Metlifecare Limited
Interim Group
Financial Statements

for the half year ended 31 December 2016

Group Financial Statements

For the half year ended 31 December 2016

Directors' Report

The directors have pleasure in presenting the Interim Group Financial Statements for Metlifecare Limited on behalf of the Company for the half year ended 31 December 2016.

The Interim Group Financial Statements presented are signed for and on behalf of Metlifecare Limited and were authorised for issue on 27 February 2017.

K. R. Ellis	A. B. Ryan
Chair	Director
27 February 2017	27 February 2017

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2016

$000	Note	**Half year ended 31 December 2016**	Half year ended 31 December 2015
Income			
Operating revenue		**53,899**	51,958
Interest income		**127**	112
Total income		**54,026**	52,070
Change in fair value of investment properties	3.1	**170,739**	128,528
Share of profit arising from joint venture, net of tax		**1,461**	215
Expenses			
Employee costs		**(20,814)**	(21,744)
Property costs	2.1	**(11,068)**	(12,329)
Other expenses	2.1	**(17,513)**	(12,181)
Depreciation and impairment	2.1	**(4,873)**	(989)
Amortisation		**(223)**	(123)
Finance costs		**(182)**	(75)
Total expenses		**(54,673)**	(47,441)
Profit before income tax		**171,553**	133,372
Income tax expense		**(6,578)**	(7,681)
Profit for the period		**164,975**	125,691
Other comprehensive loss, net of tax		**(836)**	-
Total comprehensive income		**164,139**	125,691
Profit attributable to shareholders of the parent company		**164,975**	125,691
Total comprehensive income attributable to shareholders of the parent company		**164,139**	125,691
Profit per share for profit attributable to the equity holders of the company during the period			
Basic (cents)		**77.1**	**59.2**
Diluted (cents)		**77.1**	**59.2**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Movements in Equity

For the half year ended 31 December 2016

$000	Contributed Equity	Retained Earnings	Revaluation Reserve	Employee Share Scheme Reserve	Total Equity
Six months to 31 December 2015					
Balance at 1 July 2015	303,695	598,850	8,238	657	911,440
Comprehensive income					
Profit for the period	-	125,691	-	-	125,691
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	125,691	-	-	125,691
Proceeds from shares issued	2,206	-	-	-	2,206
Employee share scheme	-	-	-	249	249
Transfer from employee share scheme reserve on vesting	475	-	-	(475)	-
Dividends paid to shareholders	-	(6,366)	-	-	(6,366)
Balance at 31 December 2015	306,376	718,175	8,238	431	1,033,220
Six months to 31 December 2016					
Balance at 1 July 2016	**306,376**	**817,671**	**8,285**	**635**	**1,132,967**
Comprehensive income					
Profit for the period	**-**	**164,975**	**-**	**-**	**164,975**
Other comprehensive loss	**-**	**-**	**(836)**	**-**	**(836)**
Total comprehensive income	**-**	**164,975**	**(836)**	**-**	**164,139**
Employee share scheme	**-**	**-**	**-**	**124**	**124**
Transfer from employee share scheme reserve on vesting	**518**	**-**	**-**	**(518)**	**-**
Dividends paid to shareholders	**-**	**(8,515)**	**-**	**-**	**(8,515)**
Balance at 31 December 2016	**306,894**	**974,131**	**7,449**	**241**	**1,288,715**

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

Consolidated Balance Sheet

As at 31 December 2016

$000	Note	31 December 2016	30 June 2016	31 December 2015
Assets				
Cash and cash equivalents		**2,279**	6,558	6,266
Trade receivables and other assets		**8,036**	9,548	9,553
Property, plant and equipment		**41,172**	36,424	32,852
Intangible assets		**1,408**	1,454	941
Investment properties	3.1	**2,744,111**	2,524,809	2,380,646
Investment in joint venture		**8,857**	7,651	7,645
Total assets		**2,805,863**	2,586,444	2,437,903
Liabilities				
Trade and other payables		**23,064**	31,347	45,224
Interest bearing liabilities		**76,120**	80,798	48,760
Deferred membership fees		**99,058**	93,520	89,481
Refundable occupation right agreements		**1,218,990**	1,154,136	1,134,907
Deferred tax liability		**99,916**	93,676	86,311
Total liabilities		**1,517,148**	1,453,477	1,404,683
Net assets		**1,288,715**	1,132,967	1,033,220
Equity				
Contributed equity	4.1	**306,894**	306,376	306,376
Revaluation reserve		**7,449**	8,285	8,238
Employee share scheme reserve		**241**	635	431
Retained earnings		**974,131**	817,671	718,175
Total equity		**1,288,715**	1,132,967	1,033,220

