AT THE HEART OF IT

ANNUAL REPORT 2019

OCEANIA
HEALTHCARE

Pat Caspersen & son
Lives at Greenvalley

89-year-old Patricia Caspersen moved into Greenvalley over a year ago. “The first thing we noticed about Greenvalley was that the staff were extremely approachable and friendly,” says son Lex. “From the managers, to the cleaners – everyone we met had a smile on their face.”

For Lex, it’s a relief to know his Mum is in good hands. “When Mum was living on her own, she’d go days without talking to anyone. Nowadays, she’s a happier person – she’s lost that loneliness. Her medical needs are looked after, she gets great food, and she’s the first to sign up for van trips – she loves to get out and about!”

Delight

It's at the heart of Oceania Healthcare. It's what sets us apart. By taking the time to know our residents, understand them and personalise their care we make a huge difference to their happiness, every day. It's this care, and the care we show in all aspects of our business, that creates value.

In this report, as we move towards an integrated approach, we take a close up look at how we do what we do, what this means for our stakeholders, and why this makes us strong today and in the long term.

Letter from the Chair

I am pleased to report another strong performance for Oceania Healthcare in the year ending 31 May 2019, with Underlying Net Profit after Tax from continuing operations of $49.7m and Total Comprehensive Income of $99.8m.

We have continued to successfully execute our strategy of developing our brownfield sites in major cities and upgrading our other aged care sites throughout New Zealand during the past year. In doing so, we are able to offer a superior product and service for both our care and independent living residents.

Our care strategy is to develop premium rooms that are sold under occupation right agreements (our care suites) as well as transform our existing portfolio into a mix of premium and standard rooms. Oceania Healthcare not only receives the daily care fee for our premium rooms (for providing care services to each resident), but also a return from the deferred management fee (if the resident is occupying a care suite) or the daily premium accommodation charge. We explain our care suite strategy in more detail on page 17 and our CEO expands on the success of this strategy during the last financial year in his report.

Our strategy in our independent living business is to redevelop our premium locations with high quality independent living accommodation and spacious, well-appointed community facilities. By doing this, we maximise value and yield through the revenue generated from the selling prices and the trail deferred management income (being the deferred management fees payable on the ORA). We also continue to purchase property adjoining existing sites in order to expand our villages and in the year ahead will identify more well-located greenfield sites to support our future growth. Further information on our development philosophy is set out on page 19.

During the year, the Directors have had the pleasure of visiting many of our sites, either as a Board or individually, meeting with our staff and residents and observing the culture and day-to-day operations at our sites. It is great to see our residents enjoying the services that we deliver and the enthusiasm, passion and capabilities of our team. We have outstanding staff members and we care about their wellbeing. During these visits, the Directors welcomed comments from residents and their families which were incorporated into Oceania Healthcare's continuous improvement processes.

This year we have started the journey towards preparing our Annual Report using the integrated reporting framework. We recognise that value for Oceania Healthcare extends beyond purely financial performance and that it includes other dimensions, such as our social and environmental performance, that are important to us and our stakeholders. We are currently embedding the principles of integrated thinking throughout the business so that the reporting step will follow in the years to come.

We are now well into the cycle of decommissioning older sites and replacing them with our new, premium offering. For our key brownfields locations, this redevelopment process typically involves the construction of new aged care buildings on our sites as a first stage (adjacent to the existing buildings), the transfer of residents from the existing aged care centre to the new centre once opened, and then the sale (under ORA) of remaining premium beds in the new centre.

There is a period at the beginning of this cycle where earnings from our aged care segment are negatively impacted, and we have seen this in the 2019 financial year as we opened our new care centre at The BayView in Tauranga and neared completion of our new care centre at Awatere in Hamilton. We have also converted standard rooms into 47 care suites within a number of existing sites and in the process of this conversion temporarily held rooms vacant while construction works were completed. This naturally reduces earnings in the short term from the care segment of our business until these rooms are complete and sold under ORA, in the process recovering the capital costs of the conversion and significantly enhancing aged care earnings per bed.

As these new care suites at our redevelopment sites, and rooms converted into care suites at other existing sites, are sold over the coming year, earnings from our aged care segment will increase materially due to the enhanced earnings from the care suite model.

We are about to commence the redevelopment of our Lady Allum Village in Milford, Auckland, with Stage One comprising the new (replacement) care centre located adjacent to the existing care centre on the site. Again, this redevelopment will cause a short term negative impact to aged care earnings as the existing site is impacted by this construction, however considerable long term value creation is unlocked through the increased intensity of both aged care and retirement village on the site, as well as the enhanced earnings from our new care suites.

Liz Coutts
Chair

—

Liz Coutts has been a Director of Oceania Healthcare since 5 November 2014 and was appointed Chair in 2014. Liz is also the Chair of Ports of Auckland Limited and Skellerup Holdings Limited, and a director of EBOS Group Limited.

Given Oceania Healthcare's current position in the redevelopment and conversion cycle, our Underlying Net Profit after Tax from continuing operations was consistent with the prior year at $49.7m. This was largely a reflection of the timing for completion of our two key development sites (Meadowbank Stage Four and The Sands) near the very end of our financial year, which only allowed for a small number of residents to move into these sites before the end of May. We are pleased to report that sales have been very strong over these two sites during June and July to date, and we expect this to continue as both sites are sold down over the coming year.

Reported Net Profit after Tax is $45.4m and reflects the valuation of new brownfields developments delivered in the year. This is below last year due to the valuation of our existing villages remaining stable.

Total Comprehensive Income has increased by 22.1% to $99.8m over the year. This measure takes into account the enhanced value that we are adding to our aged care business as we bring new care suites onto the market.

We have continued to increase our total assets as a result of our ongoing capital development programme and revaluations with total assets valued at $1.4bn as at 31 May 2019, an increase of 22.0% on prior year.

Operating cash flow of $89.3m was also 8.6% higher than the prior corresponding period with sale proceeds from previously completed developments contributing $75.5m. We continue to maintain sufficient headroom and flexibility to accelerate the execution of our development pipeline.

With net debt of $248.2m as at 31 May 2019, our gearing remains prudent with net debt to net debt plus equity of 28.9%.

The Directors have declared a final dividend of 2.6 cents per share, taking full year dividends (non-imputed) to 4.7 cents per share, which represents 57% of Underlying Net Profit after Tax. I am also pleased to advise that the Board has approved the implementation of a dividend reinvestment plan for our New Zealand and Australian shareholders, to take effect from the dividend payable on 26 August 2019.

This provides a cost effective and convenient way for our shareholders to increase their investment in Oceania Healthcare without any brokerage fees by reinvesting all or part of any dividend paid on their shares in additional Oceania Healthcare shares instead of receiving that distribution in cash.

On behalf of the Board, I would like to thank our staff for their valuable contribution again this year. The energy and commitment that our staff bring to our business is second to none and we call upon the passion, skill and experience of our staff every day to continue to deliver high quality care and services to our residents.

I am looking forward to the year ahead as we continue to execute our strategy to transform our product portfolio and focus on delivering services which exceed our residents' expectations.

Yours sincerely,

Liz Coutts

Elizabeth Coutts
Chair, Oceania Healthcare Limited

INSIGHT:
Keeping a happy balance

I use some of my leisure time to stay fit and active. I run 6km on the treadmill most days and enjoy walking around Auckland's waterfront and tracks around the Queenstown area. I enjoy yoga - a personal instructor keeps me on track with my fitness goals!

Tennis is my favourite sport. Recently I have been fundraising for the redevelopment of the Auckland Tennis Centre and I am actively involved with the governance of the ASB Classic international tennis tournament held in January each year.

When I'm not working, my husband and I love to travel overseas and experience new cultures and places.

At a glance

Oceania Healthcare is a leading provider of premium healthcare services, with sites located in metropolitan areas across New Zealand. We are dedicated to delivering exceptional and innovative hospitality services that delight our residents.

We have a strong platform for growth with a substantial development pipeline and proven expertise and experience in managing and delivering construction projects.

We have sufficient land to build 1,995 new residences with 1,310 of these already consented.

We pride ourselves in being a recognised industry leader in the provision of clinical care to our residents. Throughout the year, we have continued to transform our aged care offering and are continuously innovating in both clinical care and hospitality led service delivery.

As at 31 May 2019

Staff
2,600

Residents
3,500

Care beds and care suites
2,654

Units
1,202

Existing sites with mature operations
23

Existing sites with brownfield developments (current and planned)
21

Undeveloped sites
2

Total sites
= 46

Highlights

Financial

Underlying Net Profit after Tax – continuing operations[1]

$49.7m ↓1.8%

Behind 31 May 2018 underlying net profit after tax – continuing operations

Total Assets

$1.4b ↑22.0%

Higher than 31 May 2018 total assets of $1.1b

Reported Total Comprehensive Income

$99.8m

↑22.1%

Ahead of 31 May 2018 reported total comprehensive income of $81.7m

Operating Cash Flow

$89.3m

↑8.6%

Ahead of 31 May 2018 operating cash flow of $82.2m

[1] Underlying net profit after tax – continuing operations contains a proforma adjustment to underlying net profit after tax of $50.2m and $52.1m respectively for FY2019 and FY2018 that excludes the earnings from sites divested in 1HY2019.

Operational

New Units
76

Resale Units
83

New Care Suites
57

Resale Care Suites
94

For the 12 months to 31 May 2019

Total Sales
=310 **↑10.7%** Ahead of total sales for the 12 months to 31 May 2018

Developments

Units + Care Suites
308
CONSENT SECURED

Resource consents received during FY2019 for:

- Elmwood (142 care suites in Auckland);
- Eden (49 apartments in Auckland);
- Meadowbank (35 care suites in Auckland);
- Eversley (61 care suites in Hastings); and
- Eldon (21 villas on the Kapiti Coast).

67.3%
of the total development pipeline is now consented.

Units + Care Suites
411
UNDER CONSTRUCTION

411 units and care suites under construction as at 31 May 2019:

- Awatere (Hamilton);
- Green Gables (Nelson);
- Meadowbank (Auckland);
- Windermere (Christchurch);
- The BayView (Tauranga);
- Gracelands (Hastings);
- Whitianga (Coromandel); and
- Elderslea (Upper Hutt).

Units + Care Suites
272
COMPLETED

272 units and care suites completed in FY2019 at:

- The BayView (Tauranga);
- Meadowbank (Auckland); and
- The Sands (Auckland).

Units + Care Suites
265
TO COMPLETE IN FY2020

265 units and care suites to complete by the end of FY2020 at:

- Awatere (90 care suites);
- Green Gables (89 apartments and care suites);
- Meadowbank (26 apartments);
- Gracelands (32 villas);
- Woodlands (6 villas);
- Whitianga (10 villas); and
- Elderslea (12 villas).

Working on what matters

We have set our strategy by considering what is important to our key stakeholders and which risks and opportunities have the greatest impact on our ability to create value in the short and long term.

For the purposes of this report the Board and Senior Management have considered our key stakeholders and the material risks in our internal risk register. We have prioritised these to determine four outcomes (or material matters) that guide our strategy.

As we are at the early stages of embedding the Integrated Reporting framework, the material matters reflect our customer and staff engagement surveys, feedback from other stakeholders and the views of Board and Senior Management. We have reviewed how we measure our performance of the four material matters (set out on page 9 under Our Value Outcomes) and have included some key performance indicators in the subsequent sections of this report, along with some examples of our strategy in action.

We intend to build on this for future reports, by conducting a formal materiality review including interviews with representatives of the various stakeholder groups to refine what matters most to them. This will enable us to report on the matters that are most relevant for our stakeholders.

Our key stakeholders

- Residents and Families
- Staff
- DHBs
- Regulators
- Investors and Funders
- Communities
- Suppliers/Contractors

How we create value

Ray and Vi
The BayView – 6 months

"Mum and Dad have been happily married for over 60 years, but when they needed rest home care, my goal was to help them stay together. They moved into a large care suite and it's a relief to know they won't ever have to move again, even if one of them needs hospital care".

How we create value

OUR DRIVERS

Our people
Highly motivated, passionate and safe staff

Our expertise
The capability of our people and quality of our systems

Our villages
The quality of our villages and landbank

Our relationships
The strength of the relationships we have with our key stakeholders and our brand reputation

Our financial capital
The combination of shareholder funds, banking facilities and operating cashflow employed to maintain and grow our business

Our natural capital
The quality of the natural resources we rely on to run our business today and in the future

OUR VALUE OUTCOMES

Residents love living in our communities

We delight our residents with hospitality inspired, customer led services

We are passionate about the wellbeing of our staff, residents and their families

We lead the way in how we do things

OUR PURPOSE

"We enhance the wellbeing of our residents and provide peace of mind to their families"

OUR VALUES

Kindness – Respect – Passion – Excellence

Letter from Chief Executive Officer

We have had another great year at Oceania Healthcare as we go about delivering care and services to our residents while diligently building, selling and operating new sites. We are continuing to push the boundaries by reinventing aged care with more innovation than ever seen in New Zealand, and delivering hospitality inspired services that continue to delight our residents.

The weighting of our portfolio in care and superior financial returns from our care suite product differentiate us from other operators in the market and provide resilience against downturns in the property cycle. We have continued to prove our capability to design, build, sell and operate premium aged care and retirement villages throughout the last financial year and we are particularly thrilled to have welcomed residents into our brand new care suite building at The BayView in Tauranga and our first apartment residents to their brand new waterfront village, The Sands, in Auckland's Browns Bay in May 2019.

Care

We have continued to transform our aged care offering during the year and are continuously innovating in both clinical care and hospitality-led service delivery. We have a significantly higher weighting of aged care beds to retirement village units in our portfolio compared to our peers and this will remain the case as we build out our brownfields development pipeline. We pride ourselves in delivering excellent care to our residents and in being a recognised industry leader in the provision of clinical outcomes.

We were pleased to win both the Innovative Service Delivery and the Excellence in Food awards at the annual New Zealand Aged Care Association conference in September 2018.

Care suites are at the core of our growth strategy in aged care. These premium rooms are fully certified by the Ministry of Health to provide rest home through to hospital level care, enabling residents to remain in the same room throughout their care journey. This full-service, round-the-clock care capability sets care suites apart from serviced apartments.

By selling premium rooms as care suites under an occupation right agreement, we not only generate aged care earnings during the resident's tenure by providing care services, but we also realise a deferred management fee at the end of the tenure. These two revenue streams provide the returns required to justify a continued investment in aged care and meet the significant expected increase in demand as the population ages.

An important feature of our aged care strategy is the enhancement of care and hospitality service standards, that go hand-in-hand with the redevelopment of our premium care suite product. We introduced our new superior service delivery model to our Meadowbank care suite residents last year, which provides them personalised, resident-centred services. Our residents enjoy the benefits of having a guest service manager (similar to a concierge at a hotel), a choice of meals from a menu in the dining room or from the in-room menu, morning and afternoon tea served in their suite or in the lounge, a range of engaging leisure activities on offer seven days a week and personal laundry pressed and folded. Following the success of this new model at Meadowbank, we introduced the same model at The BayView where it has also been well received and sales of our new suites that opened in January are tracking ahead of expectation. We are now looking forward to implementing this model in our new care suites at The Sands, Awatere (formerly Trevellyn in Hamilton) and Green Gables (in Nelson) when these sites open during FY2020.

During the year we appointed a National Culinary Manager who has been working with the Executive Chefs at our sites to raise the standard of our dining experience and ensure that our residents are being served tasty and nutritious meals. Our new winter 2019 menu was rolled out across all of our aged care sites in May 2019 and we have received fantastic feedback from our residents.

