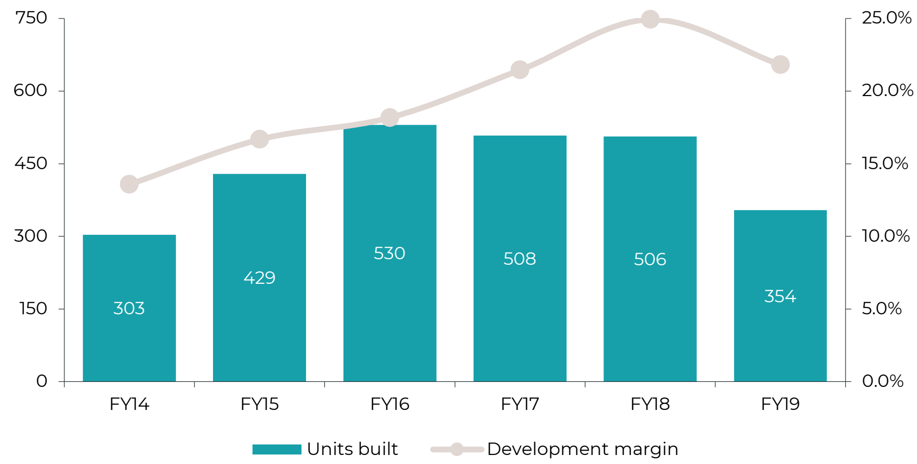


Table A2: Summerset financial information ($ million, December balance date)

		FY17	FY18	FY19
Earnings through operations		17.1	17.7	23.5
Resale gains		24.9	28.7	36.9
Development margin		51.0	63.7	61.0
Underlying profit		**93.0**	**110.0**	**121.4**
Enterprise value	**2,539**			
Current enterprise value to underlying profit		*27.3x*	*23.1x*	*20.9x*
Underlying profit growth rate			*18%*	*10%*

Figure A6: Summerset historical development profile



Arvida Group

Arvida owns and operates 32 retirement villages in New Zealand. Formerly known as Hercules Limited, Arvida was founded and listed on the NZX in 2014, and is based in Auckland.

Figure A7: Arvida portfolio mix (units)

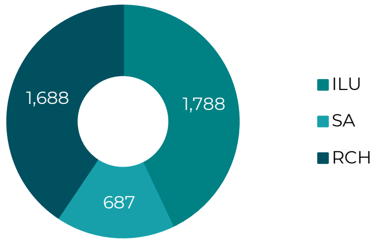


Figure A8: Arvida locations (by units)

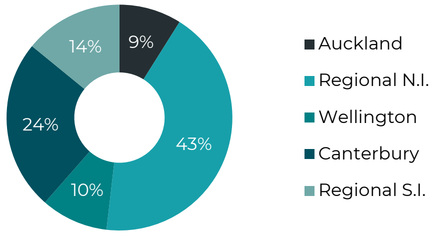
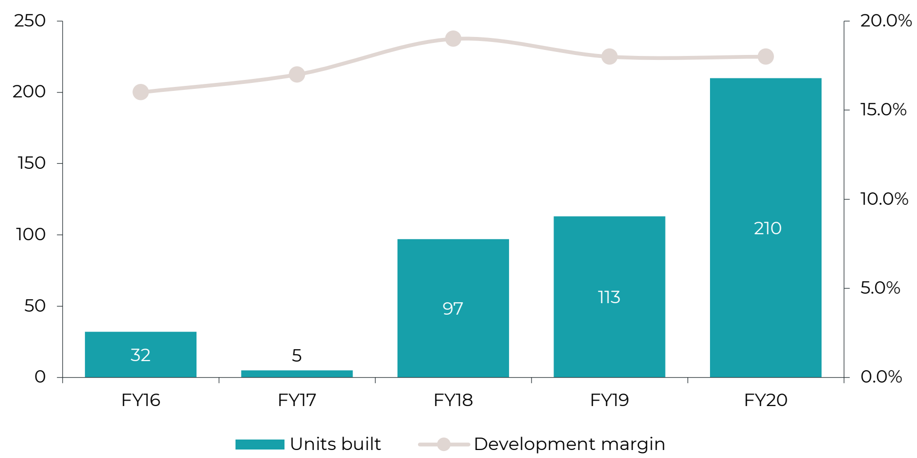


Table A3: Arvida financial information ($ million, March balance date)

		FY17	FY18	FY19	FY20
Earnings through operations		17.3	24.4	20.9	21.0
Resale gains		8.9	13.3	19.5	23.7
Development margin		2.4	6.5	7.5	15.6
Underlying profit		**28.6**	**44.2**	**48.0**	**60.3**
Enterprise value	**1,133**				
Current enterprise value to underlying profit		*39.6x*	*25.6x*	*23.6x*	*18.8x*
Underlying profit growth rate			*55%*	*8%*	*26%*

Figure A9: Arvida historical development profile



Oceania Healthcare

Oceania owns and operates 44 rest homes and retirement villages in New Zealand. Established in 2005, the Auckland-based company was formerly known as Retirement Care (NZ) Limited and listed on the NZX in 2017.