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

Consolidated Cash Flow Statement

For the half year ended 31 December 2016

$000	**Half year ended 31 December 2016**	Half year ended 31 December 2015
Cash flows from operating activities		
Receipts from residents for membership fees, village and care fees	**41,962**	42,251
Receipts from residents for refundable occupation right agreements	**135,927**	142,831
Payments to residents for refundable occupation right agreements	**(54,727)**	(60,949)
Payments to suppliers and employees	**(44,693)**	(46,411)
Net GST received	**678**	436
Interest received	**79**	68
Interest paid	**(196)**	(184)
Net cash inflow from operating activities	**79,030**	78,042
Cash flows from investing activities		
Payments for property, plant and equipment	**(8,857)**	(628)
Payments for intangibles	**(179)**	(585)
Net advances to / (from) joint venture	**2**	(119)
Dividends received from joint venture	**255**	203
Proceeds on disposal of investment properties	**1,203**	-
Payments for investment properties	**(61,111)**	(54,676)
Capitalised interest paid	**(1,334)**	(1,778)
Net cash outflow from investing activities	**(70,021)**	(57,583)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**-**	2,206
Dividends paid	**(8,515)**	(6,366)
Net repayment of borrowings	**(4,773)**	(11,227)
Net cash outflow from financing activities	**(13,288)**	(15,387)
Net (decrease) / increase in cash and cash equivalents	**(4,279)**	5,072
Cash and cash equivalents at the beginning of the period	**6,558**	1,194
Cash and cash equivalents at the end of the period	**2,279**	6,266

Reconciliation of Profit after Tax with Cash Inflow from Operating Activities

$000		
Profit after tax	**164,975**	125,691
Adjustments for:		
Change in fair value of investment properties	**(170,739)**	(128,528)
Change in the fair value of residents' share of capital gains	**5,990**	1,488
Employee share scheme	**124**	249
Depreciation and impairment	**4,873**	989
Amortisation	**223**	123
Deferred tax expense	**6,566**	7,671
Loss on disposal of property, plant and equipment	**(1)**	(1)
Share of profit arising from joint venture, net of tax	**(1,461)**	(215)
Changes in working capital relating to operating activities:		
Trade receivables and other assets	**706**	(298)
Trade and other payables	**(886)**	(1,618)
Deferred membership fees	**5,538**	5,258
Refundable occupation right agreements	**63,122**	67,233
Net cash inflow from operating activities	**79,030**	78,042

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

Notes to the Interim Financial Statements

1 GENERAL INFORMATION

1.1 Reporting entity

Metlifecare Limited ("the Company") and its subsidiaries (together "the Group") own and operate retirement villages in New Zealand. Metlifecare Limited is a limited liability company, incorporated and domiciled in New Zealand. The address of its registered office is Level 4, 20 Kent Street, Newmarket, Auckland 1023. The interim financial statements are for the consolidated group comprising Metlifecare Limited and its subsidiaries (together "the Group").

The Group is designated as a 'for profit' entity for financial reporting purposes.

These financial statements have been approved for issue by the Board of Directors on 27 February 2017.

1.2 Going concern

In approving these financial statements for issue the directors have considered and concluded that in the absence of any unanticipated deterioration of the Group's operating performance the Group will continue to meet all obligations under the funding facilities, including compliance with financial covenants and maintaining sufficient levels of liquidity.

The directors, in concluding, considered the following:

- the Group’s cash flow forecast for a period of 12 months from the date of signing the financial statements;
- recent past performance in light of the underlying economic environment;
- forecast covenant compliance; and
- available undrawn limits under the Core and Development Facilities.