We are also improving our clinical care delivery with the necessary investment in our IT platform. We are rolling out a Resident Clinical Management System, e-Case, across the country and, as at 31 May 2019, this has been implemented at six of our sites. E-Case is revolutionising the way that we manage resident information.

In addition to building new care suites, we have been transforming our aged care portfolio by converting standard rooms to premium rooms across a number of sites around the country. This process involves reconfiguring internal layouts, enlarging room sizes, and in some cases retrofitting ensuites in order to bring the product up to a superior standard. The new rooms are certified as care suites and the capital invested is recovered with the sale of the occupation right agreement.

Aged care returns are also enhanced by generating a deferred management fee from the occupation right agreement. Over the last year, we have completed 47 care suite conversions at Woodlands (Motueka, Nelson), Holmwood (Rangiora, Canterbury), St Johns Wood (Taupo), Atawhai (Hawkes Bay), Middlepark (Christchurch), Otumarama (Nelson) and Addington Gardens (Christchurch). Demand has been strong for these premium rooms and we are now planning the next stage of conversions across nine sites.

Developments

We have made good progress on our development sites during the year, with all 272 retirement village units and aged care beds completed as signalled to investors last year. We are pleased to have delivered the 81 care suites at The BayView, 83 apartments and care suites in Stage Four at Meadowbank and 108 apartments and care suites at The Sands, all on time and on budget. As you will see from this Annual Report, our new developments are meticulously designed with their unique location in mind. Residents at Meadowbank enjoy spectacular views over the neighbourhood and across the Orakei Basin towards the Auckland CBD. The Sands is a development right on the waterfront at Browns Bay on Auckland's North Shore. Situated just across the road from the beach, this boutique village boasts stunning views across the water looking out towards Rangitoto. The apartments at Meadowbank and The Sands are spacious and a significant amount of care and planning has gone into their design including enclosable glass balconies, large showers and wide corridors to make it easier for our residents to enjoy their homes.

In addition to the completion of these prominent Auckland projects, our development team has been working hard to complete 90 care suites at Awatere (formerly Trevellyn) in July 2019. In a similar approach to that taken at The BayView in December, we intend to move residents of the previous care centre into the new care centre and then sell the balance of the new care suites under occupation right agreement. Later, as rooms become available, we will sell these under occupation right agreement.

We are also making good progress at our Green Gables development in Nelson (comprising 89 apartments and care suites). This development is in a premium location in central Nelson and we are looking forward to completing this in the second half of FY2020.

Construction is also well underway on Stage Five at Meadowbank (26 apartments), Stage Two at The BayView (74 apartments and community centre), Gracelands (32 villas), Whitianga (10 villas) and Windermere in Christchurch (93 apartments and care suites).

We are also skilled in the management of our resource consent processes, with several new consents achieved during the past year that significantly de-risk our future redevelopment plans. New consents were obtained during the year at Eden, Eldon, Elmwood, Eversley, Lady Allum and for Stage Six at Meadowbank. Of the 1,995 retirement village units and aged care beds in our pipeline, 67.3% now have planning approvals in place.

Our people

Despite the substantial development programme ahead of us, Oceania Healthcare is very much a people business. We have over 2,600 staff caring for our residents and we recognise that the passion of our staff is the key to delivering outstanding care to our residents. Two prominent features of our culture at Oceania Healthcare are leadership empowerment and teamwork, and these are modelled on a daily basis throughout our sites. I have personally visited all 36 of our aged care sites three times over the past year, both to provide support and encouragement to our site management, but also to connect directly with our staff. I spend three hours at every site visit, with half of this dedicated to meeting with staff and hearing their stories on a one-on-one or group basis.

We have made a significant investment again this year in learning and development, with most of our Business and Care Managers and Clinical Managers now having completed the Step-Up for Leaders training programme. This upskilling enables them to lead their people better than ever before. We are also encouraged that 14% of our healthcare assistants and 9% of our cleaners completed the New Zealand Certificate in Health and Wellbeing qualification in the past year, enabling them to move into higher pay bands, with a further 32% of our healthcare assistants and 28% of our cleaners currently enrolled in these courses.

As well as providing our healthcare assistants with substantial remuneration increases through the Government's equal pay regime, in October 2018 we increased our pay scales for registered nurses to recognise the importance of retaining these key employees in the face of shortages across the health sector. Our pay rates are now leading the industry and new pathways have been established for registered nurses to progress through our pay scales with high levels of professional development.

During the year we also achieved a two year accreditation status with Immigration New Zealand, which enables Oceania Healthcare to recruit internationally and provides a faster turnaround for our employees' work visas. This enhances Oceania Healthcare's employment brand and builds on our reputation as a preferred employer in the sector.

We are announcing the introduction of an employee share scheme which will be offered to all of our permanent employees. This will give staff an opportunity to own a stake in Oceania Healthcare and share in our growth. This year our staff will be invited to participate in the scheme and receive an allocation of $800 per annum (for full-time employees) or $400 per annum (for part-time employees) of Oceania Healthcare shares. The shares will be held in trust for three years before they are transferred into the employee's name. We are delighted that our staff will be further recognised for the crucial part that they play in Oceania Healthcare's success.

INSIGHT:
My passion away from work

My family owned a sailing yacht from when I was about 7 years old, and we spent holidays sailing around the Hauraki Gulf, one of the most beautiful harbours in the world. I used to love coming into a bay at the end of a day out of the wind, weaving amongst the larger yachts and launches moored further off the shore, and finding a spot closer in because our boat was smaller. As soon as we had dropped anchor I would jump in our little dinghy and row ashore, exploring the beaches and rocks. When I was 9 years old, I got my own sailing dinghy, which we towed behind our boat and when we moored I'd put up the mast and sail around on my own.

Sailing is a sport that, once you've experienced it as a youngster, you always have in your blood. I don't get a lot of opportunity to get out on the water nowadays but when I do the exhilaration of being powered only by the wind, at the edge of control, is very addictive. It's great that I can now experience this with my kids and pass on the passion for this great New Zealand pastime.

As well as working hard to deliver real benefits for our staff, we have also continued our focus on enhancing our health and safety training and support programmes across our sites. We have developed a robust contractor management process and training programme and are rolling this out nationwide. It is very pleasing to see that our ongoing focus in this area has had a positive impact on our business, as we have made a further significant reduction in our injury rates and in doing so provided our staff with a safer workplace than ever before.

Outlook

In the two years since our Initial Public Offering we have been extremely busy developing, selling and operating new sites as well as transforming our care offering – both in product and service delivery.

We have a substantial development pipeline at our brownfields sites for the next six years and are in the financial position to make further acquisitions of development land should opportunities arise during the next year. We are looking forward to further executing our development pipeline and care suite conversion projects in order to deliver the highest standards of care to our residents.

I am excited for the next year, with our experienced and strong Board and leadership team in place, a clear strategy for growth, and our passionate staff who are totally committed to their residents.

Yours sincerely,

Earl Gasparich
Chief Executive Officer

Q+A

It's been a busy two years for Oceania Healthcare's Chief Executive Officer, Earl Gasparich, since Oceania Healthcare listed on NZX and ASX in May 2017. We had a chat with Earl about the challenges and opportunities for Oceania Healthcare and what makes him tick.

Q: It sounds as though you've had a pretty busy time at work lately. What do you like to do in your time off to help you relax and recharge?

A: We've been incredibly busy over the past two years executing our strategy - there's a lot going on and the team are working very hard. Relaxing and recharging is a very tough question – my family would say that I don't! I've always been a bit of a workaholic but in this role you have to intentionally create time for family and friends or else it just won't happen. I did make a decision several years ago that I wouldn't work on the weekends while the kids were awake, and I've generally managed to stick to that despite it meaning some very late nights after they are asleep. So I spend most of the time when not at work with my wife and three children doing a variety of sports, entertaining and relaxing at home. We live on a lifestyle block out in the western part of Auckland which is a great haven. I also make sure that I take time off during school holidays which are good times for making family memories.

Q: Oceania Healthcare has been listed for two years now. What has been achieved in that time?

A: The listing gave us the capital we needed to execute our brownfields development pipeline and transform our existing aged care portfolio. From a development perspective, we've completed 364 units and care suites in two years at The Sands, Meadowbank Stages Three and Four and The BayView care suites all on time and on budget. We've also converted 114 standard rooms and apartments into premium offerings that are being sold under ORAs as care suites at 12 sites. With our premium care strategy we've launched our enhanced care services at all sites with care suites, and are now delivering unparalleled levels of service in our new sites. We've achieved an enormous amount in just two years – the considerable investment in our people is echoed in our staff satisfaction, reduced injury rates and the training that we're providing at all levels. We've lifted our culinary experience, our activities on site, the list goes on and on. I'm incredibly proud of our people who are passionate and dedicated to providing the best care and service to our residents.

Q: How do you perceive the reported slow down in the residential property market in New Zealand and how is Oceania Healthcare positioned to respond to this?

A: There is no doubt that the growth in residential property values has slowed and in some parts of the country we are seeing a slight easing in prices. However, there is still a significant gap in most regions between the average house price and the asking price for independent living units. For us at Oceania Healthcare, we've been saying for some time that, while Oceania Healthcare is certainly not immune to the effects of the slowing property market, our business is a lot more resilient to it than others. This is simply because of the scale of our Care business, which we describe as "needs-based". What we mean by this is that the decision to move into an Oceania Healthcare aged care site by an incoming care resident is not driven by what the property market is doing, it is driven by their need for care, which is often urgent. These residents are not factoring into their decision how much they will sell their residential properties for, that is the last thing on their minds when their needs are such that moving into aged residential care is imperative. Even when looking to purchase a care suite, the lower entry price for these rooms means that affordability is not compromised.

Q: Oceania Healthcare sold five of its sites to Heritage Lifecare last year. Are you intending to sell any other sites over the next 12 months?

A: We undertook a portfolio review last year that identified a small number of sites that were not suitable for upgrade or redevelopment and therefore did not fit within our future aged care plans. As a result of this review, we sold five of our aged care sites to Heritage Lifecare last year. At this stage we are not intending to sell any other aged care sites.

Q: There has been a lot of discussion recently about wage rates in the sector. How is Oceania Healthcare rewarding its people?

A: We have been investing a lot in our people over the past two years. We delivered a significant increase in the pay rates for registered nurses last year, as well as delivering the second year of the Government's equal pay settlement for healthcare assistants. The starting rate for other housekeeping staff also increased significantly. Our pay rates for registered nurses are now well aligned to the recent DHB settlement and this has certainly eased the pressure on the retention of our registered nurses. We provide direct support to our registered nurses to complete their professional development requirements and for healthcare assistants to progress through qualification levels, and have also invested considerably in our tailored leadership development training programme, Step-Up.

On top of this, we have just launched our employee share scheme which all of our permanent staff will be invited to participate in. Our staff will be able to own a stake in Oceania Healthcare and will be further recognised for the vital role they play in Oceania Healthcare's success.

Q: Your development at The BayView in Tauranga has been the first major development out of Auckland for some time. Now that some of the residents have been living in the care suites there for six months, what feedback are you getting for this product?

A: The feedback at The BayView is wonderful. We took 60 residents from an older building on site and moved them into their brand new care suites with new furniture in every room, and a completely new model of care service delivery. We have also sold 17 care suites to new residents, who are enjoying fabulous food, leisure activities and beautiful common areas. I'm also really pleased with the feedback from staff, who have told me how much of a lift in wellbeing they have noticed in their residents simply from the move into the new environment. It's great to see how well this new service model is going.

Q: Oceania Healthcare delivered 272 units and care suites during FY2019. How confident are you that the team will be able to deliver the 250+ units and care suites promised from FY2020?

A: We are confident that Oceania Healthcare will be able to deliver our increased build rates of 250 units and care suites in FY2021 and 300 units and care suites each year thereafter, starting with 265 units and care suites due for completion in FY2020. With the completion of The Sands and Meadowbank Stage Four on programme this past year, and the completion of Awatere Village ahead of programme in July 2019, we have proven our development capability to the market. All of our current developments are progressing well according to plan and therefore we've got high levels of confidence in the team continuing to deliver.

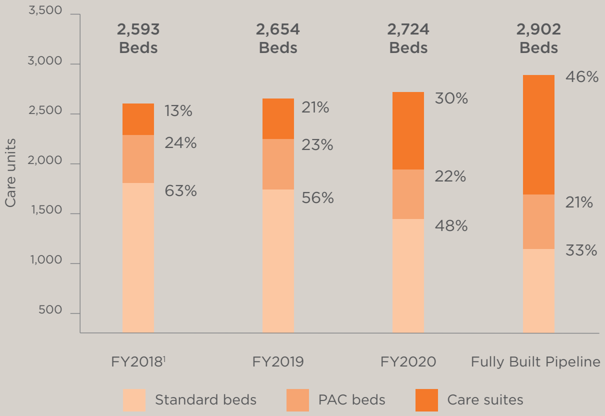
Q: What level of acquisitions will Oceania Healthcare need to achieve this level of growth?

A: We acquired the properties at Waimarie Street in St Heliers, Auckland last year and our team has been busy consenting this development. In addition to this, we have bought some properties adjacent to our Elmwood, Lady Allum and Eden sites (also in Auckland), so we've got plenty of development ahead of us. Having said that, if a good opportunity came up, we would certainly look to acquire this in the same way that we acquired the properties in St Heliers. The reality is that we're a good five years away from needing to turn dirt on another site in order to maintain our build rate.

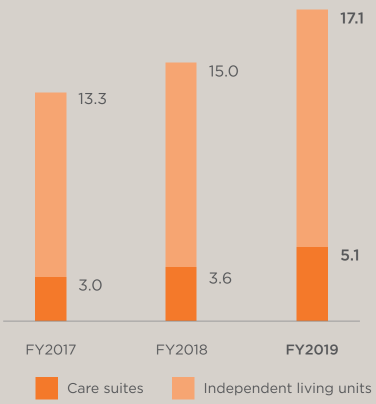
Residents love living in our communities

We are creating premium aged care and independent living environments by executing our development pipeline of 1,995 suites and units and by converting standard rooms to care suites. As a result our portfolio will increase by 38% to over 5,000 suites and units, with 55% of these being care beds and care suites. Our care portfolio will comprise ~67% premium beds.

CARE PORTFOLIO COMPOSITION



INCREASING DEFERRED MANAGEMENT FEE ($M'S PER ANNUM)



[1] FY2018 portfolio restated for the sites that were divested in 1H2019.

Our care suite strategy explained

At Oceania Healthcare, we are changing the face of premium aged residential care in New Zealand. As baby-boomers retire and later require permanent assisted living, they are demanding standards of accommodation and service well beyond what traditional rest homes are capable of providing. In addition, it is well recognised that the Government's fixed daily care fee falls well short of what is required to give operators anything like a reasonable return on the capital investment needed for new aged care sites.

In response, the DHBs have for some time recognised the ability of operators to provide residents with premium rooms, and charge residents additional fees to stay in these types of superior accommodation. These fees take the form of premium accommodation charges (PACs) or deferred management fees (DMFs) on occupation right agreements (ORAs). These two premium charging models have strong similarities to the Australian aged care accommodation funding model of daily accommodation payments (DAPs) and refundable accommodation deposits (RADs).

We offer residents both types of premium rooms at Oceania Healthcare (PACs and ORAs). At our new aged residential care sites these premium rooms are called care suites and they are all licensed under ORAs. Each care suite has its own kitchenette and seating area and most have a balcony, so it feels more like an apartment than simply a bedroom. Our focus on great design, and our passion for creating delightful customer experiences, ensures that our care suite environments do not look or feel anything like a traditional rest home either. Our design ensures that any medical equipment is hidden away, and the café, dining area and lounges look like an independent living area of a retirement village.

