

Metlifecare Limited

CEO Address

Annual Meeting 1 May 2003, 4.00 pm

Introduction

In my address today I will expand upon the 2002 achievements by assessing them against key performance criteria and outline Metlifecare's focus for 2003 and beyond.

Section 1 – Metlifecare 2002

2002 established a number of milestones and records for Metlifecare. A record profit of \$10.4M, record revenues of \$101M, record assets of \$185M and record resale's of 193.

These results are the direct outcome of the Strategic Review completed in 2000. The review resulted in the refinement of the Company's business strategy. Implementation of the review has focused management on its core competency as an operator and on improving the quality of its products and services. The results of this have seen margins improve and profitability and cashflow increase.

Metlifecare has continued to grow through customer demand for its high quality lifestyle Retirement Villages. The growth has been, and continues to be, profitable and has leveraged value from the increased scale of the Company's operations.

I will not be undertaking any detailed analysis of these results today. The Chairman has noted the highlights of the financial results in his address. In addition the Annual Report provides a detailed commentary on the Company's business operations for the year completed.

Section 2 – Metlifecare 2002 Performance Scorecard

Today I will assess the 2002 achievements against a framework that evaluates the year in terms of the platform created for Metlifecare to achieve its medium term aspirations.

Metlifecare's success will be a result of its achievements in four Key Performance Areas:

- Understanding and developing the Sector
- Customer Service
- Quality of Assets
- Financial Outcomes

A performance standard has been established for each area. I will now outline these standards and summarise the 2002 contribution.

Key Performance Area: Understanding and developing the sector

Our standard for this performance area is that:

Metlifecare will actively research and identify the needs and desires of current and prospective residents.

This will ensure that Metlifecare's products and services continue to meet the demands of people over the age of 65 years.

During 2002 the following achievements or strategic initiatives were undertaken:

- We completed our second annual Customer Satisfaction survey for Retirement Villages to assess our resident's satisfaction and to identify opportunities for improving of service delivery to our customers.
- We introduced a detailed New Resident satisfaction survey to ensure we understand the motivation of purchasers, key decision influences and how we can improve our performance through the purchase process and residents settlement in a Metlifecare Village.
- Metlifecare has maintained representation on the two industry associations being the Residential Care Association and the Retirement Villages Association.
- During the year Metlifecare has made submissions and presented to the select committee on the Retirement Villages Bill

Key Performance Area: Customer Service

Our standard for this performance area is that:

Metlifecare will actively manage, and invest in, the quality of its service delivery.

This will ensure that Metlifecare is the upper quartile lifestyle retirement village choice for people over the age of 65 to capture market share and achieve business growth.

During 2002 the following achievements or strategic initiatives were undertaken:

- Metlifecare negotiated a collective agreement with the Unions that rewards training and recognised experience to attract, train and retain quality staff
- During the year Metlifecare introduced the Metlife*CARE* award which recognises superior examples of customer service by our staff.
- We have proactively commenced implementation of Health and Disability standards accreditation programme, structuring it internally as a customer focused quality improvement initiative, as opposed to a compliance process.
- And, as previously noted, we regularly survey our residents to assess their satisfaction of our service delivery

Key Performance Area: Quality of Assets

Our standard for this performance area is that:

Metlifecare will actively manage and develop the quality of its physical assets.

This will ensure that Metlifecare is the upper quartile lifestyle retirement village choice for people over the age of 65 to capture market share and achieves business growth.

During 2002 the following achievements or strategic initiatives were undertaken:

- \$1.1M was investment in new resident amenities at Metlifecare Crestwood, Metlifecare Bayswater and Metlifecare Pinesong.
- We upgraded care facilities at Metlifecare Palmerston North and Metlifecare Wairarapa.
- We developed and commissioned a new high quality care facility at Metlifecare Coastal Villas.
- Older Villas and Apartments were upgraded as they become available for resale to increase their quality and ensure they provide contemporary residential features.

Key Performance Area:* **Financial Performance*

Our standard for this performance area is that:

Metlifecare will achieve market leading financial results and ratios.