Having regard to all the matters noted above, the directors believe it remains appropriate that the financial statements have been prepared under the going concern convention.

1.3 Basis of preparation

Metlifecare Limited is a company registered under the Companies Act 1993 and is an FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the NZX Main Board (NZX) and the Australian Securities Exchange (ASX). The financial statements have been prepared in accordance with the requirements of the NZX listing rules.

These consolidated interim financial statements for the half year reporting period ended 31 December 2016 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalent to International Accounting Standard 34 and International Accounting Standard 34, Interim Financial Reporting.

The interim group financial statements do not include all the notes of the type normally included in the annual group financial statements. Accordingly, these consolidated interim group financial statements are to be read in conjunction with the annual group financial statements for the year ended 30 June 2016, prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The interim group financial statements for the six months ended 31 December 2016 and comparatives for the six months ended 31 December 2015 are unaudited. The interim group financial statements are presented in New Zealand Dollars ($), which is the Group's functional and presentation currency. All financial information has been presented in thousands, unless stated otherwise.

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

Where necessary, certain comparative information has been reclassified in order to conform to changes in presentation in the current period.

All accounting policies that materially affect the measurement of the consolidated statement of comprehensive income, consolidated balance sheet and the consolidated cash flow statement have been applied on a basis consistent with those used in the audited financial statements for the year ended 30 June 2016.

1.4 Standards, interpretations and amendments to published standards that are not yet effective

There are no new standards or amendments to existing standards effective for the financial year ending 30 June 2017 which have a material impact on the Group.

2 OPERATING PERFORMANCE

2.1 Expenses

$000	**Half year ended 31 December 2016**	Half year ended 31 December 2015
Profit before income tax includes the following expenses:		
Property costs		
Utilities and other property costs	**5,427**	5,545
Repairs and maintenance on investment properties	**5,300**	6,513
Repairs and maintenance on property, plant, furniture and equipment	**341**	271
Total property costs	**11,068**	12,329
Depreciation and impairment		
Depreciation expense	**1,130**	989
Impairment of care homes	**3,743**	-
Total depreciation and impairment	**4,873**	989
Other expenses		
Resident costs	**2,771**	2,908
Marketing and promotion	**2,236**	1,840
Other employment costs	**1,536**	1,527
Communication costs	**1,163**	996
Rental and operating lease expenses	**275**	223
Residents' share of capital gain	**5,990**	1,488
Other (no items of individual significance)	**3,126**	2,783
Fees paid to PricewaterhouseCoopers New Zealand		
Audit and review of financial statements	**50**	50
Other assurance related services	**-**	7
Tax compliance services	**4**	4
Advisory services on executive remuneration and directors' fees	**-**	28
Total fees paid to PricewaterhouseCoopers New Zealand	**54**	89
Directors' fees	**362**	328
Total other expenses	**17,513**	12,181

A decision has been made to close the care home at Metlifecare's Pakuranga village by 30 June 2017. Accordingly, the carrying value of the care home's buildings and fixtures have been written down in the period ended 31 December 2016 and an impairment of $1.77m recognised.

The staged construction of the building at Metlifecare's Greenwich Gardens village, which includes the care home, is due to be practically complete in June 2017. The estimated allocation of the total cost of construction to the care home is expected to exceed the initial valuation of the care home on completion. Therefore an impairment of $1.97m has been recognised in the period ended 31 December 2016.

Other employment costs include staff related costs such as staff training, uniforms and commissions on sales.

Notes to the Interim Financial Statements

OPERATING PERFORMANCE (continued)

2.2 Underlying Profit before taxation

$000	**Half year ended 31 December 2016**	Half year ended 31 December 2015
Profit for the period	**164,975**	125,691
Less:		
Change in fair value of investment properties	**(170,739)**	(128,528)
Add:		
Impairment of care homes	**3,743**	-
Realised resale gains	**24,445**	21,561
Realised development margin	**9,600**	7,113
Tax expense	**6,578**	7,681
Underlying Profit before taxation	**38,602**	33,518

Underlying Profit before taxation, a non-GAAP financial measure, is a retirement industry standard presented to assist in comparison of Metlifecare's performance with its peers. Underlying Profit before taxation, calculated consistently year-on-year, is determined from the net profit after tax of Metlifecare adjusted for the impact of the following:

(a) Change in fair value of investment properties: unrealised non-cash valuation changes (refer to note 3.1).