Our executive chef prepares tailored meals just the way our residents like it, and residents can choose if they want to eat in their own suite, or in the dining room. We also have dedicated guest services roles (like concierges within hotels) to help coordinate a resident's diary, ensuring it is full of the things they love to do. This guest services function also provides an important role liaising with friends and families so the resident can stay socially connected with both their families, and their local community.

Our care suites are all fully certified by the Ministry of Health to provide aged residential care services from rest home to hospital level, meaning that the resident does not need to move out of the care suite as their needs increase. This is a significant advantage of the care suite model compared with serviced apartments, which are generally only certified, at best, to provide low levels of care. When the resident within a serviced apartment requires higher levels of care, they are usually moved into a more traditional aged residential care centre and, if a premium room is chosen, they will pay a PAC every day for the remainder of their stay. In some cases, the resident may even have to move again – a third time – if their needs increase from rest home to hospital level of care. This is highly undesirable for residents at the most vulnerable time of their lives.

In contrast, when a resident moves into an Oceania Healthcare care suite, they have the peace of mind of having the right to remain in their suite and can stay in that suite for the duration of their time in care without being required to move again. Families also find it very reassuring to know that there are more care staff and registered nurses on hand in a care suite environment compared with serviced apartments.

Other operators generally offer their retirement village residents a "free" transfer from an independent living unit to a serviced apartment when the resident needs additional living assistance. When that resident subsequently requires a higher level of care, the resident will usually be moved into an aged care centre. At that point, they will pay for a premium room (by way of a PAC). In contrast, Oceania Healthcare village residents remain in their independent living unit slightly longer, receiving some daily assistance if required (provided by the DHB or otherwise), and when their needs increase to rest home level, they move only once into their "forever" care suite, enjoying the incredible living environment and highest standards of service seen anywhere in New Zealand.

Thomas Kingham
New Meadowbank resident

—

"We looked around at so many places, but Meadowbank's Care Suites stood out as the best by a long way," says resident Thomas Kingham. "It doesn't feel like a hospital at all and the standard of care and service here are second to none."

"Just after I moved into Meadowbank, the Guest Services Manager put on a welcome event for me," says Thomas. "She invited my sister and her family, as well as a few friends, so they could meet everyone."

"The food is amazing and the chef's just great," says Thomas. "He makes a fantastic hotpot - that's my absolute favourite."

And, Thomas knows all the little things are taken care of. "It's great having the Guest Services Manager to help me make the most of my days. I feel better than I have done in years."

Thomas is delighted to continue doing the things he loves. "The Guest Services Manager even arranged for my friends from Remuera Bridge Club to come to Meadowbank and play with me," he says. "There's a lot to keep me occupied and living the way that I'm used to."

Developments and design

Our development team knows the importance of getting all of the design detail right. It is often the attention we give to the small things that make living and working in the places we build even more enjoyable for residents, their families and our staff.

Residents in our care have told us that they want their living spaces to feel more like home. They told us that seeing hoists and wheelchairs in the corridors made them feel like they were living in a hospital. Through close collaboration with the nursing team, our designers were able to build care suites where all medical equipment is stored out of plain sight, and yet is still handy for our staff.

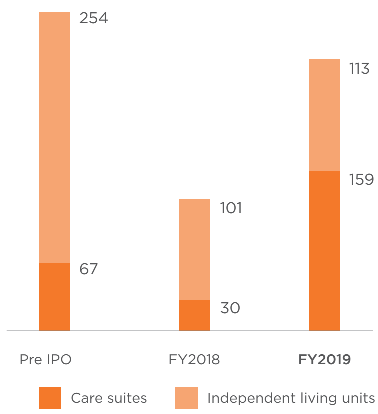
The design team are key catalysts for us to be able to delight our residents. As an example, the designers helped create a more social vibe in our dining rooms. Traditionally care centre dining rooms use vinyl on the floor, but this surface tends to bounce noise around the room making conversation difficult.

The design team researched many flooring options and worked with manufacturers globally to solve the problem. We now specify a high-tech carpet that is very easy to clean, to create a warm and inviting space for residents and their families to get together over a meal.

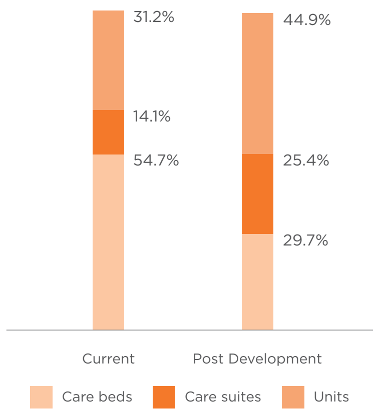
Our apartment residents also appreciate the value of good design - whether it is the encloseable glass balconies, the wide apartment corridors, the full height bedroom windows, or simply wardrobes that do not feel flimsy – these quality details set us apart from other operators.

Our passion for getting it right drives us to design and build products that are stylish, suitable, and highly valued by our residents. A focus on great design plays a big part in enabling our residents to enjoy living well, for longer.

UNIT DELIVERY (PER ANNUM)



TOTAL PORTFOLIO COMPOSITION



Gareth Wright
Design Manager

Harpreet Sharma
Registered Nurse

—

Getting the small things right is at the heart of creating spaces that staff and residents love to work and live in.

The Sands

Browns Bay, Auckland

44
CARE SUITES

64
APARTMENTS

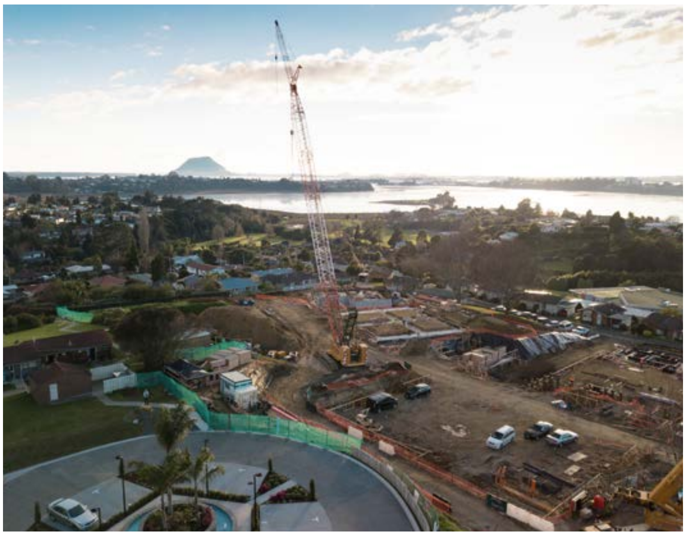
STATUS
COMPLETED MAY 2019

Meadowbank, Stage 4
Meadowbank, Auckland

34
CARE SUITES

49
APARTMENTS

STATUS
COMPLETED MAY 2019



The BayView, Stage 2

Tauranga

74
APARTMENTS

COMMUNITY
CENTRE

STATUS
STAGE TWO UNDER CONSTRUCTION

Awatere, Stage 1
Hamilton

90
CARE SUITES

STATUS
STAGE ONE SCHEDULED FOR COMPLETION JULY 2019

Green Gables

Nelson

61
CARE SUITES

28
APARTMENTS

STATUS
UNDER CONSTRUCTION

Windermere
Christchurch

71
CARE SUITES

22
APARTMENTS

STATUS
UNDER CONSTRUCTION

Gracelands
Hastings

32
VILLAS

STATUS
UNDER CONSTRUCTION

We delight our residents with hospitality inspired, customer led services

By listening to our residents and their families and personalising our services, we are delighting our residents with hospitality inspired, customer led services. Our focus is on the total wellbeing of our residents, underpinned by high quality clinical care.

CARE CUSTOMER SATISFACTION – NET PROMOTER SCORE

FY2019

32

FY2018 – 33
FY2017 – 35

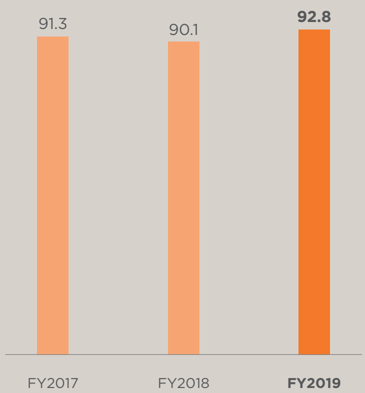
VILLAGE CUSTOMER SATISFACTION – NET PROMOTER SCORE

FY2019

56

FY2018 – 43
FY2017 – 53

OCCUPANCY AT NON DEVELOPMENT OR CONVERSION SITES



Dining to delight

We are incredibly passionate about creating delightful dining experiences for our residents at Oceania Healthcare. We know that when it comes to dining, our residents look forward with anticipation to one of the many highlights of their day. It is a way for them to share time with friends and family, and it fulfils and nourishes the body and soul.

Vincent Marshall
Chef

—

Vincent has been a chef for 25 years and has worked around the world, even cooking for the Queen!

Oceania Healthcare's famous lamb hotpot with crispy pastry top and minted pea puree.

Fabulous food experiences start with a team of executive chefs across New Zealand who are highly talented, experienced and know about creating food for our residents that not only tastes great, but it looks good and is served in a high quality environment that you'd expect in any restaurant. Over 90% of our culinary teams across Oceania Healthcare's care sites are now led by qualified executive chefs, who show real heart in serving their residents.

This year we appointed a National Culinary Manager, who supports our teams and champions them to deliver dining experiences that create a real point of difference for our business. Vincent Marshall has been a chef for 25 years and has worked around the world, even cooking for the Queen! He has gathered our residents' favourite recipes across the country, held workshops with the culinary teams, and created new menus that included both old favourites as well as delightful new dishes that make the most of fresh, seasonal ingredients.

"This was a really fun process to lead. Our residents were just great as they shared stories and memories of why recipes were special to them. For example, our chefs knew that lamb stew was an absolute favourite, so we put together a lamb hotpot with a crispy pastry top and a minted pea puree recipe, which is a modern twist on it – and our residents loved it.

Similarly, everyone loved fish and chips on a Friday, but it absolutely has to be made with fresh fish! So we searched for new suppliers who could deliver fresh fish, just on time, across all our sites nationwide. The extra effort we put into getting this right was all worth it when we saw just how delighted the residents were to be served fresh, tasty beer battered fish and chips each week".

"I was very proud and humbled this year when Oceania Healthcare received the Excellence in Food award at the New Zealand Aged Care Association conference and was also a medallist at the Senior Lifestyle Cuisine competition. Winning these awards proves that Oceania Healthcare is an innovator in this industry and this helps to attract executive chefs who may not have previously thought of food in aged care as being so exciting, challenging and rewarding to create".

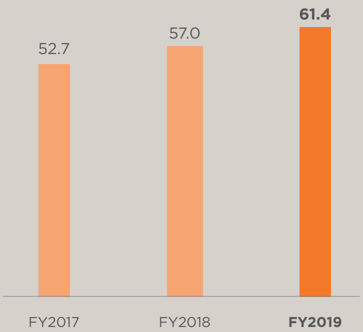
Vincent spends most of his time upskilling the culinary team across Oceania Healthcare and working with them to create warm and inviting dining experiences. He also works with our development team designing kitchens for our new sites as we look to reach even greater standards to delight our residents.

We are passionate about the wellbeing of our residents, their families and our teams of staff.

A culture of kindness and respect leads to engaged staff who show great empathy for our residents. We will nurture and develop our leaders, provide opportunities for our staff to learn and grow, and maintain our focus on the safety and welfare of our staff.

LOST TIME INJURY FREQUENCY RATE (DAYS)

STAFF ENGAGEMENT (%)[1]



[1] Staff engagement is measured as the employees who 'agreed' or 'strongly agreed' with the statement "I would recommend this as a great place to work".

Developing great leaders

We are passionate about our people and support their learning and development at all levels. The many national awards we have won for our in-house training programmes, and the quality of our teams, is testimony to the investment we put into helping our people reach their full potential.

Our Step-Up for Leaders programme, launched in 2017, is designed to empower our managers, clinical leaders and registered nurses to be better leaders. We know that when our people are well led, teamwork is more effective, staff are more engaged and aligned to our vision and values, and delivery of services to our residents is of a higher standard.

Step-Up for Leaders is an incredible programme that takes people through a six month journey of personal learning experiences and group workshops. To date, 75% of our managers, 86% of our clinical leaders and our first four cohorts of registered nurses have completed the programme. The programme is transforming the leadership capability of our managers which is enabling them to deliver strategy more effectively within their sites through greater staff engagement.

These testimonies show the extraordinary impact that Step-Up has had on participants, both within the workplace and to their overall wellbeing:

"The distinction between managing and leading a team showed me that I needed to be there to support and coach my staff more frequently, rather than step-in and do the job myself. I learnt that leadership is a mindset and that hard-wiring of my brain from previous experiences impacts my approach to problem solving, motivating others and collaboration. I now realise that a growth mindset allows me greater freedom in my role as Clinical Manager, and this has facilitated change and a new perspective on my role as a leader. I found my approach has become more solution orientated and I now encourage staff to contribute solutions rather than them frequently looking to me to solve their problems. Since completing the course, I have an easier relationship with staff and a greater confidence to lead."

—

Jane Coles
Palm Grove

"This programme has dramatically changed the way I lead. I feel more confident and calmer in my role. It gave me the tools to focus on the vision for Heretaunga and helped me to prioritise my day to focus on what is important. I used to get pulled into a lot of 'drama', now I have the skills to successfully coach people to find their own solutions. This has been empowering and motivating for my team, who now feel they have more control over their work. It has also freed up a lot of my time, which means I spend more time with our residents and their families."

—

Micky Sahni
Heretaunga

"The programme has taught me so much about myself, my leadership style, and my approach to work. I enjoy my job so much more and have a better understanding of people. Both my Clinical Leaders have also benefited from participating in the programme, and one in particular, is a lot more productive at work. She felt like she didn't have enough time to get everything done and now using the tools she learnt on the programme, she is better at prioritising her work and can spend more time with our residents. I have enjoyed how our relationship has grown – we now plan together, and have more effective conversations. She used to shy away from challenging conversations with her staff, but now she addresses these issues in a confident and respectful way. I'm so proud of how she has grown, she's doing an amazing job."

—

Sharon Blackbeard
Whareama

Catherine Larsen
Business & Care Manager

—

Developing great leaders is at the heart of building engaged teams.

We lead the way in how we do things

By innovating, embracing technology and making it easy to do business with us, we will create sustainable profit and deliver future growth.

6

SITES LIVE

AS AT 31 MAY 2019

343

PAPER RESIDENT RECORDS MIGRATED

268

STAFF WHO HAVE RECEIVED TRAINING

Going digital to improve care

We pride ourselves on the capability of our people and the quality of care we provide our residents. We understand that our residents, their families and the DHBs place a lot of trust in us.

With these high expectations comes the need to continuously innovate and seek ways to improve the way that we deliver care and services.

Over the past year we have commenced the implementation of a new resident management system, e-Case, with six sites now "live" on the new system. The benefits of moving to a digital system over a traditional paper-based system have been immediate with improved visibility of clinical indicators and performance for our clinical quality teams, providing greater assurance that our residents are receiving the very best care at all times.

We piloted e-Case at Meadowbank in Auckland where April Ladia is the Clinical Manager. Her team was happy to be the test site for this very important project.

"Having a clinical information system has helped me manage my team of nurses and healthcare assistants more productively. Information is captured in real time about the care that needs to be provided and we spend less time at our nurses' station writing notes and more time with our residents".