Figure A10: Oceania portfolio mix (units)

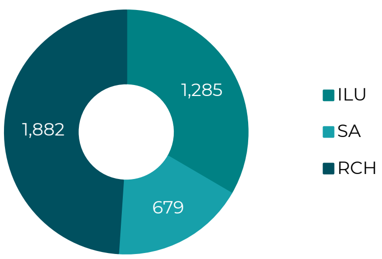


Figure A11: Oceania locations (by units)

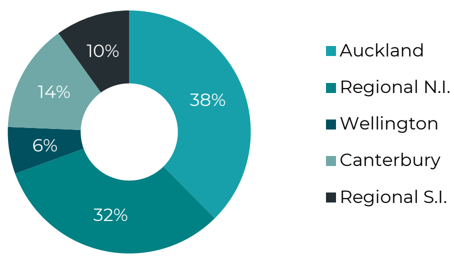
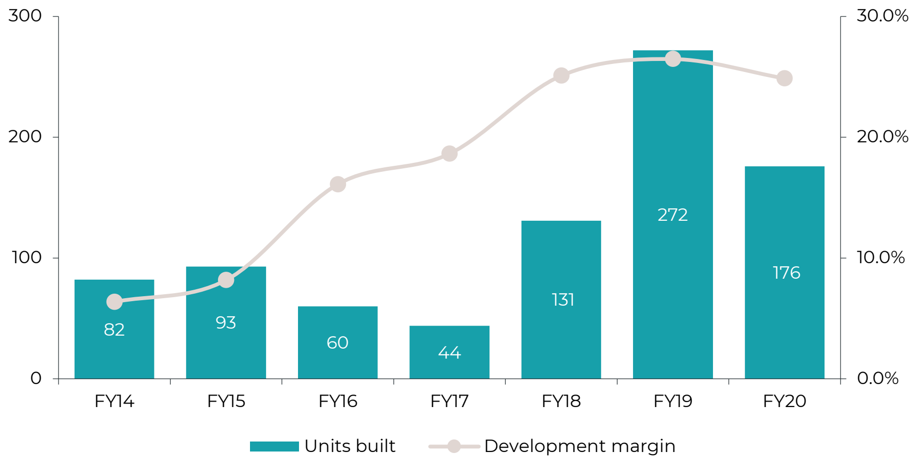


Table A4: Oceania financial information ($ million, May balance date)

	FY17	FY18	FY19	FY20
Earnings through operations	15.6	9.2	3.8	(16.1)
Resale gains	12.7	16.9	15.1	11.5
Rental expenditure in relation to right of use asset	-	7.7	6.2	19.2
Loss/gain on sale or decommissioning of assets	-	-	0.1	0.1
Development margin	5.2	21.1	29.5	34.3
Underlying profit	**33.4**	**54.8**	**54.7**	**49.1**
Enterprise value	**933**			
Current enterprise value to underlying profit	*27.9x*	*17.0x*	*17.1x*	*19.0x*
Underlying profit growth rate		*64%*	*0%*	*(10%)*

Figure A12: Oceania historical development profile



Appendix 5: Discount rates

We have determined the discount rates that we apply to Metlifecare based on an assessment of its post-tax, nominal weighted average cost of capital (WACC).

It is commonly accepted practice to determine WACC using the following formula:

$$WACC = R_d(1 - T_c)\frac{D}{D+E} + R_e\frac{E}{D+E}$$

Where:

- **E** = the market value of equity capital
- **D** = the market value of debt capital
- **R_d** = the required rate of return on debt capital (cost of debt)
- **R_e** = the required rate of return on equity capital (cost of equity)
- **T_c** = the statutory corporate tax rate

Leverage

When estimating Metlifecare's cost of capital, we have assumed an optimal capital structure with nil debt. We have adopted this approach partly due to the significant operational leverage that Metlifecare has built into its business model, due to upfront payments made by residents to acquire ORAs, which provides a disincentive to additional leverage.

Metlifecare also pays no corporate tax, so it has no tax shield from its borrowings. This makes it relatively inefficient for Metlifecare to have debt over the long term, unless there are other benefits to having it.

In its current form, Metlifecare has approximately $300 million of net debt. This debt arose over the last few years as Metlifecare acquired land and undertook new developments. When the developments are completed, the amounts paid by the incoming residents for ORAs should largely cover the acquisition and development costs. We understand from Metlifecare that debt capital was preferred for these developments as it avoids raising new equity capital, which would only need to be returned to shareholders when the developments are complete.

By assuming nil debt in Metlifecare's optimal capital structure, the WACC formula we use simplifies to solely an assessment of the required rate of return on equity capital. For completeness, an assessment of WACC in the New Zealand tax jurisdiction is generally not significantly affected by leverage.

Capital Asset Pricing Model

The Capital Asset Pricing Model (**CAPM**) is typically used to determine a cost of equity.

The standard version of CAPM assumes that all sources of investment income are equally taxed at the personal level. The New Zealand tax regime differs because both capital gains and dividends are less onerously taxed than interest. Consequently, it is common practice in New Zealand to use a version of CAPM that recognises the favourable tax treatment of equity returns. The specification most commonly adopted in New Zealand is the simplified Brennan-Lally CAPM. This model is applicable to post-corporate tax, but pre-investor tax cash flows. It uses the following formula:

$$R_e = R_f(1 - T_i) + \beta_e[R_m - R_f(1 - T_i)]$$

Where:

- **T_i** = investors' effective tax rate on interest, dividends and capital gains
- **R_f** = the risk-free rate of return
- **β_e** = the equity beta for the entity being valued
- **R_m** = the expected return on the market portfolio

The terms $[R_m - R_f (1 - T_i)]$ are generally grouped into a single tax-adjusted market risk premium (**TAMRP**).