(b) Impairment of care homes: impairment associated with care home valuation changes are excluded as the Group is in the business of owning and operating care homes not constructing the asset for resale (refer to note 2.1).

(c) Realised resale gains: the realised increase in value from the resale of occupation right agreements during the period. Realised resale gains are a measure of the cash generated from increases in selling prices of occupation right agreements to incoming residents, less cash amounts paid to vacated residents for repayment of refundable occupation right agreements from the pre-existing portfolio recognised at the date of settlement.

(d) Realised development margin: represents the development margins delivered from the first time sale of occupation right agreements. Realised development margin is the margin obtained on cash settlement from the first time sale of an occupation right agreement following the development of the unit. The margin calculation is based on the actual selling price of individual units settled during the period and includes the following costs:

- directly attributable construction costs;
- a prorate apportionment of land on the basis of the historical cost or purchase price of the land;
- a prorate share of infrastructure costs specific to a stage;
- non-recoverable GST; and
- capitalised interest to the date of completion on costs attributed to the unit.

Costs are estimated and calculated based on when a stage is completed.

Construction costs, land and infrastructure, non-recoverable GST and capitalised interest associated with common areas (including management offices), amenities and any care facilities are excluded from the costs above when the development margin is calculated.

(e) Tax expense: the impact of current and deferred taxation is removed (refer to note 5.1).

3 INVESTMENT PROPERTY AND OTHER ASSETS

3.1 Investment Properties

$000	Half year ended 31 December 2016	Year ended 30 June 2016	Half year ended 31 December 2015
Opening balance	**2,524,809**	2,176,556	2,176,556
Capitalised subsequent expenditure	**50,905**	132,344	75,562
Investment properties under development transferred to property, plant and equipment	**(1,111)**	-	-
Investment properties disposed of	**(1,231)**	(21,332)	-
Change in fair value recognised during the year	**170,739**	237,241	128,528
Closing balance	**2,744,111**	2,524,809	2,380,646

Investment properties are categorised as follows:

$000	31 December 2016	30 June 2016	31 December 2015
Development land measured at fair value	**64,471**	47,084	49,836
Retirement villages under development measured at cost	**42,673**	46,255	61,821
Retirement villages measured at fair value	**2,636,967**	2,431,470	2,268,989
Total investment properties	**2,744,111**	2,524,809	2,380,646

Investment properties

Investment properties include completed freehold land and buildings, freehold development land and buildings under development comprising independent living units, serviced apartments and common facilities, provided for use by residents under the terms of the occupation right agreement. Investment properties are held for long-term yields.

Valuation processes

CBRE Limited (CBRE) undertook the valuation of investment property for all the reporting periods presented. CBRE's principal valuer, Michael Gunn, is an independent registered valuer and associate of the New Zealand Institute of Valuers and is appropriately qualified and experienced in valuing retirement village properties in New Zealand. The Group verifies all major inputs to the independent valuation reports. The fair value as determined by CBRE is adjusted for assets and liabilities already recognised in the balance sheet which are also reflected in the discounted cash flow model.

The movement in the carrying value of investment properties, net of disposals and additions to investment properties are recognised as a fair value movement in the statement of comprehensive income.

CBRE performed a "roll forward" of the valuation that was completed at 30 June 2016 for the period from 1 July 2016 to 31 December 2016. This involved the Company confirming the movements in the sales, resales and repurchases of occupation right agreements during the period, an assessment by the valuer of the general market conditions and the provisions of the impact of the changes where appropriate on the completed value of investment properties. The "roll forward" provides an assessment by the valuer of the financial impact of the changes for the six month period since the most recent full valuation. CBRE will perform a full valuation as at 30 June 2017 which will be assessed and subject to audit.