"We had some staff who had very basic computer skills in the beginning but they are now glad they've learnt".

"It has improved the wellbeing of our residents by enabling our team to spend more time with them. Tasks are prompted including what is required if there are any changes in the health of our residents. The families are very happy that our staff are closer to the daily needs of our residents."

These sentiments are echoed by her team.

Joseph, a registered nurse at Meadowbank, has recently joined our dedicated project implementation team to provide training and support as we implement e-Case at our other sites throughout the country.

"Nurses love the new system. Before when we went about our daily tasks, we had a single copy of each resident's notes. Now we don't have to wait for access to a paper file and instead can check and measure a resident's progress while we are with them in their care suite. Multiple staff can update the resident's record without having to wait. I'm therefore now able to spend a lot more time with my residents and their families."

April Ladia
(and Meadowbank resident)
Clinical Manager

—

Our new resident management system allows staff to spend more time focusing on the resident rather than on paperwork.

Board of Directors

Oceania Healthcare has an experienced Board with a diverse range of skills.
The Board comprises an independent Chair, three independent non-executive Directors and three non-executive Directors.

From left to right

Alan Isaac
Independent Director
CNZM, BCA, FCA

Dame Kerry Prendergast
Independent Director
DNZM, CNZM, MBA (VUW), NZRN, NZM

Elizabeth Coutts
Chair and Independent Director
ONZM, BMS, FCA

Hugh FitzSimons
Non-Executive Director
BEc LLB (Hons) (Syd)

Patrick McCawe
Non-Executive Director
BCA (Hons), MBA, CA

Sally Evans
Independent Director
BHSc, MSc, FAICD, GAIST

Greg Tomlinson
Non-Executive Director
AME

Our Board Skill Set

CORE STRENGTHS

Governance 7/7

Finance and accounting 6/7

Risk management 7/7

Capital markets and structure 7/7

Regulatory knowledge and experience 7/7

Human resources 7/7

Health and safety 6/7

Governance

- Commitment to the highest standard of governance
- Board experience (NZX 50 or equivalent) or experience as an adviser to Boards for at least 5 years
- An ability to assess effectiveness of senior management.

Finance and accounting

- Senior executive or board experience in financial accounting and reporting, corporate finance and internal controls
- Understanding of business and property valuation principles and their implications on the financial performance and position.

Risk management

- Developing and overseeing an appropriate risk framework and culture
- Experience evaluating and managing financial and non-financial risks.

Capital markets and structure

Experience with equity and debt markets, capital structuring and investment analysis.

Regulatory knowledge and experience

An understanding of the regulatory environment in which we operate and the role that plays in ensuring sustainable custodianship of our assets and providing benefit to our customers.

Human resources

Familiarity with people and best practice development and performance structures.

Health and safety

Experience and understanding of health and safety and wellbeing requirements.

MARKETS AND CUSTOMERS

Customer advocacy 7/7

Aged care 7/7

Clinical experience 4/7

Customer advocacy

Experience and understanding of sales, marketing and brand strategy and practices.

Aged care, hospitality and customer service market experience

Experience and understanding (either at Board, leadership or senior consulting level) the dynamics of the international and domestic in either of the aged care, hospitality and customer services markets, and opportunities and challenges within those markets.

Clinical experience

Experience and understanding of the clinical requirements of the heathcare sector at a governance, leadership and/or practitioner level.

PROPERTY AND CONSTRUCTION

3/7

- Experience as an investor, leader or adviser in the property development market

- Experience as an investor, leader or adviser in the construction industry.

DELIVERING SUSTAINABLE GROWTH

Growth 7/7

Strategy 7/7

Operational leverage 7/7

Business model and technology disruption 7/7

Growth

A track record of developing and implementing a successful and sustainable strategy of growth in business.

Strategy

Ability to think strategically and assess strategic options and business plans.

Operational leverage

Experience in leading or advising organisational change and creating value for the benefit of customers and shareholders.

Business model and technology disruption

- Understanding of differing business models and the potential for disruptive models and practices to impact customers and the supply chain
- Understanding of the opportunity and risks provided by technology development.

BUILDING AND MAINTAINING RELATIONSHIPS

Government relationships 5/7

Shareholder/investment community relationships 5/7

Government relationships

An understanding of the functioning of Government and experience developing and maintaining a constructive relationship and interactions with Government and regulators.

Shareholder/investment community relationships

Experience in and understanding of shareholder and investment community concerns and developing constructive relationships.

Three Year Summary

For the year ended 31 May 2019

Financial Metrics

$NZm	May 2019	May 2018	May 2017[1] Pro forma
Underlying net profit after tax[2]	**50.2**	52.1	34.0
Underlying net profit after tax - continuing operations[3]	**49.7**	50.6	32.3
Profit for the year	**45.4**	77.0	44.9
Total comprehensive income	**99.8**	81.7	60.9
Total assets	**1,399.4**	1,147.2	918.2
Operating cashflow	**89.3**	82.2	39.0

Operating Metrics

	May 2019	May 2018	May 2017
Units	**1,202**	1,102	1,054
Care Suites	**542**	340	242
Care Beds	**2,112**	2,540	2,580
Total	**3,856**	**3,982**	**3,876**
New Sales	**133**	100	52
Resales	**177**	180	151
Total	**310**	**280**	**203**
Occupancy[4]	**92.8%**	90.1%	91.3%

[1] Underlying net profit after tax for May 2017 has been adjusted to remove the impact of transaction and offer costs incurred for the Initial Public Offering ("IPO") and includes an estimate of listed company costs. Further, as the proceeds of the IPO were used substantially to repay debt facilities an adjustment has also been made to reflect the interest expenses that would have been incurred had a listed capital structure been in place from the start of the financial year.

[2] This is a non-GAAP measure, see note 2.1 in the financial statements for further details.

[3] Underlying net profit after tax - continuing operations contains a pro forma adjustment that excludes the earnings from sites divested in 1HY2019.

[4] Average annual occupancy in relation to sites not under development or conversion.

Consolidated Financial Statements

For the year ended 31 May 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2019

$NZ000's	Notes	May 2019	May 2018
Revenue	2.2	**186,977**	181,816
Change in fair value of investment property	3.1	**46,604**	68,320
Other income	2.3	**2,377**	2,226
Total income		**235,958**	**252,362**
Employee benefits and other staff costs	2.4	**119,786**	113,306
Depreciation and amortisation	2.4	**9,544**	8,835
Finance costs	2.4	**3,640**	2,944
Impairment / (reversal of impairment) of property, plant and equipment	3.2	**6,982**	(1,142)
Impairment of goodwill	5.2	**8,149**	-
Other expenses	2.4	**56,062**	52,543
Total expenses		**204,163**	**176,486**
Profit before income tax		**31,795**	**75,876**
Income tax benefit	5.1	**13,576**	1,096
Profit for the year		**45,371**	**76,972**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Gain on revaluation of property, plant and equipment for the year, net of tax	3.2	**56,103**	4,676
Items that may be subsequently reclassified to profit or loss			
(Loss) / gain on cash flow hedges, net of tax	5.6	**(1,723)**	79
Other comprehensive income for the year, net of tax		**54,380**	**4,755**
Total comprehensive income for the year attributable to shareholders of the parent		**99,751**	**81,727**
Basic earnings per share (cents per share)	4.2	**7.5**	12.7
Diluted earnings per share (cents per share)	4.2	**7.5**	12.7

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

Consolidated Balance Sheet

As at 31 May 2019

$NZ000's	Notes	May 2019	May 2018
Assets			
Cash and cash equivalents		**22,762**	18,288
Trade and other receivables	5.3	**43,541**	32,693
Investment property	3.1	**881,674**	755,561
Assets held for sale	3.2	**-**	19,653
Property, plant and equipment	3.2	**442,709**	303,561
Intangible assets	5.2	**8,668**	17,398
Total assets		**1,399,354**	**1,147,154**
Liabilities			
Trade and other payables	5.4	**38,565**	37,592
Derivative financial instruments	5.6	**2,443**	283
Deferred management fee	3.3	**27,002**	21,923
Refundable occupation right agreements	3.3	**436,481**	358,213
Borrowings	4.4	**270,159**	168,711
Deferred tax liabilities	5.1	**14,825**	23,335
Total liabilities		**789,475**	**610,057**
Net assets		**609,879**	**537,097**
Equity			
Contributed equity	4.1	**580,794**	579,498
Retained deficit		**(110,060)**	(127,899)
Reserves		**139,145**	85,498
Total equity		**609,879**	**537,097**

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

Consolidated Statement of Changes in Equity

For the year ended 31 May 2019

$NZ000's	Notes	Contributed equity	Retained deficit	Asset revaluation reserve	Cash flow hedge reserve	Total equity
Balance as at 31 May 2017		**579,498**	**(195,966)**	**84,603**	**(182)**	**467,953**
Profit for the year		-	76,972	-	-	76,972
Other comprehensive income						
Revaluation of cash flow hedge net of tax	5.6	-	-	-	79	79
Revaluation of assets net of tax	3.2	-	-	4,676	-	4,676
Total comprehensive income		**-**	**76,972**	**4,676**	**79**	**81,727**
Transfer of revaluation reserve for assets held for sale	3.2	-	3,678	(3,678)	-	-
Transactions with owners						
Dividends paid	4.1	-	(12,692)	-	-	(12,692)
Employee share scheme	4.3	-	109	-	-	109
Total transactions with owners		**-**	**(12,583)**	**-**	**-**	**(12,583)**
Balance as at 31 May 2018		**579,498**	**(127,899)**	**85,601**	**(103)**	**537,097**
Profit for the year		**-**	**45,371**	**-**	**-**	**45,371**
Other comprehensive income						
Revaluation of cash flow hedge net of tax	5.6	**-**	**-**	**-**	**(1,723)**	**(1,723)**
Revaluation of assets net of tax	3.2	**-**	**-**	**56,103**	**-**	**56,103**
Total comprehensive income		**-**	**45,371**	**56,103**	**(1,723)**	**99,751**
Transfer of interest rate swaps reserve on maturity	5.6	**-**	**(40)**	**-**	**40**	**-**
Transfer of revaluation reserve for assets held for sale	3.2	**-**	**773**	**(773)**	**-**	**-**
Transactions with owners						
Dividends paid	4.1	**-**	**(28,405)**	**-**	**-**	**(28,405)**
Settlement of treasury shares	4.3	**1,296**	**-**	**-**	**-**	**1,296**
Employee share scheme	4.3	**-**	**140**	**-**	**-**	**140**
Total transactions with owners		**1,296**	**(28,265)**	**-**	**-**	**(26,969)**
Balance as at 31 May 2019		**580,794**	**(110,060)**	**140,931**	**(1,786)**	**609,879**

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

Consolidated Cash Flow Statement

For the year ended 31 May 2019

$NZ000's	May 2019	May 2018
Cash flows from operating activities		
Receipts from residents for village and care fees	**165,693**	161,786
Payments to suppliers and employees	**(164,829)**	(147,439)
Rental payments in relation to right to use asset	**(5,510)**	(7,790)
Receipts from new occupation right agreements	**136,629**	113,517
Payments for outgoing occupation right agreements	**(39,656)**	(35,421)
Interest received	**145**	165
Interest paid	**(3,151)**	(2,588)
Net cash inflow from operating activities	**89,321**	**82,230**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and investment property	**19,690**	170
Payments for property, plant and equipment and intangible assets	**(72,895)**	(33,389)
Payments for investment property and investment property under development	**(100,569)**	(98,172)
Net cash outflow from investing activities	**(153,774)**	**(131,391)**
Cash flows from financing activities		
Proceeds from borrowings	**180,387**	119,788
Repayment of borrowings	**(84,351)**	(50,508)
Dividends paid	**(28,405)**	(12,692)
Settlement of treasury shares	**1,296**	-
Net cash inflow from financing activities	**68,927**	**56,588**
Net increase in cash and cash equivalents	**4,474**	7,427
Cash and cash equivalents at the beginning of the year	**18,288**	10,861
Cash and cash equivalents at end of year	**22,762**	**18,288**

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

Consolidated Cash Flow Statement (continued)

For the year ended 31 May 2019

Reconciliation of profit after income tax to net cash inflow from operating activities

$NZ000's	Notes	May 2019	May 2018
Profit for the year		**45,371**	**76,972**
Non cash items included in profit for the year			
Deferred management fees accrued but not settled	2.2	**(23,805)**	(18,748)
Depreciation and amortisation	2.4	**9,544**	8,835
Impairment of goodwill	2.4	**8,149**	-
Net (gain) / loss on disposal of property, plant and equipment		**(70)**	13
Fair value adjustment to investment property	3.1	**(46,604)**	(68,320)
Impairment / (reversal of impairment) of property, plant and equipment	3.2	**6,982**	(1,142)
Loss allowance for trade and other receivables	2.4	**62**	(156)
Interest accrued but not paid		**429**	356
Fair value movement on residents' share of resale gains	2.4	**737**	(26)
Fair value loss on cash flow hedges	5.6	**17**	-
Deferred tax benefit	5.1	**(13,576)**	(1,096)
Share based payments expense	4.3	**140**	109
Other non cash items		**(13)**	18
		(58,008)	**(80,157)**
Cash items excluded from profit for the year			
Receipts from new occupation right agreements		**136,629**	113,517
Payments for outgoing occupation right agreements		**(39,656)**	(35,421)
Capitalised costs associated with refinance		**(645)**	-
		96,328	**78,096**
Increase in operating assets and liabilities			
Decrease / (increase) in trade and other receivables		**290**	(3,222)
Increase in trade and other payables		**5,340**	10,541
Net cash inflow from operating activities		**89,321**	**82,230**

The Board of Directors of the Company authorised these consolidated financial statements for issue on 25 July 2019.

For and on behalf of the Board

Elizabeth Coutts
Chairman

Alan Isaac
Director

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

Notes to the Consolidated Financial Statements

For the year ended 31 May 2019

1. General Information

1.1 Basis of Preparation

(i) Entities Reporting

The consolidated financial statements of the "Group" entity are for the economic entity comprising Oceania Healthcare Limited (the "Company") and its subsidiaries, together "the Group". Refer to note 5.5 for details of the Group structure.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Oceania Healthcare Limited as at 31 May 2019 and the results of all subsidiaries for the year then ended.

The Group owns and operates various care centres and retirement villages throughout New Zealand. The Group's registered office is Affinity House, 2 Hargreaves Street, St Mary's Bay, Auckland 1011, New Zealand.

(ii) Statutory Base

Oceania Healthcare Limited is a limited liability company which is domiciled and incorporated in New Zealand. It is registered under the Companies Act 1993 and is a 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") as a foreign exempt listing. The consolidated financial statements have been prepared in accordance with the requirements of the NZX and ASX listing rules, and Part 7 of the Financial Markets Conduct Act 2013.

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards ("IFRS") and other applicable New Zealand Financial Reporting Standards, as appropriate for for-profit entities. The Group is a Tier 1 for-profit entity in accordance with XRB A1.

The Consolidated Balance Sheet has been prepared using a liquidity format.

(iii) Measurement Basis

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities, including investment properties, property, plant and equipment, assets held for sale and cash flow hedges.

(iv) Going Concern Basis of Accounting

These consolidated financial statements have been prepared on a going concern basis.

(v) Key Estimates and Judgements

The preparation of the consolidated financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management and Directors to exercise their judgement in the process of applying the Group's accounting policies.