Investors' effective tax rate (T_i)

We have adopted an effective investors' tax rate on interest, dividends and capital gains of 28%. This is the rate commonly used by valuers in New Zealand.

Unlike many other New Zealand companies, Metlifecare pays dividends without any imputation credits. However, like other New Zealand companies, its shareholders typically pay minimal capital gains tax. Important to our use of the simplified Brennan-Lally CAPM and adoption of a 28% investors' tax rate is that a new owner of Metlifecare can set a dividend policy as it sees fit. This could include reinvesting profits into other profitable activities, avoiding the need to pay unimputed dividends.

Risk free rate (R_f)

Metlifecare has provided us with a 20-year cash flow forecast. We have assessed and applied different discount rates to the cash flows that occur in each year of the Forecast, based on the timing of those cash flows. To do this, we have necessarily determined a different discount rate for each of the next 20 years. We have also considered value beyond the 20-year forecast period assuming discount rates revert to a long-term estimate.

The key difference between the discount rates we have determined for each period is the risk-free rate adopted. We have adopted the risk-free interest rates specified by The Treasury for use by government entities for certain accounting valuation purposes.[41] These risk-free interest rates are measured as at 30 June 2020 and were determined with reference to the overnight cash rate, Treasury bills, government bond yields and long-term expectations.

The one-year forward risk-free rates specified by The Treasury are summarised in Table A6.

Equity beta (β_e)

An equity beta is a measure of an investment's volatility. The beta of the market portfolio is 1.0. A beta above 1.0 indicates that an investment is more volatile than the market and has higher systematic (market-related) risk. A beta below 1.0 indicates that an investment has a lower level of systematic risk. An equity beta factors in the leveraging effect of debt in an investment's capital structure.

For a company with nil debt, the equity beta will equal the asset beta. As we have assumed an optimal capital structure with nil debt for Metlifecare, the equity beta we use when determining its cost of equity will be the same as its asset beta.

Table A5 shows the asset betas of the NZX-listed retirement village operators in New Zealand, on both a two-year-weekly and five-year-monthly basis. Oceania was listed in May 2017 so only a two-year beta is available. We have assessed the Metlifecare beta as at 31 October 2019, rather than 31 July 2020, so that it excludes movements associated with the Original SIA and SIA.

Table A5: Betas for New Zealand listed retirement village operators

Company	Median 2-year debt/equity	Two-year-weekly		Five-year-monthly	
		Asset beta	R^2	Asset beta	R^2
Metlifecare	23%	0.66	0.22	0.98	0.28
Ryman	25%	1.37	0.58	1.48	0.67
Summerset	38%	1.22	0.53	1.25	0.47
Arvida	36%	0.90	0.48	0.84	0.36
Oceania	41%	1.03	0.35		
Median	**36%**	**1.03**	**0.48**	**1.12**	**0.41**

Source: S&P Capital IQ

[41] https://treasury.govt.nz/information-and-services/state-sector-leadership/guidance/financial-reporting-policies-and-guidance/discount-rates/discount-rates-and-cpi-assumptions-accounting-valuation-purposes

We estimate an asset beta for Metlifecare at between 0.8 and 1.0 after considering:

- The asset betas for listed retirement village operators in New Zealand. These asset betas, on a two-year-weekly basis, range between 0.66 and 1.37 with a median of 1.03. On a five-year-monthly basis, these betas range between 0.84 and 1.48 with a median of 1.12.
- We have assessed an asset beta of 0.36 for the New Zealand HPI in relation to the S&P NZX50 Index. This has been assessed over a more than 16-year period on an annual basis (since the inception of the NZX50 in 2003). We have then levered this beta to take account of the effective operational leverage that Metlifecare gains from its ORA liabilities. After this adjustment, the implied comparable asset beta for Metlifecare is 0.68.

For the purpose of valuing Metlifecare, we have adopted the midpoint of our beta range.

Tax-adjusted market risk premium (TAMRP)

A TAMRP is the excess expected return on the market portfolio of risky equity assets (sharemarket) over the return on risk-free assets (government bonds), with an adjustment for tax considerations. We have determined an appropriate TAMRP is 7.5% after considering:

- Valuation professionals typically use a TAMRP between 7.0% and 8.0% when valuing New Zealand companies. We consider a rate that is above the low end of this typical range is appropriate in the current economic environment. The midpoint of 7.5% is the most widely adopted TAMRP when valuing New Zealand companies today.
- The Treasury's guidance on discount rates suggests that a market risk premium of around 7.0% is appropriate.

Discount rates adopted

The discount rates we have adopted are shown in Table A6. The risk-free rates are one-year forward rates and therefore the discount rates are also one-year forward rates. This means that a cash flow that occurs in (say) Year 5 would need to be discounted once by each of the rates in Year 1 through to Year 5.