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.1 Investment Properties (continued)

Development land

Development land is comprised of a standalone title and/or part of the principal site. Where the development land is a standalone title CBRE has ascribed a value which can be captured independently, if desired, from the overall village. Where the development land is part of the principal site, CBRE has identified if there is potential, be it planning or economic, to expand the village and has assessed a value accordingly. This latter value, whilst identified as surplus land value, cannot be independently captured.

CBRE undertook the valuation of all development land, except that for the period ended 31 December 2015 the Albany site at McClymonts Road was measured at cost which was considered a reasonable approximation of the fair value of this parcel of land given the date of acquisition and the proximity to the reporting date of 31 December 2015.

As a general rule, CBRE has treated units in the early stages of construction, land with approvals and other vacant land clearly identified for future development as land for development in its highest and best use.

Retirement villages under development measured at cost

Where the staged development still requires substantial work such that practical completion will not be achieved at or close to balance date, or the fair value of investment properties under development cannot be reliably determined at this point in time, it is carried at cost less any impairment. Impairment is determined by considering the value of work in progress and management's estimate of the asset value on completion.

Retirement villages measured at fair value

To assess the market value of the Group's interest in a retirement village, CBRE has undertaken a cash flow analysis to derive a net present value. As the fair value of investment property is determined using inputs that are significant and unobservable, the Group has categorised investment property as Level 3 under the fair value hierarchy in accordance with *NZ IFRS 13 'Fair Value Measurement'*. The following significant assumptions have been used to determine the fair value:

Unobservable Input	31 December 2016	30 June 2016	31 December 2015
Nominal growth rate - anticipated annual property price growth over the cash flow period 0 - 5 years	**0% - 3.5%**	**0% - 3.5%**	0% - 3.5%
Nominal compound growth rate - anticipated annual property price growth over the cash flow period > 5 years	**2.2% - 3.2%**	**2.2% - 3.3%**	1.8% - 3.4%
Pre-tax discount rate	**12.3% - 15.8%**	**12.3% - 15.8%**	12.3% - 16.5%

The occupancy period is a significant component of the CBRE valuation and is driven from a Monte Carlo simulation. The simulations are dependent on the demographic profile of the village (age and gender of residents) and a death and non-death probability as the reason for departing a unit. The resulting stabilised departing occupancy period is an estimate of the long run occupancy term for residents. An increase in the stabilised departing occupancy period will have a negative impact on the valuation and a decrease in the stabilised departing occupancy will have a positive impact on the valuation.

The valuation at each reporting date calculates the expected cash flows for a 20 year period with stabilised departing occupancy set out below.

Stabilised departed occupancy - years	31 December 2016	30 June 2016	31 December 2015
Serviced apartments	**3.8 - 4.7**	**3.8 - 4.8**	3.7 - 4.7
Independent living units	**6.7 - 8.9**	**6.7 - 8.9**	7.2 - 8.9

3 INVESTMENT PROPERTY AND OTHER ASSETS (continued)

3.1 Investment Properties (continued)

The CBRE valuation also includes within its forecast cash flows the Group's expected costs relating to any known or anticipated remediation works. The estimate of the gross cash flows included for remediation works is $44.1m over a seven year period (30 June 2016: $20.6m over a six year period; 31 December 2015: $20.6m over a ten year period). The increase in the allowance for remediation works reflects further investigative work conducted over the period across the portfolio and updated estimates of the cost of the required works. The estimates are based on currently available information.

CBRE has also included within its forecast cash flows the Group's expected costs associated with seismic strengthening works of $1.4m (30 June 2016: $1.2m; 31 December 2015: $1.2m).