The Group makes estimates and assumptions concerning the future. The accounting estimates may not equal the actual results. Estimates and judgements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the following notes:

- Fair value of investment property and investment property under development (note 3.1)
- Classification of accommodation with a care or service offering (note 3)
- Fair value of freehold land and buildings (note 3.2)
- Revenue recognition of deferred management fees (note 3.3)
- Recognition of deferred tax (note 5.1)

1.2 Accounting Policies

Accounting policies that summarise the measurement basis used and which are relevant to understanding the consolidated financial statements are provided throughout the notes to these consolidated financial statements.

Other relevant policies are provided as follows:

(i) Principles of Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions and balances between Group companies are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

(ii) Functional and Presentational Currency

These consolidated financial statements are presented in New Zealand Dollars which is the Company's functional and the Group's presentational currency. Unless otherwise stated the consolidated financial statements are presented in round thousands of dollars. The use of $m signifies millions of dollars.

(iii) Goods and Services Tax ("GST")

The Consolidated Statement of Comprehensive Income and Consolidated Cash Flow Statement have been prepared so that all components are stated exclusive of any GST that can be claimed. GST is only deductible by the Group to the extent that it relates to care operations. All items in the Consolidated Balance Sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(iv) Comparative Information

Where a change has been made to the presentation of the consolidated financial statements to that used in prior periods, comparative figures have been restated accordingly.

(v) Measurement of Fair Value

The Group classifies its fair value measurement using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels.

Level 1: Quoted prices (unadjusted) in active markets for the identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount of all financial assets and liabilities is considered to approximate their fair value.

1.3 Significant Events and Transactions

The financial position and performance of the Group were affected by the following events and transactions during the year to 31 May 2019:

- Disposals – five facilities were sold during the year resulting in a gain of $0.6m within the care segment (net of goodwill disposal of $1.6m) recognised in other income in the Consolidated Statement of Comprehensive Income (note 3.2).
- Recognition of tax on deferred management fee ("DMF") revenue – during the period there was a change in the timing of recognition of DMF income for tax purposes (note 5.1).

2. Operating Performance

2.1 Operating Segments

The Group's chief operating decision maker is the Board of Directors.

The operating segments have been determined based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance. The assets and liabilities of the Group are reported to the chief operating decision maker in total not by operating segment.

The Group operates in New Zealand and comprises three segments; care operations, village operations and other.

	Care	**Village**	**Other**
Product	Includes traditional care beds and care suites.	Includes independent living and rental properties.	N/A
Services	The provision of accommodation, care and related services to Oceania's aged care residents. Includes the provision of services such as meals and care packages to independent living residents.	The provision of accommodation and related services to independent residents in the Group's retirement villages.	Provision of support services to the Group (includes administration, marketing and operations). In addition this segment includes the provision of training by Wesley Institute of Learning.
Recognition of Operating Revenue and Expenses	The Group derives Operating Revenue from the provision of care and accommodation. The daily fee is set annually by the Ministry of Health. In relation to the provision of superior accommodation above the Government specification the Group derives revenue from Premium Accommodation Charges ("PACs") or, in the case of care suites, through DMF. Operating Expenses primarily include staff costs, resident welfare expenses and overheads.	The Group derives Operating Revenue from weekly service fees and rental income. Operating Revenue also includes DMF accrued over the expected occupancy period for the relevant accommodation. Operating Expenses include village property maintenance, sales and marketing, and administration related expenses.	Includes support office and corporate expenses and operating lease costs relating to the Group's three leasehold sites. Finance costs relate to the cost of bank debt acquired for the purchase and development of villages. Income and expenditure relating to the Wesley Institute of Learning is recognised in this segment.
Recognition of Fair Value movements on New Developments	Fair value increases or decreases are recognised in other comprehensive income (i.e. not in profit or loss) for the fair value movement above historic cost. Impairments below historic cost are recognised in comprehensive income (i.e. profit or loss).	Fair value movements are recognised in comprehensive income (i.e. profit or loss).	N/A

	Care	Village	Other
Recognition of Fair Value movements on Existing Care Centres and Retirement Villages	Fair value movements are treated the same as above. When sites are decommissioned for development this results in an impairment of the buildings and chattels which is recognised in comprehensive income (i.e. profit or loss).	Fair value movements are recognised in comprehensive income (i.e. profit or loss).	N/A
Recognition in Underlying Profit (refer note 2.1 overleaf)	Fair value movements are removed	Fair value movements are removed. Realised gains on resales and the development margins from the sale of independent living units and care suites are included.	No material adjustments.
Asset Categorisation	Assets used, or, in the case of developments, to be used, in the provision of care are recognised as property, plant and equipment.	Assets used for village operations are recognised as investment property.	Support office assets are recognised as property, plant and equipment. Assets include intangibles (e.g. software).

Information regarding the operations of each reportable segment is included below. Amongst other criteria, performance is measured based on segmental underlying earnings before interest, tax, depreciation and amortisation ("EBITDA"), which is the most relevant measure in evaluating the performance of segments relative to other entities that operate within the aged care and retirement village industries.

Additional segmental reporting information

Capital expenditure: Refer to notes 3.1 and 3.2 for details on capital expenditure.

Goodwill: Goodwill is allocated to care cash generating units.

What is Total Comprehensive Income?

Total comprehensive income is a measure of the total performance of all segments under NZ GAAP. It includes fair value movements relating to the Group's care centres and cash flow hedges.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2019

2.1 Operating Segments (continued)

2019 $NZ000's	Care Operations	Village Operations	Other	Total
Revenue	161,068	24,757	1,152	186,977
Change in fair value of investment property	-	46,604	-	46,604
Other income	591	1,622	19	2,232
Total income	**161,659**	**72,983**	**1,171**	**235,813**
Operating expenses	(136,350)	(20,343)	(19,155)	(175,848)
Impairment of goodwill	(8,149)	-	-	(8,149)
Impairment of property, plant and equipment	(6,982)	-	-	(6,982)
Segment EBITDA	**10,178**	**52,640**	**(17,984)**	**44,834**
Interest income	-	21	124	145
Finance costs	-	-	(3,640)	(3,640)
Depreciation and amortisation	(9,042)	-	(502)	(9,544)
Profit before income tax	**1,136**	**52,661**	**(22,002)**	**31,795**
Income tax benefit	2,378	7,280	3,918	13,576
Profit for the year attributable to shareholders	**3,514**	**59,941**	**(18,084)**	**45,371**
Other comprehensive income				
Gain on revaluation of property, plant and equipment for the year, net of tax	56,103	-	-	56,103
Loss on cash flow hedges, net of tax	-	-	(1,723)	(1,723)
Total comprehensive income for the year attributable to shareholders of the parent	**59,617**	**59,941**	**(19,807)**	**99,751**

2018 $NZ000's	Care Operations	Village Operations	Other	Total
Revenue	159,083	21,568	1,165	181,816
Change in fair value of investment property	-	68,320	-	68,320
Other income	512	1,549	-	2,061
Total income	**159,595**	**91,437**	**1,165**	**252,197**
Operating expenses	(130,658)	(19,095)	(16,096)	(165,849)
Impairment of goodwill	-	-	-	-
Impairment of property, plant and equipment	1,142	-	-	1,142
Segment EBITDA	**30,079**	**72,342**	**(14,931)**	**87,490**
Interest income	-	21	144	165
Finance costs	-	-	(2,944)	(2,944)
Depreciation and amortisation	(8,307)	-	(528)	(8,835)
Profit before income tax	**21,772**	**72,363**	**(18,259)**	**75,876**
Income tax benefit / (expense)	1,250	1,982	(2,136)	1,096
Profit for the year attributable to shareholders	**23,022**	**74,345**	**(20,395)**	**76,972**
Other comprehensive income				
Gain on revaluation of land and buildings for the year, net of tax	4,676	-	-	4,676
Gain on cash flow hedges, net of tax	-	-	79	79
Total comprehensive income for the year attributable to shareholders of the parent	**27,698**	**74,345**	**(20,316)**	**81,727**

Underlying Net Profit after tax ("Underlying Profit")

Underlying Profit is a non-GAAP measure of financial performance and considered in the determination of dividends. The calculation of Underlying Profit requires a methodology and a number of estimates to be approved by the Directors in their preparation. Both the methodology and the estimates may differ among companies in the retirement village sector. Underlying Profit does not represent cash flow generated during the period.

The Group calculates Underlying Profit by making the following adjustments to reported Net Profit after Tax:

	Net Profit after Tax
Add back / remove	Change in fair value of investment property (including right to use investment property assets) and cash flow hedges and impairment / reversal of impairment of property, plant and equipment
Add back	Impairment of goodwill
Remove	DMF income in relation to right to use investment property assets
Add back	Rental expenditure in relation to right to use investment property assets
Add back / remove	Loss / gain on sale or decommissioning of assets
Add back	Directors' estimate of realised gains on resale of occupation right agreement ("ORA") units and care suites[1]
Add back	Directors' estimate of realised development margin on the first sale of new ORA units or care suites following the development of an ORA unit or care suite, conversion of an existing care bed to a care suite or conversion of a rental unit to an ORA unit
Add back	Deferred taxation component of taxation expense so that only the current tax expense is reflected
=	**Underlying Profit**
Remove	Interest income
Add back	Finance cost
Add back	Depreciation and amortisation
=	**Underlying EBITDA**

Following the sale of certain assets during the 12 months to 31 May 2019 the definition of Underlying Profit has been adjusted to exclude any gain or loss on the sale of assets.

Resale gain – underlying profit

The Directors' estimate of realised gains on resales of ORA units and care suites (i.e. the difference between the incoming resident's ORA licence payment and the ORA licence payment previously received from the outgoing resident) is calculated as the net cash flow received, and receivable at the point that the ORA contract becomes unconditional and has either "cooled off" (the contractual period in which the resident can cancel the contract) or where the resident is in occupation at balance date.

Development margin – underlying profit

The Directors' estimate of realised development margin is calculated as the ORA licence payment received, and receivable, in relation to the first sale of new ORA units and care suites, at the point that the ORA contract becomes unconditional and has either "cooled off" or where the resident is in occupation at balance date, less the development costs associated with developing the ORA units and care suites.

[1] Units and care suites sold under an occupation right agreement.

2.1 Operating Segments (continued)

The Directors' estimate of realised development margin for conversions is calculated based on the difference between the ORA licence payment received, and receivable, in relation to sales of newly converted ORA units and care suites, at the point that the ORA contract becomes unconditional and has either "cooled off" or where the resident is in occupation at balance date, and the associated conversion costs.

The below table describes the composition of development and conversion costs.

Included	**New builds:** – the construction costs directly attributable to the relevant project, including any required infrastructure (e.g. roads) and amenities related to the units (e.g. landscaping) as well as any demolition and site preparation costs associated with the project. The costs are apportioned between the ORA units and care suites, in aggregate, using estimates provided by the project quantity surveyor. The construction costs for the individual ORA units or care suites sold are determined on a prorated basis using gross floor areas of the ORA units and care suites; – an apportionment of land value based on the gross floor area of the ORA units and care suites developed. The value for Brownfield[2] development land is the estimated fair value of land at the time a change of use occurred[3] (from operating as a care centre or retirement village to a development site), as assessed by an external independent valuer. Greenfield[4] development land is valued at historical cost; and – capitalised interest costs to the date of project completion apportioned using the gross floor area of ORA units and care suites developed. **Conversions:** – of care beds to care suites - the actual refurbishment costs incurred; and – of rental units to ORA units - the actual refurbishment costs incurred and the fair value of the rental unit prior to conversion.
Excluded	– Construction, land (apportioned on a gross floor area basis) and interest costs associated with common areas and amenities or any operational or administrative areas.

[2] Brownfield land refers to land previously utilised by, or part of, an operational aged care centre or retirement village.

[3] The timing of a change of use is a Directors' estimate. It is based on a range of factors including evidence of steps taken to secure a resource consent and/or building consent for a particular development or stage of a development and the decommissioning of existing operations (either through the buy-back of existing village ORA units or decommissioning of an existing care centre). Note the cost of buybacks is not included in the development cost as an independent fair value of the land on an unencumbered basis is used as the value ascribed to the development land.

[4] Greenfield land refers to land not previously utilised by, or as part of, an operational aged care centre or retirement village. Greenfield land is typically bare (undeveloped) land at the time of purchase.

2019 $NZ000's	Care Operations	Village Operations	Other	Total
Total comprehensive income for the year attributable to shareholders of the parent	**59,617**	**59,941**	**(19,807)**	**99,751**
Adjusted for underlying profit items				
(Less): Change in fair value of investment property[5] and cash flow hedges and impairment of property, plant and equipment	**(49,121)**	**(46,604)**	**1,723**	**(94,002)**
Add: Impairment of goodwill	**8,149**	**-**	**-**	**8,149**
Less: DMF in relation to right to use asset	**-**	**(727)**	**-**	**(727)**
Add: Rental expenditure in relation to right to use asset	**-**	**6,200**	**-**	**6,200**
Add: (Gain) / loss on sale or decommissioning of assets	**(380)**	**-**	**436**	**56**
Add: Realised resale gain	**-**	**15,124**	**-**	**15,124**
Add: Realised development margin	**-**	**29,202**	**-**	**29,202**
Underlying net profit before tax	**18,265**	**63,136**	**(17,648)**	**63,753**
Add: Deferred tax benefit / (expense)	**(2,378)**	**(7,280)**	**(3,918)**	**(13,576)**
Underlying net profit after tax	**15,887**	**55,856**	**(21,566)**	**50,177**
Less: Interest income	**-**	**(21)**	**(124)**	**(145)**
Add: Finance costs	**-**	**-**	**3,640**	**3,640**
Add: Depreciation and amortisation	**9,042**	**-**	**502**	**9,544**
Underlying EBITDA	**24,929**	**55,835**	**(17,548)**	**63,216**

2018 $NZ000's	Care Operations	Village Operations	Other	Total
Total comprehensive income for the year attributable to shareholders of the parent	27,698	74,345	(20,316)	**81,727**
Adjusted for underlying profit items				
(Less): Change in fair value of investment property[5] and swaps and reversal of property, plant and equipment	(5,818)	(68,320)	(79)	(74,217)
Add: Impairment of goodwill	-	-	-	-
Less: DMF in relation to right to use asset	-	(123)	-	(123)
Add: Rental expenditure in relation to right to use asset	-	7,790	-	7,790
Add: (Gain) / loss on sale or decommissioning of assets	-	-	-	-
Add: Realised gain on resale	-	16,930	-	16,930
Add: Realised development margin	-	21,052	-	21,052
Underlying net profit before tax	21,880	51,674	(20,395)	**53,159**
Add: Deferred tax (benefit) / expense	(1,250)	(1,982)	2,136	(1,096)
Underlying net profit after tax	20,630	49,692	(18,259)	**52,063**
Less: Interest income	-	(21)	(144)	(165)
Add: Finance costs	-	-	2,944	2,944
Add: Depreciation and amortisation	8,307	-	528	8,835
Underlying EBITDA	28,937	49,671	(14,931)	**63,677**

[5] Includes fair value change in fair value of right to use asset.

2.2 Revenue

How we earn revenue

Care	Village	Other
Daily care fees for long term and short term rest home, hospital and dementia residents	Deferred management fees – independent living	Training income
Premium accommodation charges	Village service fees – independent living	Interest income
Deferred management fees – care suites	Rental income – residents without a long term occupation right agreement	

Accounting Policy

On 1 June 2018, the Group adopted NZ IFRS 15 *Revenue from contracts with customers* ("NZ IFRS 15"). The Group has determined that the new accounting standard has not resulted in a change to either the recognition or measurement of revenue and therefore there is no requirement to restate revenue reported in prior periods. Deferred management fees and rental income are considered leases under NZ IAS 17 Leases and NZ IFRS 16 *Leases* ("NZ IFRS 16") after its adoption from 1 June 2019 and are therefore excluded from the scope of NZ IFRS 15. None of the Group's revenue, as defined by NZ IFRS 15, contains significant financing components.