Table A6: Discount rates

Cash flow year	Forward risk-free rate	Equity beta	TAMRP	Forward WACC
Year 1	0.22%	0.90	7.50%	6.91%
Year 2	0.25%	0.90	7.50%	6.93%
Year 3	0.41%	0.90	7.50%	7.05%
Year 4	0.63%	0.90	7.50%	7.20%
Year 5	0.83%	0.90	7.50%	7.35%
Year 10	1.60%	0.90	7.50%	7.90%
Year 15	1.97%	0.90	7.50%	8.17%
Year 20	2.17%	0.90	7.50%	8.31%
Year 25	2.42%	0.90	7.50%	8.49%
Year 30	2.67%	0.90	7.50%	8.67%
Year 35	2.92%	0.90	7.50%	8.85%
Year 40	3.17%	0.90	7.50%	9.03%
Year 45	3.42%	0.90	7.50%	9.21%
Year 50	3.67%	0.90	7.50%	9.39%
Year 55	3.91%	0.90	7.50%	9.57%
Year 60	4.16%	0.90	7.50%	9.75%
Year 65	4.30%	0.90	7.50%	9.85%

Source: New Zealand Treasury and Calibre Partners analysis

To determine the terminal value, we have projected cash flows at their TGR and then discounted them at rates implied by The Treasury's risk-free rate forecasts out to 2085.

Appendix 6: Glossary of key terms

Term	Definition
$ or NZD	New Zealand Dollars
APVG	Asia Pacific Village Group Limited
ARRC	Age-related residential care
ASX	Australian Securities Exchange
CAGR	Compound annual growth rate
CAPM	Capital Asset Pricing Model
Code	Takeovers Code
Company	Metlifecare Limited
Companies Act	Companies Act 1993
DCF	Discounted cash flow
DMF	Deferred Management Fee
DPS	Dividend per share
EBITDA	Earnings before interest, tax, depreciation and amortisation
Forecast	Financial projections for the 20-year period FY21 to FY40
FTE	Full time equivalent
FY	Financial year(s)
HPI	Housing Price Index
ILU	Independent living unit
Metlifecare	Metlifecare Limited
NBIO	Non-binding indicative offer on 5 July 2020, to acquire all Metlifecare shares for $6.00 per share
NZ Super	New Zealand Superannuation Fund
NZX	New Zealand Stock Exchange or NZX Limited
ORA	Occupational Right Agreement
Original SIA	Original agreement dated 29 December 2019, with proposed consideration of $7.00 per share
Panel	New Zealand Takeovers Panel
RBNZ	Reserve Bank of New Zealand
RCH	Residential aged-care home
Report	Independent Adviser's Report, in relation to the proposed scheme of arrangement with APVG
SA	Serviced apartment
Scheme	Proposed scheme of arrangement between Metlifecare and APVG
SIA	Scheme Implementation Agreement to effect the sale of Metlifecare at $6.00 per share
SPH	Substantial product holder
TAMRP	Tax-adjusted market risk premium
TGR	Terminal growth rate
VWAP	Volume-weighted average price
WACC	Weighted average cost of capital
WIP	Work in progress

ANNEXURE B: SCHEME PLAN

SCHEME PLAN

for a **scheme of arrangement** under Part 15 of the Companies Act 1993

between

Metlifecare Limited a company incorporated in New Zealand whose registered office is Level 4, 20 Kent Street, Newmarket, Auckland 1023, New Zealand (**Target**)

and

Scheme Shareholders (as defined in clause 7.1)

and

Asia Pacific Village Group Limited a company incorporated in New Zealand whose registered office is Level 22, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand (**Bidder**)

1. CONDITIONS

The implementation of the Scheme is conditional on:

(a) each of the Conditions having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by 8.00am on the Implementation Date;

(b) neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with its respective terms before 8.00am on the Implementation Date; and

(c) such other conditions made or required by the Court under section 236(1) and 237 of the Companies Act and agreed to in writing by Target and Bidder having been satisfied or waived (to the extent capable of waiver) before 8.00am on the Implementation Date.

2. CONSIDERATION INTO TRUST ACCOUNT

2.1 Obligation to pay Consideration into trust account

Subject to the Scheme Implementation Agreement not having been terminated and the Scheme having become Unconditional (except for the Conditions set out in clauses 3.1(g) and 3.1(h) of the Scheme Implementation Agreement), Bidder must, by no later than 5.00pm on the Business Day before the Implementation Date, deposit (or procure the deposit of) in immediately available cleared funds an amount equal to the aggregate amount of the Consideration payable to Scheme Shareholders in a New Zealand dollar denominated trust account operated by Computershare (the **Funds** and that account the **Trust Account**).

2.2 Details of Trust Account

(a) Subject to clause 2.2(b), the Trust Account will be held and operated by Computershare on the basis that the Funds are held on trust for Bidder and to its order, such that only Bidder may direct how the Funds will be paid from the Trust Account.

(b) Clause 2.2(a) is subject to a standing written direction from Bidder to Target and Computershare to make payment of the Consideration to the Scheme Shareholders upon transfer of the Scheme Shares to Bidder under clause 3(a).

(c) The details of the Trust Account will be provided to Bidder by Computershare not less than five Business Days before the Implementation Date.

2.3 Interest

Any interest earned on the amount deposited in the Trust Account will be payable to Bidder by Computershare as directed by Bidder.

2.4 Scheme not implemented

Should the implementation of the Scheme not occur by 5.00 pm on the Implementation Date for any reason, Computershare will immediately repay the Funds to Bidder to such New Zealand dollar denominated account(s) instructed to Computershare by Bidder.