Other relevant information

The valuation of investment properties is adjusted for cash flows relating to refundable occupation right agreements, residents' share of capital gains, deferred membership fees and membership fee receivables which are already recognised separately on the balance sheet and also reflected in the cash flow model. A reconciliation between the valuation amount and the amount recognised on the balance sheet as investment properties is as follows:

$000	**31 December 2016**	30 June 2016	31 December 2015
Development land measured at fair value	**64,471**	47,084	49,836
Retirement villages under development measured at cost	**42,673**	46,255	61,821
Retirement villages	**1,314,880**	1,180,981	1,041,973
Investment properties at valuation	**1,422,024**	1,274,320	1,153,630
Plus: Refundable occupation right agreements	**1,517,788**	1,437,483	1,408,111
Plus: Residents' share of capital gains	**33,469**	30,590	30,153
Plus: Deferred membership fees	**99,058**	93,520	89,481
Less: Membership fees receivable	**(325,333)**	(307,781)	(297,430)
Less: Occupation right agreement receivables	**(2,895)**	(3,323)	(3,299)
Total investment properties	**2,744,111**	2,524,809	2,380,646

Borrowing costs of $1.9m (2015: $1.8m) arising from financing specifically entered into for the construction of investment properties under development were capitalised during the year. Average capitalisation rates of 3.76% pa (2015: 4.19% pa) were used, representing the borrowing costs of the loans used to finance the projects.

4 SHAREHOLDERS' EQUITY AND FUNDING

4.1 Contributed Equity

Shares	**Half year ended 31 December 2016**	Year ended 30 June 2016	Half year ended 31 December 2015
Issued and fully paid up capital			
Balance at beginning of the period	**212,882,855**	212,190,658	212,190,658
Shares issued net of transactions costs	**123,792**	692,197	692,197
Shares cancelled	**(738)**	-	-
Balance at end of period	**213,005,909**	212,882,855	212,882,855

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

Treasury shares at 31 December 2016 of 320,319 (30 June 2016: 510,675; 31 December 2015: 510,675) relate to shares issued under the Senior Executive Share Plan that are held on trust by the Group. These shares are accounted for as Treasury Shares by the Group until such time as they are cancelled or vest to members of the senior executive team.

$000	**Half year ended 31 December 2016**	Year ended 30 June 2016	Half year ended 31 December 2015
Issued and fully paid up capital			
Balance at beginning of the period	**306,376**	303,695	303,695
Shares issued	**518**	2,681	2,681
Balance at end of period	**306,894**	306,376	306,376

Net tangible assets per share	**31 December 2016**	30 June 2016	31 December 2015
Net tangible assets per share - basic ($)	**6.04**	5.32	4.85

5 OTHER DISCLOSURES

5.1 Segment information

The Group operates in one operating segment. The chief operating decision maker ("the Board"), reviews the operating results on a regular basis and makes decisions on resource allocation based on the review of Group results. The Board makes resource allocation decisions on the basis of expected cash flows and the results of the Group as a whole.
The nature of the products and services provided and the type and class of customers have similar characteristics within the operating segment.

Information about major customers

Included in total income are operating revenues derived from the Government being the Group's largest single source of income.

The Group derives care fee revenue in respect of eligible Government subsidised aged care residents who receive rest home or hospital level care. Government aged care subsidies received from the Ministry of Health included in rest home, hospital and service fees, and villages fees amounted to $5.5m (31 December 2015: $5.9m). There are no other individually significant customers.

5.2 Contingencies

Contingent liabilities

There are no material contingent liabilities as at 31 December 2016 (30 June 2016: nil, 31 December 2015: nil).

5.3 Commitments

$000	**31 December 2016**	30 June 2016	31 December 2015
Capital commitments			
Estimated commitments contracted for at balance date but not provided for to purchase, construct or develop investment properties	**53,948**	21,542	68,424
	53,948	21,542	68,424

5.4 Subsequent Events

On 27 February 2017, the directors approved an unimputed dividend of 2.25 cents per share amounting to $4.8m. The dividend record date is 17 March 2017 with payment to be made on 31 March 2017.

Independent review report

to the shareholders of Metlifecare Limited

Report on the interim financial statements

We have reviewed the accompanying interim financial statements of Metlifecare Limited (the "Company") and its controlled entities (the "Group") on pages 4 to 15, which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of movements in equity and the consolidated cash flow statement for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditors perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of tax compliance and other agreed upon procedures related to the audit. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Group are not prepared, in all material respects, in accordance with NZ IAS 34.

Restriction on distribution or use

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants — Auckland

27 February 2017

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