Rest Home and Hospital Service Fees

A contract is in place with all care residents by means of an admission agreement. The resident receives the benefit as the care is administered and each resident incurs a contracted daily care fee set by the Government each year. Rest home and hospital service fees are recognised at the point in time the services are rendered which is specifically linked to the day the service is delivered. Where applicable these are recognised net of any associated rebates to residents.

Aged care subsidies received from the Ministry of Health, included in rest home, hospital and dementia fee revenue within the care segment, amounted to $101.0m (2018: $101.0m).

Premium Accommodation Charges

Premium accommodation charges are payable by residents who occupy a premium room above the level specified by the Government. The charge is included in their admission agreement and the charge is recognised when the accommodation is provided.

Deferred Management Fees

Deferred management fees are considered leases and are payable by residents of the Group's units, apartments and care suites under the terms of their ORA or unit title rights. See note 3.3.

Management fees are typically payable on termination of the ORA up to a maximum percentage of a resident's occupation licence or unit title rights deposit for the right to share in the use and enjoyment of common facilities.

The timing of the recognition of deferred management fees is a critical accounting estimate and judgement. The deferred management fee is recognised on a straight-line basis over the longer of the term specified in a resident's ORA or the average expected occupancy for the relevant accommodation which is 7 years for units, 5 years for apartments and 3 years for care suites from the date of occupation. Estimates of deferred management fee tenure are reviewed periodically. Where a change is made, it is the Group's policy to recognise the aggregate impact of this change in the period in which the change in estimate occurs.

Deferred management fees are recognised with respect to the leased site as per note 3.1.

Village Service Fees

Village service fees are charged to residents to recover a portion of village operating costs associated with services provided including staff wages, rates, and electricity. An ORA is in place with all village residents who receive the benefit of services throughout their stay. Village service fees are recognised over time as services are rendered.

Training Income

Training income is received from students attending short term training courses at the Wesley Institute of Learning. Income is recognised when the course is provided.

Rental Income

Rental agreements are in place with all rental residents and set out the relevant weekly / monthly rental fee. The resident receives the benefit throughout their stay and revenue is recognised as it is earned.

$NZ000's	May 2019	May 2018
Rest home, hospital, dementia fees	151,700	151,660
Premium accommodation charge	3,381	3,205
Deferred management fees – independent living	17,156	15,000
Deferred management fees – care suites	5,065	3,625
Deferred management fees – leased site	727	123
Village service fees	5,782	5,341
Training income	1,171	1,193
Rental income	1,257	1,093
Other services provided to residents	738	576
	186,977	**181,816**

2.3 Other Income

Interest Income

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

Other Income

Other income includes administration and legal income derived from the settlement of ORAs.

$NZ000's	May 2019	May 2018
Interest income	145	165
Net gain on disposal of property assets	-	95
Movement of residents' share of resale gains	-	26
Other income	2,232	1,940
	2,377	**2,226**

2.4 Expenses

Accounting Policy

All operating expenses are recognised on an accrual basis.

$NZ000's	Notes	May 2019	May 2018
Profit before income tax includes the following expenses:			
Employee benefits and other staff costs			
Wages and salaries		**116,854**	111,009
Termination benefits		**323**	206
Employee share scheme expense	4.3	**140**	149
Other staff costs[1]		**2,469**	1,942
		119,786	**113,306**
Depreciation and amortisation			
Depreciation of property, plant and equipment	3.2	**9,435**	8,694
Amortisation of software	5.2	**109**	141
		9,544	**8,835**
Finance costs			
Interest on senior debt facilities		**6,583**	3,490
Agency, commitment and line fees		**2,883**	1,673
Interest rate swaps		**217**	411
Capitalised interest and line fees		**(6,917)**	(3,341)
Amortisation of bank fees		**213**	214
Bank interest		**1**	-
Change in fair value of cash flow hedges		**17**	-
Interest on finance leases		**643**	497
		3,640	**2,944**
Impairment / (reversal of impairment) of property, plant and equipment	3.2	**6,982**	**(1,142)**
Impairment of goodwill	5.2	**8,149**	**-**
Other expenses			
Fees paid to auditor			
Audit and review of consolidated financial statements		**405**	436
Other assurance services – Trustee reporting		**6**	6
Other services[2]		**48**	-
Total fees paid to auditor		**459**	442
Repairs and maintenance of property, plant and equipment		**3,220**	2,966
Repairs and maintenance of investment property		**741**	933
Loss on disposal of property, plant and equipment		**56**	-
Donations		**14**	6
Loss allowance for trade and other receivables	5.3	**62**	(156)
Rental expense relating to operating leases		**1,341**	1,266
Rental expense relating to leased investment property	3.1	**6,200**	7,790
Resident consumables		**15,388**	15,394
Movement of residents' share of resale gains		**737**	-
Insurance		**2,318**	1,710
Legal and professional services		**2,883**	2,343
Other expense (no items of individual significance)		**22,643**	19,849
		56,062	**52,543**
Total Expenses		**204,163**	**176,486**

[1] Other staff costs include costs such as staff training, uniforms and recruitment.

[2] Other services relate to market research and a peer review of the tax treatment of Everil Orr.

3. Property Assets

The Group operates care centres and retirement villages. As outlined in section 2.1, village sites are typically investment property and care sites are typically property, plant and equipment.

What is Investment Property?

Land and buildings are classified as investment property when they are held to generate revenue either through capital appreciation or through rental income.

As residents occupying our retirement villages live independently, the level of services provided is seen as secondary to the provision of accommodation. Accordingly, these buildings are classified as investment property as they are held primarily to generate DMF income.

What is Property, Plant and Equipment?

Land, buildings and chattels are classified as property, plant and equipment when they are used to generate revenue through the provision of goods and services or for administration purposes.

As residents occupying our care centres, including care suites, require services including nursing care, meals and laundry the buildings in which they live are considered to be operated by the Group to generate this revenue and are classified as property, plant and equipment.

What is a Care Suite?

Care suites are a premium offering for a resident requiring rest home or hospital level care. The care suite is located within a care centre. Rather than pay a daily premium accommodation charge for the provision of the premium room the residents enter into an ORA with a net management fee.

Classification of Serviced Apartments and Care Suites

Where services are provided to residents who occupy accommodation under an ORA, it is the Group's policy to assess their level of significance in the context of the overall income derived from the serviced apartment or care suite in ascertaining whether the serviced apartment or care suite is freehold land and buildings (referred to as property, plant and equipment) or investment property.

3. Property Assets (continued)

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

CLASSIFICATION

Investment Property Village Assets	Property, Plant and Equipment Care Assets	
Independent living (villa or apartment)	Care suite	Traditional care bed

SCENARIO

Additional Services are optional	Services are compulsory but an insignificant portion of total revenue from the unit.	Services are compulsory and a significant portion of the total revenue from the unit.	Full ARRC[1] funded care is compulsory for that unit/bed.

CONSIDERATION OF SIGNIFICANCE OF CASHFLOWS

Qualitatively the business model is the provision of retirement accommodation	Quantitatively insignificant (a guideline of under 20% of total revenue is adopted) and qualitatively the business model is the provision of retirement accommodation	Quantitatively significant. Qualitatively the business model is the provision of care	Qualitatively the business model is the provision of care. Quantitative assessment not relevant as price of accommodation does not change overall purpose of the accommodation

[1] ARRC refers to age-related residential care.

3.1 Village Assets: Investment Property

Accounting Policy

Investment property includes both freehold land and buildings and land and buildings under development, comprising independent units, serviced apartments and common facilities, provided for use by residents under the terms of an ORA. Investment property is held for long-term yields and is not occupied by the Group. Investment property is held at fair value.

The fair value of investment property is determined by the Directors having taken into consideration the valuation conducted by CBRE Limited as an independent registered valuer and the cost of work undertaken in relation to investment property under development, whereas previously the fair value of investment property was held at the CBRE Limited valuation plus the cost of work undertaken in relation to investment property under development.

The movement in the carrying value of investment property, net of additions, transfers and disposals is recognised as a fair value movement in the Consolidated Statement of Comprehensive Income.

Fair value measurement on investment property under development is only applied if the fair value is considered to be reliably measurable. Where the fair value of a property under development can be determined, it is carried at fair value. Where the fair value of investment property under development cannot be reliably determined, the carrying amount is considered to be the fair value of the land plus the cost of work undertaken.

$NZ000's	Notes	May 2019	May 2018
Investment property under development at fair value			
Opening balance		**108,204**	79,486
Transfer to property, plant and equipment	3.2	**(6,626)**	(2,801)
Capitalised expenditure		**89,396**	83,259
Capitalised interest and line fees		**4,910**	1,070
Transfer to completed investment property		**(105,532)**	(56,970)
Disposals		**-**	(57)
Change in fair value during the year – developments as at balance date		**8,015**	4,217
Change in fair value during the year – developments completed during the year		**3,093**	-
Closing balance		**101,460**	**108,204**
Completed investment property at fair value			
Opening balance		**647,357**	531,530
Transfer from investment property under development		**105,532**	56,970
Transfer to property, plant and equipment	3.2	**(12,101)**	(18,686)
Transfer to held for sale		**-**	(2,338)
Capitalised expenditure		**3,930**	14,132
Capitalised interest and line fees		**-**	1,646
Change in fair value during the year – existing villages		**(6,100)**	32,788
Change in fair value during the year – recently completed developments[1]		**41,596**	31,315
Closing balance		**780,214**	**647,357**
Total investment property		**881,674**	**755,561**

[1] Recently completed developments refers to those developments which were being sold down during the period.

3.1 Village Assets: Investment Property (continued)

Change in Fair Value Recognised in the Consolidated Statement of Comprehensive Income

$NZ000's	May 2019	May 2018
Increase in fair value of investment property	**126,113**	144,545
Add: Transfers to property, plant and equipment during the year	**18,727**	23,825
Less: Capitalised expenditure including capitalised interest	**(98,236)**	(100,107)
Add: Disposals	**-**	57
Change in fair value recognised in Consolidated Statement of Comprehensive Income	**46,604**	**68,320**

A reconciliation between the valuation and the amount recognised on the Consolidated Balance Sheet as investment property is as follows:

$NZ000's	May 2019	May 2018
Investment property under development		
Valuation	**101,460**	108,204
	101,460	**108,204**
Completed Investment Property		
Valuation	**380,229**	312,109
Add: Refundable occupation licence payments	**456,349**	383,323
Add: Resident's share of resale gains	**6,900**	7,562
Less: Management fee receivable	**(61,745)**	(52,665)
Less: Resident obligations for units not included in valuation	**(1,519)**	(2,972)
	780,214	**647,357**
Total investment property at fair value	**881,674**	**755,561**

Where an incoming resident has an unconditional ORA in respect of a retirement village unit and the corresponding outgoing resident for that same accommodation has not yet been refunded, the CBRE Limited valuation is adjusted for the incoming resident balances only. An adjustment of $1.5m (2018: $3.0m) is included in the above reconciliation to reflect this.

The valuation of investment property is adjusted for cashflows relating to refundable occupation licence payments, residents' share of resale gains and management fee receivable recognised separately on the Consolidated Balance Sheet and also reflected in the valuation model.

Why do we adjust for the liability to residents?

In the CBRE Limited valuation the fair value of investment property includes an allowance for the amount that is payable by the Group to residents already in occupation within the property. However, this liability to existing residents is recognised in the Group's Consolidated Balance Sheet (referred to as refundable occupation right agreements – see note 3.3). Accordingly, the Group adds this net liability to residents to the CBRE Limited valuation to "gross up" the fair value of investment property and avoid double counting the liability to residents.

Valuation Process and Key Inputs

Investment Property under Development

CBRE Limited provided valuations of development land in respect of investment property under development as at 30 April 2019.

The Directors do not judge there to have been a material movement in the adopted land value between 30 April 2019 and 31 May 2019 and therefore no adjustment has been made to this value. Any costs incurred to 31 May 2019 on the developments are included in arriving at the 31 May 2019 fair value.

The Group has applied the following methodology in relation to the measurement of investment property under development:

Practical completion not achieved

Where the development still requires substantial work such that practical completion is not going to be achieved, and a reliable estimate of fair value cannot be made, at or close to balance date, the fair value recognised is the fair value of the development land per the Directors' valuation plus the cost of any work in progress. An amount of $33.5m as at 31 May 2019 (2018: $31.1m) has been recognised in relation to these development sites.

Where an individual development is of both investment property and freehold buildings in nature, the fair value of land and work in progress is apportioned between investment property under development and freehold land and buildings under development, by applying the estimated gross floor area for these respective areas of the development based on information obtained from the project quantity surveyors at the planning and design stages.

Practical completion achieved

Where a development is practically completed, or likely to be completed at, or close to, balance date the investment property is measured at its completed fair value per the Directors' valuation with an adjustment made for any estimated costs, in accordance with the project budget, to be incurred to complete the development, and is then transferred to completed investment property.

Completed Investment Property

The fair value of completed investment property includes the right to use asset under a finance lease (Everil Orr per below).

As required by NZ IAS 40 Investment Property, the valuation of investment property is adjusted for cash flows relating to refundable occupation licence payments, residents' share of resale gains and management fees receivable recognised separately on the Consolidated Balance Sheet and also reflected in the valuation model.

The Group's interest in all completed investment property was valued on 30 April 2019 by CBRE Limited (2018: 30 April 2018 by CBRE Limited), at a total of $403.2m (2018: $332.1m). The CBRE Limited valuation has been adjusted downwards by management for the impact of any sale, resale and repurchase of ORAs between 1 May 2019 and 31 May 2019 of $23.0m (2018: adjusted downwards by $20.0m), with a corresponding increase in refundable occupation licence payments of $34.0m (2018: $23.9m), to arrive at the fair value of completed investment properties at 31 May 2019.

Property Specific Assumptions

Seismic and Weather Tightness Assessments

The CBRE Limited valuation, and accordingly the fair value of investment property, incorporates an allowance in relation to remediation to properties where seismic strength testing has been carried out in prior years. The 30 April 2018 valuation incorporated the estimated costs to address weather tightness at certain sites based on estimates provided in building condition reports completed by CoveKinloch New Zealand Limited in February 2017. As at 31 May 2019 all weather tightness issues have been addressed and as such no allowance has been made in the 30 April 2019 valuation (2018: allowance of $1.1m).

Lease of Investment Property

The Group leases one site, Everil Orr, which meets the definition of investment property. The site comprises both apartments and common facilities provided for use by residents under the terms of an ORA. Payments to the lessor under this lease are made as ORAs are sold. Subsequent cash flows upon the sale and resale of the units are shared between the lessor and the Group.

Due to the variability of these payments both the right to use asset and the corresponding lease liability were initially recognised at nil value. Rental payments are recognised as a rental expense through the Consolidated Statement of Comprehensive Income (note 2.4). The right to use asset is held at fair value in accordance with NZ IAS 40 Investment Property and has been valued by CBRE Limited at 30 April 2019. The valuation has been adjusted by management for the impact of any sale of ORAs between 1 May 2019 and 31 May 2019 to arrive at the fair value as at 31 May 2019 and any changes in fair value are taken to the Consolidated Statement of Comprehensive Income.

The carrying value of the right to use asset as at 31 May 2019 in respect of this leased site is $14.0m (2018: $7.7m). It is included within completed investment property above.