3. IMPLEMENTATION

Subject to the conditions set out in clause 1 being satisfied and the Consideration having been deposited into the Trust Account in accordance with clause 2.1 and Bidder having provided the written direction required by clause 2.2(b), commencing at 9.00am on the Implementation Date and in the following order:

(a) without any further act or formality, all the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidder and Target must procure Computershare to enter the name of Bidder in the Register as holder of all of the Scheme Shares; and then

(b) in accordance with the instructions in clause 2.2(b) and subject to compliance in full with clauses 2.1 and 3(a), Target must instruct Computershare to pay or procure the payment from the Trust Account of the Consideration to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Register as at 5.00 pm on the Scheme Record Date.

4. PAYMENT OF THE CONSIDERATION

4.1 Method of payment

The payment obligations of Target under clause 3(b) will be satisfied by:

(a) where a Scheme Shareholder has, not less than five Business Days before the Scheme Record Date, provided bank account details to enable Computershare and Target to make payments by electronic funds transfer, Computershare must pay the Consideration to the Scheme Shareholder by electronic funds transfer of the relevant amount to the bank account nominated by that Scheme Shareholder (unless Target in its absolute discretion elects to make the payment in accordance with clause 4.1(b)); or

(b) otherwise by Computershare dispatching, or procuring the dispatch of, a cheque for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address (as at 5.00 pm on the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 4.2).

4.2 Joint holders

In the case of Scheme Shares held in joint names:

(a) subject to clause 4.1, the Consideration is payable to the joint holders and any cheque required to be sent under this Scheme Plan will be made payable to the joint holders and sent to either, at the sole discretion of Bidder, the holder whose name appears first in the Register as at 5.00 pm on the Scheme Record Date or to the joint holders; and

(b) any other document required to be sent under this Scheme Plan, will be sent to either, at the sole discretion of Target, the holder whose name appears first in the Register as at the Scheme Record Date or to the joint holders.

4.3 Surplus in trust account

To the extent that, following satisfaction of the obligations under clause 3(b), there is a surplus in the Trust Account, that surplus (less the aggregate amount of any cheques dispatched under clause 4.1(b) which remain unpaid, any amount retained under clause 4.5(b) and bank fees and other third party charges directly in connection with the account) shall be promptly paid to Bidder.

4.4 Unclaimed monies

(a) Target may cancel, and may instruct Computershare to cancel, a cheque issued under clause 4.1(b) if the cheque is returned to Target or has not been presented for payment within 12 months after the Implementation Date, but such cancellation will not extinguish a Scheme Shareholder’s claim.

(b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target, Target must either

(i) make an electronic funds transfer to a bank account nominated in writing by the Scheme Shareholder; or

(ii) reissue, or procure the reissue of, a cheque that was previously cancelled under clause 4.4(a) or in respect of an electronic funds transfer that was rejected by the recipient bank.

4.5 **Orders of a court or Government Agency**

Notwithstanding any other provision of this Scheme Plan, if written notice is given to Target prior to the Scheme Record Date of an order or direction made by a court of competent jurisdiction or a Government Agency that:

(a) requires Consideration to be provided to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by Target in accordance with clause 3(b), Target will be entitled to procure, and Bidder will be deemed to have instructed Computershare to ensure, that provision of that Consideration is made in accordance with that order or direction; or

(b) prevents the Consideration from being provided to any particular Scheme Shareholder in accordance with clause 3(b), or the payment of such Consideration is otherwise prohibited by applicable law, the payment (equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Consideration) will be retained in the Trust Account until such time as provision of the Consideration to the Scheme Shareholder in accordance with clause 3(b) is permitted by that order or direction or otherwise by law, and any amount so retained under this clause 4.5(b) may be held by Target or any of Target's related companies, provided that Bidder procures that such company complies with the obligations under this clause to pay such consideration to any applicable Scheme Shareholders,

and such provision or retention (as the case may be) will constitute the full discharge of Bidder's and Target's obligations under clause 3(b) with respect to the amount so provided or retained.

5. **DEALING IN SHARES**

5.1 **Recognition of dealings**

To establish the identity of the Scheme Shareholders:

(a) dealings in Shares will only be recognised if:

(i) in the case of dealings of the type to be effected through NZX's clearing and settlement system, the transferee is registered in the Register as the holder of the relevant Shares as at 5.00 pm on the Scheme Record Date; and

(ii) in all other cases, registrable transmission applications or transfers in respect of those dealings, or valid requests in respect of other alterations, are received on or before 5.00 pm on the Scheme Record Date at the place where the Register is kept; and

(b) Target must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to this Scheme Plan and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request received after 5.00 pm on the Scheme Record Date or received prior to such time, but not in registrable or actionable forms.

5.2 **Register**

(a) Target must register registrable transmission applications or registrable transfers of Shares in accordance with clause 5.1(a)(ii) on or before 5.00pm on the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 5.2(a) requires Target to register a transfer that relates to a transfer of Shares on which Target has a lien.

(b) A holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares, or any interest in them, on or after 5.00 pm on the Scheme Record Date otherwise than pursuant to this Scheme Plan, and any attempt to do so will have no effect and Target and Bidder shall be entitled to disregard any such disposal.

(c) For the purpose of determining entitlements to the Consideration, but subject to the requirements of the NZX Listing Rules, Target must maintain the Register in accordance with the provisions of this clause 5.2 until the Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements to and the Consideration.

(d) From 5.00pm on the Scheme Record Date, each entry that is current on the Register (other than entries on the Register in respect of Bidder), will cease to have effect except as evidence of entitlement to the Consideration in respect of Shares relating to that entry.