This will ensure that returns to shareholders are optimal and that reinvestment in the company's operations occurs to enhance quality and ensure the sustainability of the company's performance.

During 2002 the following achievements or strategic initiatives were undertaken:

- Revenue and profit results were records, achieved through improving operating margins and performance from all business activities
- Operating cashflow continued to improve to \$27.6M, up 22.7%
- Return on shareholders equity increased to 9.2%.
- A significant portion of the company's land bank was brought into production through the sales of 111 new Villas and Apartments.
- The non core business activities of Epsom and Browns Bay care facilities were divested releasing in excess of \$10M cash.

The management team and I will continue focusing on these key performance areas during 2003 and beyond to ensure that Metlifecare maintains its market leadership position.

Section 3 – Metlifecare – 2003 and beyond

Metlifecare operates in two distinct business sectors:

- Retirement Villages being the provision of high quality lifestyle retirement villages and
- Aged Care being the provision of residential care for the aged

Metlifecare operates in both sectors as they are strategically and operationally complementary and fulfil the needs and demands of our customers. It provides our customers with the security of knowing that if their needs change Metlifecare can provide services meeting those within the Village they have chosen for their retirement.

Operating in both sectors provides Metlifecare with a powerful point of difference to other operators. Metlifecare delivers to its residents a comprehensive and superior quality retirement option structured to meet both their current and potential future needs.

Both of these sectors present significant challenges and opportunities.

Market demographic changes and a three fold increase in the over 65 year old population makes this a very attractive sector.

Legislation, regulatory complexity, development planning and customer sophistication are, however, increasing the operational complexity and compliance costs for the sector. These issues also create additional barriers to entry for competitors, in particular, for small and one-village operators.

Metlifecare is well positioned to take advantage of any opportunities arising from any industry rationalisation that may result through these legislative and sector changes.

Metlifecare's 2003 program continues the focus of the past two years. That focus is:

- Improving operational efficiency and quality
- Bringing the land bank into production

Through this Metlifecare will continue to offer a superior quality retirement lifestyle to its customers while increasing the scale of its operations and grow its capabilities to meet the requirements of New Zealand's senior population.

Key to our success will be ensuring that growth does not come at the expense of financial performance, divergence from the company's core operator competencies or losing concern and caring for our residents.

Section 4 – Metlifecare – Our Mission

Our Mission is to make retirement the best time of our customer's life.

As a service organisation, our business's success is reliant upon meeting the expectations of our residents. Key to our success are the many close bonds forged between residents and our employees.

I would like to thank the Metlifecare team. Their commitment and dedication has contributed significantly to the Company's progress and the results achieved.

I would also like to thank our residents. While Metlifecare provides the physical environment and village management, it is the residents who contribute to the sense of community that makes the village lifestyle unique and vibrant.

Section 5 – Conclusion

Two years ago Metlifecare undertook a highly critical evaluation of its performance. 2002 represents the second consecutive year where the results of this evaluation and a focused approach to improving the company's performance has delivered the targets we set for ourselves. Our achievements can be seen, not only in the improved financial performance, but also in the quality of those results.

Metlifecare continues to improve the strength of its balance sheet and carefully manage its assets and resources. Sustainable performance and quality improvements have been achieved in all areas of the businesses operations. The Company's valuable land bank will continue to grow the business in a profitable manner.

The compelling demographics of the aging population are not enough to guarantee success. Metlifecare is focused on enhancing the range and quality of its products and services. We are confident that this focus will continue to enhance the enduring earnings and value proposition of Metlifecare.

During 2003 Metlifecare will continue to grow the business and improve its performance. We will also continue to take measures to ensure that each new level of performance has the integrity and structure to be sustained and in turn provide a stable platform for the next level of performance.

I continue to be positive about the Retirement Village sector and Metlifecare's ability to profitably increase its scale. I am confident that 2003 will see Metlifecare again exceed its previous years performance.

The directors and management of Metlifecare have structured and are managing the company to enhance shareholder value for the benefit of our long-term shareholders.

I would like to thank you for attending our general meeting and look forward to your continued investment in Metlifecare.