3.1 Village Assets: Investment Property (continued)

Assets Held for Sale

Investment property assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at their fair value. Refer note 3.2 for details of assets held for sale as at 31 May 2018 but settled during the year to 31 May 2019.

Key Accounting Estimates and Judgements

All investment properties have been determined to be Level 3 (2018: Level 3) in the fair value hierarchy as the fair value is determined using inputs that are unobservable.

Significant Unobservable Inputs

The significant unobservable input used in the fair value measurement of the Group's development land is the value per m^2 assumption. Increases in the value per m^2 rate result in corresponding increases in the total valuation.

The significant unobservable inputs used in the fair value measurement of the Group's portfolio of completed investment property are the discount rate and property price growth rate.

The following assumptions have been used to determine fair value:

Significant Input	Description	2019	2018
Discount rate	The pre-tax discount rate	14.0% - 20.0% (median: 15.0%)	14.0% - 22.0% (median: 15.0%)
Property price growth rate	Anticipated annual property price growth over the cash flow period 0-4 years	0.5% - 3.0%	0.0% - 3.0%
Property price growth rate	Anticipated annual property price growth over the cash flow period 5+ years	2.5% - 3.5%	2.5% - 3.5%

Sensitivities

At 31 May 2019	Adopted Value	Discount Rate +0.5%	Discount Rate -0.5%	Property Growth Rate +50 bp	Property Growth Rate -50 bp
Completed investment property					
Valuation $NZ000's	380,229				
Difference $NZ000's		(14,168)	15,082	22,006	(18,546)
Difference %		(3.7%)	4.0%	5.8%	(4.9%)

At 31 May 2018	Adopted Value	Discount Rate +0.5%	Discount Rate -0.5%	Property Growth Rate +50 bp	Property Growth Rate -50 bp
Completed investment property					
Valuation $NZ000's	312,109				
Difference $NZ000's		(11,105)	11,888	15,605	(14,981)
Difference %		(3.6%)	3.8%	5.0%	(4.8%)

The stabilised occupancy period is a key driver of the CBRE Limited valuation. A significant increase/ (decrease) in the occupancy period would result in a significantly lower/ (higher) fair value measurement.

Significant Input	Description	2019	2018
Stabilised occupancy period		3.6yrs – 8.3yrs (median: 7.7yrs)	3.1yrs – 8.4yrs (median: 7.2yrs)

Current ingoing price, for subsequent resales of ORAs, is a key driver of the CBRE Limited valuation. A significant increase/ (decrease) in the ingoing price (as driven by the property growth rates) would result in a significantly higher/ (lower) fair value measurement.

3.2 Care Assets: Property, Plant and Equipment

Accounting Policy

Property, plant and equipment comprises owner-occupied freehold land and buildings and plant and equipment operated by the Group for the provision of care services, care suites and land and buildings that are to be developed into care centres in the future.

Following initial recognition at cost, completed owner occupied freehold land and buildings and land and buildings under development are carried at fair value. Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the assets' fair value at balance date. Any depreciation at the date of valuation is deducted from the gross carrying value of the asset, and the net amount is restated to the revalued amount of the asset. In periods where no valuation is carried out, the asset is carried at its revalued amount plus any additions, less any impairment and less any depreciation incurred since the date of the last valuation.

All other plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

In relation to land and buildings under development, fair value is determined by the Directors having taken into consideration the valuation conducted by CBRE Limited as an independent registered valuer and the cost of work undertaken, whereas previously the fair value was held at CBRE Limited valuation plus the cost of work undertaken in relation to land and buildings under development.

A property under construction is classified as land and buildings within property, plant and equipment where the completed development will be classified as such and as investment property where the completed development will be classified as an investment property. Fair value measurement on property under construction is only applied if the fair value is reliably measurable. Where the fair value of property under construction cannot be reliably determined the value is the fair value of the land plus the cost of work undertaken. Property under construction classified as land and buildings under development is revalued annually and is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed to the Consolidated Statement of Comprehensive Income during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings above cost are credited to the asset revaluation reserve in other comprehensive income; increases that offset previous decreases taken through profit or loss are recognised in profit or loss. Decreases that offset previous increases of the same asset are charged against the asset revaluation reserve in other comprehensive income; all other decreases are charged to profit or loss. When revalued assets are sold, or held for sale, the amounts included in the reserve are transferred to retained earnings.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2019

3.2 Care Assets: Property, Plant and Equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Category	Useful Life Range	Weighted Average Depreciation Rate
– Freehold buildings	10 - 50 years	3%
– Chattels and leasehold improvements	2 - 50 years	20%
– Motor vehicles	5 years	22%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. No depreciation is charged in the year of sale for all assets other than buildings in which case depreciation is charged to the earlier of the date of classification to held for sale or the date of sale.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount of the asset. These are included in the Consolidated Statement of Comprehensive Income.

NZ$000's	Notes	Freehold Land and Buildings Under Development	Freehold Land	Freehold Buildings	Chattels and Leasehold Improvements	Total
Year ended 31 May 2019						
Opening net book amount		44,363	67,124	177,697	14,377	303,561
Additions		57,665	4	7,485	7,351	72,505
Capitalised interest and line fees		2,858	-	-	-	2,858
Disposals		-	-	(3)	(295)	(298)
Depreciation		-	-	(5,797)	(3,638)	(9,435)
Transfer to assets held for sale		-	-	-	-	-
Transfer from / (to) investment property	3.1	10,666	(2,194)	10,255	-	18,727
Reclassification within property, plant and equipment		(61,727)	(2,180)	62,369	1,538	-
Revaluation surplus						
Comprehensive income						
– Existing care centres		-	443	(7,498)	-	(7,055)
– Care centres recently developed / under development		-	-	73	-	73
Other comprehensive income[1]						
– Existing care centres		1,930	7,465	30,390	-	39,785
– Care centres recently developed / under development		14,542	-	7,446	-	21,988
Closing net book amount		70,297	70,662	282,417	19,333	442,709
At 31 May 2019						
Cost		-	-	-	48,304	48,304
Valuation		70,297	70,662	282,417	-	423,376
Accumulated depreciation		-	-	-	(28,971)	(28,971)
Net book amount		70,297	70,662	282,417	19,333	442,709

[1] The revaluation noted in the Statement of Comprehensive Income differs from the above due to deferred tax, refer note 5.1.

NZ$000's	Notes	Freehold Land and Buildings Under Development	Freehold Land	Freehold Buildings	Chattels and Leasehold Improvements	Total
Year ended 31 May 2018						
Opening net book amount		27,806	72,045	153,468	14,653	267,972
Additions		23,659	-	6,531	3,794	33,984
Capitalised interest and line fees		251	-	375	-	626
Disposals		-	-	(12)	(6)	(18)
Depreciation		-	-	(5,375)	(3,319)	(8,694)
Transfer to assets held for sale		-	(5,860)	(10,710)	(745)	(17,315)
Transfer from / (to) investment property	3.1	2,987	(350)	18,850	-	21,487
Reclassification within property, plant and equipment		(12,087)	1,612	10,475	-	-
Revaluation surplus						
Comprehensive income						
– Existing care centres		-	45	1,530	-	1,575
– Care centres recently developed / under development		-	(433)	-	-	(433)
Other comprehensive income[1]						
– Existing care centres		1,747	65	149	-	1,961
– Care centres recently developed / under development		-	-	2,416	-	2,416
Closing net book amount		**44,363**	**67,124**	**177,697**	**14,377**	**303,561**
At 31 May 2018						
Cost		-	-	-	46,526	46,526
Valuation		44,363	67,124	177,697	-	289,184
Accumulated depreciation		-	-	-	(32,149)	(32,149)
Net book amount		**44,363**	**67,124**	**177,697**	**14,377**	**303,561**

Land and Buildings Under Development

A valuation in respect of development land was provided by CBRE Limited as at 30 April 2019. The Directors do not judge there to have been material movement in the land value between 30 April 2019 and 31 May 2019 and therefore no adjustment has been made to this value. Any costs incurred to 31 May 2019 on the developments are included in arriving at the 31 May 2019 fair value.

The Group has applied the following methodology in relation to the measurement of land and buildings under development:

Practical completion not achieved

Where the development still requires substantial work such that practical completion is not going to be achieved, and a reliable estimate of fair value cannot be made, at or close to balance date, the fair value recognised is the fair value of the development land per the Directors' valuation plus the cost of any work in progress. An amount of $13.5m as at 31 May 2019 (2018: $26.0m) has been recognised in relation to these development sites.

Where an individual development is of both investment property and freehold buildings in nature, the fair value of land and work in progress is apportioned between investment property under development and freehold land and buildings under development, by applying the estimated gross floor area for these respective areas of the development based on information obtained from the project quantity surveyors at the planning and design stages.

3.2 Care Assets: Property, Plant and Equipment (continued)

Practical completion achieved

Where a development is practically completed, or likely to be completed at, or close to, balance date the land and buildings are measured at its completed fair value per the Directors' valuation with an adjustment made for any estimated costs, in accordance with the project budget, to be incurred to complete the development, and is then transferred to completed land and buildings.

Completed Land and Buildings

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance date. The Group's previous valuation was completed on 31 May 2017 and therefore the Directors determined an independent valuation should be sought as at 30 April 2019.

This valuation was undertaken by independent registered valuer CBRE Limited (2018: No independent valuation). The valuation of the Group's care centres was apportioned to land, improvements, chattels and goodwill. The fair value of land and buildings as calculated by CBRE Limited is based on the level of rent able to be generated from the maintainable net cash flow of the site subject to average efficient management. The fair value of the Group's land and buildings as determined by the Directors is based on these apportionments. However, chattels are carried at historic cost less depreciation and the amount apportioned to goodwill by CBRE Limited is not recorded in the consolidated financial statements. The CBRE Limited valuation included $20.6m of goodwill (2018: $48.0m) in respect of completed land and buildings.

In arriving at fair value of freehold land and buildings as at 31 May 2019, the 30 April 2019 valuation has been adjusted, in the case of freehold land and buildings under development, for any work in progress incurred between 1 May and 31 May 2019 (2018: 31 May 2017 valuation adjusted for amounts recognised between 1 June 2017 and 31 May 2018).

The CBRE Limited valuation used in the determination of the fair value of freehold buildings, incorporates an allowance in relation to remediation to properties where seismic strength testing has been carried out in prior years. Further, the CBRE Limited valuation as at 31 May 2017 incorporated the estimated costs to address weather tightness at certain sites based on building condition reports completed by CoveKinloch New Zealand Limited in February 2017. As at 31 May 2019 all weather tightness issues have been addressed and as such no allowance has been made in the 30 April 2019 valuation.

Care Suites and Serviced Apartments

As discussed earlier in note 3, where services are provided to residents who occupy accommodation under an ORA, it is the Group's policy to look at the significance of these services in the context of the overall revenue derived from the care suite or serviced apartment in ascertaining whether the care suite or serviced apartment is property, plant and equipment or investment property. Care suite residents occupying accommodation under an ORA receive a significant level of services. Hence they are included in property, plant and equipment. Care suite land and buildings are held at fair value.

Now that care suites are an established product, the valuer has performed a review of the valuation methodology with the outcome that the value of all cash flows associated with the ORA have been allocated to freehold land and buildings. This has resulted in a reduction in the level of goodwill in CBRE Limited's apportionment relating to care suites, see note 5.2. The treatment of the cashflows under the daily care fees remain unchanged. These continue to be apportioned to land, buildings, chattels and goodwill in the same manner as traditional care beds.

Where a site is in its first year of operation, the Directors assess the appropriateness of the fair value of care suites by taking into consideration the CBRE Limited valuation and also more conservative operating assumptions.

The CBRE Limited valuation includes $0.4m of goodwill (2018: $13.6m). This goodwill is not recognised in the consolidated financial statements.

Key Accounting Estimates and Judgements

All land and buildings have been determined to be Level 3 (2018: Level 3) in the fair value hierarchy as the fair value is determined using inputs that are unobservable.

Critical Judgements and Estimates in Applying Accounting Policies

Classification of Care Suites

An area of significant judgement is determining the classification of those properties which are operated as care suites. Refer note 3 for further information.

Valuation of Freehold Land and Buildings

The valuation approach for the freehold land and buildings as at 30 April 2019 was an income capitalisation approach and/or discounted cash flow analysis supplemented by the direct comparison approach. The valuation is determined by the capitalisation of net cash flow profit/earnings before interest, tax, depreciation, amortisation and rent ("EBITDAR") under the assumption a positive cash flow will be generated into perpetuity. Capitalisation rates used for the 30 April 2019 valuation range from 11.0% to 17.8% with a median value of 13.4% (31 May 2017: 10.0% to 18.5% with median value of $13.5%). The valuation was apportioned between land, buildings, chattels / plant and equipment and goodwill to determine the fair value of the assets.

The significant unobservable input used in the fair value measurement of the Group's development land is the value per m^2 assumption. Increases in the value per m^2 rate result in corresponding increases in the total valuation.

The significant unobservable input used in the fair value measurement of the Group's portfolio of completed land and buildings is the capitalisation rate applied to earnings. A significant decrease/ (increase) in the capitalisation rate would result in significantly higher / (lower) fair value measurement.

Sensitivities

At 31 May 2019	Adopted value	Capitalisation rate +50 bp	Capitalisation rate -50 bp
Freehold land and buildings			
Valuation $NZ000's	353,079		
Difference $NZ000's		(19,922)	23,951
Difference %		(5.6%)	6.8%

At 31 May 2018	Adopted value	Capitalisation rate +50 bp	Capitalisation rate -50 bp
Freehold land and buildings			
Valuation $NZ000's	244,821		
Difference $NZ000's		(13,465)	14,689
Difference %		(5.5%)	6.0%

At 31 May 2019	Adopted Value	Discount Rate +0.5%	Discount Rate -0.5%	Property Growth Rate +50 bp	Property Growth Rate -50 bp
Completed Care Suite Property Sensitivity					
Valuation $NZ000's	196,602				
Difference $NZ000's		(7,326)	7,798	11,379	(9,589)
Difference %		(3.7%)	4.0%	5.8%	(4.9%)

At 31 May 2018	Adopted Value	Discount Rate +0.5%	Discount Rate -0.5%	Property Growth Rate +50 bp	Property Growth Rate -50 bp
Completed Care Suite Property Sensitivity					
Valuation $NZ000's	70,052				
Difference $NZ000's		(2,493)	2,668	3,503	(3,362)
Difference %		(3.6%)	3.8%	5.0%	(4.8%)

3.2 Care Assets: Property, Plant and Equipment (continued)

Assets Held for Sale

Assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value less costs to sell, except for investment property assets held for sale which are carried at fair value.

As at 31 May 2018, five facilities met the definition of held for sale. These facilities and their respective land, buildings, investment property and plant and equipment were reclassified for reporting purposes and held on the Consolidated Balance Sheet at $19.7m which was the lower of their fair value less costs to sell and their carrying amount at that time. The revaluation reserve totalling $3.7m in respect of the properties held for sale was reclassified to retained earnings on reclassification of the properties to held for sale.

On 27 September 2018 the sale of these properties was settled and funds of $19.7m received. These funds were applied to the bank borrowings of the Group. A net gain of $0.6m has been recognised as other income in the Consolidated Statement of Comprehensive Income (representing a gain on the carrying value of assets held for sale of $2.2m, offset by the derecognition of goodwill associated with these assets of $1.6m). Further, the remaining revaluation reserve in respect of these sites (of $0.7m) has been reclassified to retained earnings.