(e) As soon as possible on the first Business Day after the Scheme Record Date and in any event by 5.00pm on that day, Target must make available to Bidder in the form Bidder reasonably requires, details of the names, Registered Addresses and holdings of Shares for each Scheme Shareholder as shown in the Register on the Scheme Record Date.

6. GENERAL PROVISIONS

6.1 Amendments to Consideration

Bidder may increase the Consideration by written notice at any time to Target prior to the Scheme Meeting, provided that the Scheme Implementation Agreement has not been terminated in accordance with its terms prior to the receipt of such notice by Target.

6.2 Title to and rights in Scheme Shares

(a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme Plan to Bidder will, at the time of transfer of them to the Bidder, vest in the Bidder free from all Encumbrances and free from any restrictions on transfer of any kind.

(b) Each Scheme Shareholder is taken to have warranted to Bidder on the Implementation Date that all of their Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme Plan will, at the time of transfer, be fully paid and free from all Encumbrances and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Scheme Shares to Bidder together with any rights and entitlements attaching to those shares.

6.3 Authority given to Target

Each Scheme Shareholder, without the need for any further act:

(a) on the Final Orders Date, irrevocably appoints Target as its attorney and agent for the purpose of enforcing the Deed Poll against Bidder (but without limiting each Scheme Shareholder's right to itself enforce the Deed Poll); and

(b) on the Implementation Date, irrevocably appoints Target as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it,

and Target accepts each such appointment. Each such attorney and agent, may sub-delegate its functions, authorities or powers under this clause 6.3 to one or more of Target's directors or senior managers.

6.4 Binding effect of Scheme

(a) The Scheme binds:

  (i) Target;

  (ii) Bidder; and

  (iii) all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on the Scheme, did not vote at the Scheme Meeting, or voted against the Scheme at the Scheme Meeting).

(b) In the event of any inconsistency, this Scheme Plan overrides the constitution of Target.

6.5 End Date

If the Scheme has not become Unconditional on or before the date that is 10 Business Days after the End Date, or if the Scheme Implementation Agreement is terminated in accordance with its terms at any time, this Scheme Plan is immediately void and of no further force or effect (other than any provision of the Scheme or this Scheme Plan relating to the repayment to Bidder of any Funds deposited in accordance with clause 2 and the interest thereon (less bank fees and other third party charges directly in connection with the account)).

6.6 **Successor obligations**

To the extent that any provision of the Scheme or this Scheme Plan imposes any obligation on Bidder or Target that continues or arises after the implementation of the Scheme, such obligation may instead be performed by any successor or related company of Bidder or Target (as applicable) in which case the obligation will be satisfied as if performed by Bidder or Target (as applicable).

6.7 **Governing law**

(a) This Scheme Plan and any non-contractual obligations arising out of or in connection with it is governed by the law applying in New Zealand.

(b) The courts having jurisdiction in New Zealand have exclusive jurisdiction to settle any dispute arising out of or in connection with this Scheme Plan (including a dispute relating to any non-contractual obligations arising out of or in connection with this Scheme Plan) and the parties irrevocably submit to the exclusive jurisdiction of the courts having jurisdiction in New Zealand.

7. DEFINITIONS AND INTERPRETATION

7.1 **Definitions**

In this Scheme Plan:

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Auckland, New Zealand and excluding any day between 24 December and 3 January;

Companies Act means the Companies Act 1993;

Computershare means Computershare Investor Services Limited;

Conditions means:

(a) the conditions set out in clause 3.1 of the Scheme Implementation Agreement; and

(b) such other conditions made or required by the Court under section 236(1) of the Companies Act and approved in writing by Target and Bidder in accordance with clause 3.2 of the Scheme Implementation Agreement;

Consideration means NZ$6.00 in cash in respect of each Scheme Share held by a Scheme Shareholder as at 5.00 pm on the Scheme Record Date, as reduced by the per Share value of any dividend, the record date for which falls between the date of the Scheme Implementation Agreement and the Implementation Date;

Court means the High Court of New Zealand, Auckland Registry;

Deed Poll means the deed poll to be entered into by Bidder in favour of the Scheme Shareholders;

Encumbrance means any security interest within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999 and any option, right to acquire, right of pre-emption, assignment by way of security, trust arrangement for the purpose of providing security, retention arrangement or other security interest of any kind (other than any reservation of title by suppliers in the ordinary course of business), and any agreement to create any of the foregoing;

End Date means:

(a) 25 January 2021, subject to extension under clause 7.4 of the Scheme Implementation Agreement; or

(b) any other date agreed in writing by Bidder and Target;

Final Orders Date means the day on which final orders of the Court made under section 236(1) (and section 237, if applicable) of the Companies Act are granted;

Funds has the meaning given in clause 2.1;

Government Agency means any government, any department, officer or minister of any government, and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, supervisor, tribunal or entity, including the Statutory Supervisors, and any court;

Implementation Date means the day on which the Scheme is to be implemented, being two Business Days after the Scheme Record Date, or such other date as Bidder and Target agree in writing;

NZX means NZX Limited or the main board financial market that it operates, as the context requires;

Register means the register of Shares maintained by Computershare on behalf of Target;

Registered Address means, in relation to a Shareholder, the address shown in the Register as at the Scheme Record Date;

Scheme means this scheme of arrangement, subject to any alterations or conditions made or required by the Court under Part 15 of the Companies Act and approved by Bidder and Target in writing;

Scheme Implementation Agreement means the scheme implementation agreement dated 10 July 2020 between Bidder and Target;

Scheme Meeting means the special meeting of Shareholders ordered by the Court to be convened pursuant to section 236(2)(b) of the Companies Act in respect of the Scheme and including any meeting convened following any adjournment or postponement of that meeting;

Scheme Record Date means 5.00 pm on the date which is 5 Business Days after the Final Orders Date or such other date agreed between Bidder and Target in writing;

Scheme Shareholder means a person who is registered in the Register as the holder of one or more Scheme Shares as at the Scheme Record Date;

Scheme Shares means all of the Shares on issue as at the Scheme Record Date;

Share means a fully paid ordinary share in the capital of Target;

Shareholder means a person who is registered in the Register as the holder of one or more Shares from time to time;

Statutory Supervisor means the statutory supervisor of each retirement village operated by the Target and appointed in accordance with the Retirement Villages Act 2003;

Trust Account has the meaning given in clause 2.1; and

Unconditional means the satisfaction of each of the Conditions.

7.2 **Interpretation**

In this Scheme Plan:

(a) headings are for convenience only and do not affect the interpretation of this Scheme Plan;

(b) the singular includes the plural and the plural includes the singular;

(c) words of any gender include all genders;

(d) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency, as well as an individual;

(e) a reference to a clause, is a reference to a clause of this Scheme Plan;

(f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them (whether passed by the same or another Government Agency with legal power to do so);

(g) a reference to a document (including this Scheme Plan) includes all amendments or supplements to, or replacements or novations of, that document;

(h) the word includes in any form is not a word of limitation;

(i) a reference to $, NZ$ or dollar is to New Zealand currency, unless denominated otherwise;

(j) a reference to any time is, unless otherwise indicated, a reference to that time in Auckland, New Zealand;

(k) a reference to a party to a document includes that party's successors and permitted assignees; and

(l) no provision of this Scheme Plan will be construed adversely to a party because that party was responsible for the preparation of this Scheme Plan or that provision.

7.3 **Business Day**

Where the day on, or by which, any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day, unless otherwise indicated.

ANNEXURE C: TERMS OF DEED POLL

This **Deed Poll** is made on 14 August 2020

between	(1)	**Asia Pacific Village Group Limited (Bidder)**
and	(2)	**Each registered holder of Scheme Shares as at 5.00pm on the Scheme Record Date** (**Scheme Shareholders**)

Introduction

A. Metlifecare Limited (**Target**) and Bidder are parties to the Scheme Implementation Agreement.

B. Target has agreed in the Scheme Implementation Agreement to propose a scheme of arrangement between Target, Bidder, and the Scheme Shareholders, the effect of which will be that all Scheme Shares will be transferred to Bidder and Bidder will provide or procure the provision of the Consideration to the Scheme Shareholders.

C. Bidder is entering into this Deed Poll for the purpose of undertaking in favour of Scheme Shareholders to pay the Consideration to Scheme Shareholders in accordance with the terms of the Scheme Plan.

It is agreed

1 Defined terms and interpretation

1.1 Defined terms

In this Deed, unless the context requires otherwise:

Final Orders means orders on application of Target, that the Scheme shall be binding on Target, Bidder, Shareholders and such other persons or class of persons as the Court may specify, in accordance with section 236(1) (and section 237, if applicable) of the Companies Act;

Scheme Implementation Agreement means the scheme implementation agreement between Target and Bidder dated 10 July 2020 whereby Target has agreed to propose a scheme of arrangement;

Scheme Plan means the scheme plan attached as Annexure A to the Scheme Implementation Agreement, subject to any alterations or conditions approved by Bidder and Target in writing and which are disclosed to the Court prior to the Court making the Final Orders; and

words defined in the Scheme Plan which are not separately defined in this Deed Poll have the same meaning when used in this Deed Poll.

1.2 Interpretation

Clauses 7.2 and 7.3 of the Scheme Plan apply to the interpretation of this Deed Poll, except that references to "this Scheme Plan" are to be read as reference to "this Deed Poll".

2 Nature of this Deed Poll

2.1 Third party rights and appointment of attorney

(a) This Deed Poll is intended to, and does, confer a benefit on, and therefore may be relied on and enforced by, any Scheme Shareholder in accordance with its terms under Part 2, Subpart 1 of the Contract and Commercial Law Act 2017 (but not otherwise), even though the Scheme Shareholders are not party to it.

(b) Under the Scheme Plan each Scheme Shareholder appoints Target as the Scheme Shareholder's attorney and agent to enforce this Deed Poll against Bidder with effect on and from the date prescribed for such appointment in the Scheme Plan (but without limiting each Scheme Shareholder's right to itself enforce this Deed Poll).

Notwithstanding clauses 2.1(a) and 2.1(b), this Deed Poll may be varied by Bidder and Target in accordance with clause 7.2 without the approval of any Scheme Shareholder.

2.2 Continuing obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until either:

(a) Bidder has fully performed its obligations under it; or

(b) it is terminated under clause 3.2.

3 CONDITIONS

3.1 Conditions

This Deed Poll, and the obligations of Bidder under it, are conditional in all respects on the Scheme becoming Unconditional.

3.2 Termination

The obligations of Bidder under this Deed Poll will automatically terminate, and the terms of this Deed Poll will be of no force or effect, if the Scheme Implementation Agreement is validly terminated in accordance with its terms before the Scheme becomes Unconditional, unless Bidder and Target otherwise agree in writing.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then Bidder is released from its obligations to further perform this Deed Poll.

4 Scheme Consideration

4.1 Subject to the Scheme Implementation Agreement not being terminated and the Scheme having become Unconditional (save for the Conditions set out in clause 3.1(g) and 3.1(h) of the Scheme Implementation Agreement), Bidder undertakes in favour of each Scheme Shareholder to deposit, or procure the deposit of, in immediately available cleared funds, by no later than 5.00pm on the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Consideration payable to all Scheme Shareholders as set out in the Scheme Plan, such deposit to be made into the trust account to be held and dealt with by Computershare in accordance with the Scheme Plan.

4.2 Subject to clause 3, Bidder irrevocably acknowledges and agrees that, subject to compliance in full by Target with its obligations under clause 3(a) of the Scheme Plan, the Consideration deposited into the Trust Account must be, and will be, paid in accordance with clause 4 of the Scheme Plan in satisfaction of the Scheme Shareholders' respective entitlements to receive the Consideration under the Scheme in accordance with the Scheme Plan.

5 WARRANTIES

Bidder warrants in favour of each Scheme Shareholder that:

(a) it is a company or other body corporate validly incorporated under the laws of New Zealand;

(b) it has the corporate power to enter into, and perform its obligations under, this Deed Poll and to carry out the transactions contemplated by this Deed Poll;

(c) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken, or will prior to the Implementation Date take, all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;

(d) this Deed Poll is valid and binding on it and enforceable against it in accordance with its terms; and

(e) this Deed Poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

6 Notices

6.1 Manner of giving notice

Any notice or other communication to be given under this Deed Poll must be in writing and may be physically delivered or sent by email to Bidder at:

Address:	Bell Gully, Level 22, Vero Centre, 48 Shortland Street, PO Box 4199, Auckland
Email:	anna.buchly@bellgully.com / james.gibson@bellgully.com
For the attention of:	Anna Buchly / James Gibson

or at any such other address or email address notified for this purpose to the other parties under this clause. Any notice or other communication sent by post must be sent by prepaid ordinary post (if the country of destination is the same as the country of origin) or by airmail (if the country of destination is not the same as the country of origin).

6.2 **When notice given**

In the absence of earlier receipt, any notice or other communication is deemed to have been given:

(a) if delivered, on the date of delivery; or

(b) if sent by email, four business hours (being the hours between 9am and 5pm on a Business Day in the jurisdiction of the recipient) after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered (excluding an "out of office" automated message),

but if the notice or other communication would otherwise be taken to be received after 5.00 pm or on a Saturday, Sunday or public holiday in the place of receipt then the notice or communication is taken to be received at 9.00 am on the next day that is not a Saturday, Sunday or public holiday in the place of receipt.

6.3 **Proof of service**

In proving service of a notice or other communication, it is sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted either by prepaid post or by prepaid airmail or that the e-mail was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's e-mail system, as the case may be.

6.4 **Documents relating to legal proceedings**

This clause 6 does not apply in relation to the service of any claim form, notice, order, judgment or other document relating to or in connection with any proceedings, suit or action arising out of or in connection with this Deed Poll.

7 **General**

7.1 **Waiver**

(a) Bidder may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right in respect of the Scheme unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.

(b) For the purposes of clause 7.1(a):

(i) conduct includes a delay in exercising a right;

(ii) right means any right arising under or in connection with this Deed Poll and includes the right to rely on this clause; and

(iii) waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.2 **Variation**

(a) Subject to clauses 7.2(b) and 7.2(c), this Deed Poll may not be varied.

(b) Before the date on which the Final Orders are made, this Deed Poll may be varied by agreement in writing between Bidder and Target, in which event Bidder will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

(c) If the Court orders that it is a condition of the Scheme that Bidder enters into a new deed poll which has the effect of reversing any variation under clause 7.2(b), then, if Bidder so agrees, Bidder must promptly enter into a further deed poll in favour of the Scheme Shareholders to give effect to the reversal of that variation.

7.3 **Cumulative rights**

The rights, powers and remedies of Bidder and Scheme Shareholders under this Deed Poll are cumulative and do not exclude any other rights, power or remedies provided by law independently of this Deed Poll.

7.4 **Assignment**

The rights and obligations of Bidder and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with at law or in equity. Any purported dealing in contravention of this clause 7.4 is invalid.

7.5 **Further assurance**

Bidder must, at its own expense, do all things reasonably required of it to give full force and effect to this Deed Poll and the transactions contemplated by it.

7.6 **Governing law and jurisdiction**

(a) This Deed Poll and any non-contractual obligations arising out of or in connection with it is governed by the law applying in New Zealand.

(b) The courts having jurisdiction in New Zealand have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed Poll (including a dispute relating to any non-contractual obligations arising out of or in connection with this Deed Poll) and Bidder irrevocably submits to the exclusive jurisdiction of the courts having jurisdiction in New Zealand.

Corporate Directory

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Alistair Ryan
Rod Snodgrass
Carolyn Steele

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Glen Sowry, Chief Executive Officer
Richard Thomson, Chief Financial Officer

COMPANY SECRETARY

Andrew Peskett

LAWYERS

Chapman Tripp

FINANCIAL ADVISERS

Jarden Partners Limited and Simmons Corporate Finance Limited

SHARE REGISTRAR

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