Finance Leases

The Group leases various equipment and motor vehicles under finance lease agreements. The lease terms are between 3 and 6 years and have a net book value as at 31 May 2019 of $5.2m (2018: $6.6m). Refer to note 5.7 for the impact of NZ IFRS 16 Leases which is to be adopted on 1 June 2019.

Carrying Value of Assets

The carrying amount at which both land and buildings would have been carried had the assets been measured under historical cost is as follows:

$NZ000's	Freehold land	Freehold buildings	Freehold land and buildings under development	Total
Carrying amount				
– Historical cost 2019	**41,806**	**182,949**	**8,867**	**233,622**
Carrying amount				
– Historical cost 2018	39,843	152,605	4,231	196,679

3.3 Refundable Occupation Right Agreements

What's an ORA?

An ORA is a contract which sets out the terms and conditions of occupation of an independent living unit or care suite. A new resident is charged a refundable occupation licence payment in consideration for the right to occupy one of the Group's units, apartments or care suites. On termination of the ORA the occupation licence payment is repaid to the exiting resident.

What's DMF?

An amount equal to a capped percentage of the occupation licence payment is charged by the Group as a management fee for the right to use and enjoy the common areas of the village. The deferred management fee is payable by the resident on termination of the ORA.

Accounting Policy

The occupation licence payment becomes payable when the ORA is unconditional and has either "cooled off" or where the resident is in occupation. The Group has a legal right to set-off any amounts owing to the Group by a resident against that resident's licence payment. Such amounts include deferred management fees, recovery of village operating costs and recovery of outstanding obligations to the village.

The management fee receivable is recognised in accordance with the terms of the resident's ORA.

The deferred management fee represents the difference between the management fees receivable under the ORA and the portion of the management fee accrued which is recognised on a straight-line basis over the longer of the term specified in a resident's ORA or the average expected occupancy for the relevant accommodation i.e. 7 years for units, 5 years for apartments and 3 years for care suites (2018: 7yrs, 5yrs, 3yrs).

The management fee recognised in the Consolidated Statement of Comprehensive Income represents income earned in line with the average expected occupancy.

Included in the obligation to residents is an estimate of the amount expected to be paid to those residents whose ORA or unit title arrangement allows them to participate in the resale gain of the unit or apartment they occupy.

As the refundable occupation licence payment is repayable to the resident upon termination (subject to a new ORA being issued to an incoming resident), the fair value is equal to the face value, being the amount that can be demanded.

$NZ000's	May 2019	May 2018
Village		
Refundable occupation licence payments	**456,349**	383,323
Residents' share of resale gains	**6,900**	7,562
Less: Management fee receivable (per contract)	**(85,178)**	(72,269)
	378,071	**318,616**
Care Suites		
Refundable occupation licence payments	**71,811**	47,734
Accommodation rebate	**738**	825
Less: Management fee receivable (per contract)	**(14,139)**	(10,763)
	58,410	**37,796**
Held for Sale		
Refundable occupation licence payments	**-**	2,108
Residents' share of resale gains	**-**	20
Less: Management fee receivable (per contract)	**-**	(327)
	-	**1,801**
Total refundable occupation right agreements	**436,481**	**358,213**

3.3 Refundable Occupation Right Agreements (continued)

Reconciliation of Management Fees recognised under NZ IFRS and per ORA

$NZ000's	May 2019	May 2018
Village		
Management fee receivable (per contract)	**(85,178)**	(72,269)
Deferred management fee	**23,433**	19,604
Management fee receivable (per NZ IFRS)	**(61,745)**	**(52,665)**
Care Suites		
Management fee receivable (per contract)	**(14,139)**	(10,763)
Deferred management fee	**3,569**	2,222
Management fee receivable (per NZ IFRS)	**(10,570)**	**(8,541)**
Held for Sale		
Management fee receivable (per contract)	**-**	(327)
Deferred management fee	**-**	97
Management fee receivable (per NZ IFRS)	**-**	**(230)**

Expected Maturity

Although the occupation licence payments are refundable to the residents on vacating the unit / apartment / care suite or on termination of the licence to occupy / unit title right (subject to new licences or unit title rights being issued), average occupancy is estimated to be 7 years for units, 5 years for apartments and 3 years for care suites based on observed tenure at the Group's villages. It is therefore not expected that the full obligation to residents will fall due within one year.

Based on past experience the expected maturity of the net obligation to residents is as follows:

$NZ000's	May 2019	May 2018
Within 12 months	**53,139**	34,030
Beyond 12 months from Consolidated Balance Sheet date	**383,342**	324,183
Total refundable occupation right agreements	**436,481**	**358,213**

4. Shareholder Equity and Funding

4.1 Shareholder Equity and Reserves

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	May 2019 Shares	May 2018 Shares	**May 2019 $NZ000's**	May 2018 $NZ000's
Share capital				
Authorised, issued and fully paid up capital	**610,254,535**	610,254,535	**580,794**	579,498
Total contributed equity	**610,254,535**	610,254,535	**580,794**	579,498
Movements				
Opening balance of ordinary shares issued	**610,254,535**	610,254,535	**579,498**	579,498
Shares issued for long term incentive plan	**-**	-	**1,296**	-
Closing balance of ordinary shares issued	**610,254,535**	610,254,535	**580,794**	579,498

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. The shares have no par value. The Company incurred no transaction costs issuing shares during the year (2018: nil).

During the year an amount of $1.3m was recognised in equity in respect of 2,730,772 shares which had previously vested but for which the loan was repaid in accordance with the terms of the 2015 Long Term Incentive Plan ("LTIP"), see note 4.3 for further details.

Recognition and Measurement

None of the above issued shares are held by the Company or its subsidiaries with the exception of shares issued to OCA Employees Trustee Limited, a subsidiary, on behalf of Oceania employees in relation to a long term incentive plan.

The shares issued for the LTIP are classified as Treasury Shares as the Company has a beneficial interest in the 3,164,556 shares until the vesting conditions are met. Refer note 4.3.

Dividends

On 25 July 2019, a full year dividend of 2.6 cents per share (not imputed) was declared and will be paid on 26 August 2019. The record date for entitlement is 12 August 2019.

	May 2019 cents per share	**May 2019 $NZ000's**	May 2018 cents per share	May 2018 $NZ000's
Final dividend for the prior year	**2.6**	**15,867**	-	-
Interim dividend for period	**2.1**	**12,815**	2.1	12,815
Total dividends declared during the period[1]		**28,682**		12,815

Dividend Reinvestment Plan

Subsequent to 31 May 2019 the Group announced a dividend reinvestment plan. Refer to note 5.9 for details.

Asset Revaluation Reserve

The asset revaluation reserve is used to record the revaluation of freehold land and buildings and land and buildings under development.

Cash Flow Hedge Reserve

The cash flow hedge reserve is used to record gains or losses on instruments used as cash flow hedges. The amounts are recognised in the Consolidated Statement of Comprehensive Income when the hedged transaction affects profit or loss. Refer note 5.6 for details of new swaps taken out during the year.

[1] Total dividends declared during the period differs to dividends paid per the Consolidated Statement of Changes in Equity as a result of dividends payable on LTIP shares which remain with the Group until vesting.

4.2 Earnings per Share

Basic

Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the year.

$NZ000's	May 2019	May 2018
Profit after tax ($'000)	**45,371**	76,972
Weighted average number of ordinary shares outstanding ('000s)	**604,367**	604,359
Basic earnings per share (cents per share)	**7.5**	**12.7**

Diluted

Diluted Earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 May 2019 there were no shares with a dilutive effect (2018: 2,730,772).

	May 2019	May 2018
Profit after tax ($'000)	**45,371**	76,972
Diluted weighted average number of ordinary shares outstanding ('000s)	**607,090**	605,411
Diluted earnings per share (cents per share)	**7.5**	**12.7**

4.3 Employee Share Based Payments

Long Term Incentive Plan

The Company operated two LTIPs for certain members of the Senior Management Team ("the Participants") during the year. The vesting of shares depends upon the satisfaction of performance hurdles.

Under both schemes the Group provided interest free limited recourse loans to fund the acquisition of shares by the Participants. In substance the arrangement has been determined as an employee share option. The shares are treated as treasury stock when issued due to the features of the scheme.

Combined, the two schemes consist of 5,895,329 fully allocated shares, which represents 0.97% of the total shares on issue.

A reconciliation of the share rights on issue is provided below.

	May 2019	May 2018
Opening balance	**3,164,556**	4,985,071
Granted during the year	**-**	-
Vested during the year	**-**	(1,820,515)
Forfeited during the year	**-**	-
Closing balance	**3,164,556**	**3,164,556**

2015 Share Plan

The 2015 share plan comprised of 2,730,772 shares. As at 31 May 2018 all shares were fully vested. A non-recourse loan representing the amount payable by employees remained with a loan repayment date of 31 May 2019. The amount owing of $1.3m was repaid during the period and has been recognised as an increase in share capital.

2017 Share Plan

The 3,164,556 shares in the 2017 share plan are held by OCA Employees Trustee Limited on behalf of the Participants and vest on the business day after the consolidated financial statements for the 31 May 2020 financial year are released. The vesting criterion is the achievement of a minimum Compound Annual Growth Rate in Underlying net profit after tax per share of 35.0% per annum over the three year period until 31 May 2020.

The Participants are required to be employed by the Group at the vesting dates for the shares to vest.

A valuation of the scheme as at the grant date has been performed by a qualified independent party using a combination of the Black Scholes and Binomial Option Pricing models. The weighted average fair value of each option within the 2017 plan was determined at $0.143. The expense is spread over the expected vesting period of the options and is recognised within retained earnings. For the year to 31 May 2019 the expense was $0.1m (2018: $0.1m).

Employee Share Plan

Subsequent to 31 May 2019 the Group launched an Employee Share Plan. Refer to note 5.9.

Key Estimates and Assumptions

The combined cost for the year is $0.1m (2018: $0.1m) giving a total cost to date of $0.4m (2018: $0.3m).

4.4 Borrowings

Accounting Policy

Borrowings are initially recognised at fair value, including transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use. Other borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred.

$NZ000's	**May 2019**	May 2018
Secured		
Bank loans	**265,487**	163,283
Capitalised loan costs	**(845)**	(413)
Finance leases	**5,517**	5,841
Total borrowings	**270,159**	**168,711**
Current	**1,600**	2,064
Non current	**269,404**	167,060
Total borrowings excluding capitalised loan costs	**271,004**	**169,124**

Recognition and Measurement

Bank Loans

Interest is charged using the BKBM Bill rate plus a margin and line fee. Interest rates applicable in the year to 31 May 2019 ranged from 2.94% to 3.48% (2018: 2.99% to 3.94%).

Debt Financing

On 6 July 2018 an agreement was entered into with the banking syndicate to increase total debt facility limits from $235m to $350m as follows:

(i) General Corporate Facility limit increased to $135m (formerly $75m); and

(ii) Development Facility limit increased to $215m (formerly $160m).

In addition to the above, the maturity of borrowings was extended to 31 July 2023.

4.4 Borrowings (continued)

Financing Arrangements

At 31 May 2019, the Group held committed bank facilities with drawings as follows:

$NZ000's	May 2019 Committed	May 2019 Drawn	May 2018 Committed	May 2018 Drawn
General Corporate Facility	**135,000**	**101,961**	75,000	62,157
Development Facility	**215,000**	**163,526**	160,000	101,126
Total	**350,000**	**265,487**	**235,000**	**163,283**

The Group's revolving Development Facility is utilised to cover costs associated with current development projects. The revolving General Corporate Facility is used for general corporate purposes as well as development land for projects not currently funded by the Development Facility.

Interest on the General Corporate Facility is typically payable quarterly. Interest on the Development Facility is capitalised and repaid together with principal using the ORA licence proceeds received upon settlement of initial sales of newly developed units and care suites. Line fees are payable quarterly on the committed General Corporate Facility and the Committed Development Facility.

The financial covenants in the Group's senior debt facilities, with which the Group must comply include:

a) Interest Cover Ratio - the ratio of Adjusted EBITDA to Net Interest Charges is not less than 2.0x; and

b) Loan to Value Ratio – the ratio of total bank debt shall not exceed 50% of the total property value of all Group's properties (including the "as-complete" valuations for projects funded under the Development Facility.

The covenants are tested half yearly. All covenants have been complied with during the year. The Group has agreed with its banks that the calculation of Adjusted EBITDA and Net Interest, for the purposes of the financial covenants, shall be based on the accounting treatment in use before the introduction of NZ IFRS 16.

Assets Pledged as Security

The bank loans of the Group are secured by mortgages over the Group's care facility freehold land and buildings and rank second behind the Statutory Supervisors where the land and buildings are classified as investment property and investment property under development. There was no material change to security arrangements as a result of the refinance.

Finance Lease

Finance lease liabilities relate to the lease of various equipment and motor vehicles and are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

$NZ000's	Minimum Future Lease Payments May 2019	Minimum Future Lease Payments May 2018
Not later than 1 year	**2,014**	2,426
Later than 1 year and not later than 5 years	**4,460**	4,172
Minimum lease payments	**6,474**	**6,598**
Less: future finance charges	**(957)**	(757)
Present value of minimum lease payments	**5,517**	**5,841**
Included in the consolidated financial statements as:		
Finance leases – current portion	**1,600**	2,064
Finance leases – non current portion	**3,917**	3,777

Due to the variable payments with respect to the rental of the investment property site per note 3.1 no liability is included in the finance lease balance above in respect of this right to use asset. The total assumed lease payment in respect of stage one is $25.5m and for stage two is $27.2m. To date an amount of $14.0m (note 2.4) has been paid (2018: $7.8m). The remaining $38.7m balance outstanding has been disclosed as a commitment per note 5.8.

See note 5.7 for the impact of NZ IFRS 16 Leases which is to be adopted on 1 June 2019.

Net Debt Reconciliation

Cash and cash equivalents include cash on hand. The following provides an analysis of net debt and the movements in net debt for the year.

$NZ000's	May 2019	May 2018
Cash and cash equivalents	22,762	18,288
Borrowings – repayable within one year	(1,600)	(2,064)
Borrowings – repayable after one year	(269,404)	(167,060)
	(248,242)	(150,836)
Cash and liquid investments	22,762	18,288
Gross debt – fixed interest rates	(105,517)	(105,841)
Gross debt – floating interest rates	(165,487)	(63,283)
	(248,242)	(150,836)

		Liabilities from Financing Activities				
NZ$000's	Cash	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net Debt as at 31 May 2017	**10,861**	**(1,813)**	**(4,626)**	**-**	**(89,430)**	**(85,008)**
Cash flows	7,427	1,933	-	-	(71,253)	(61,893)
Acquisitions – finance leases	-	(217)	(992)	-	-	(1,209)
Other non-cash movements	-	(1,967)	1,841	-	(2,600)	(2,726)
Net debt as at 31 May 2018	**18,288**	**(2,064)**	**(3,777)**	**-**	**(163,283)**	**(150,836)**
Net Debt as at 31 May 2018	**18,288**	**(2,064)**	**(3,777)**	**-**	**(163,283)**	**(150,836)**
Cash flows	4,474	593	1,585	-	(98,519)	(91,867)
Acquisitions – finance leases	-	1,007	2,332	-	-	3,339
Terminations – finance leases	-	(1,551)	(4,600)	-	-	(6,151)
Other non-cash movements	-	415	543	-	(3,685)	(2,727)
Net debt as at 31 May 2019	**22,762**	**(1,600)**	**(3,917)**	**-**	**(265,487)**	**(248,242)**

5. Other Disclosures

5.1 Income Tax

What is Current Tax?

Current tax is an estimate of the tax that is payable to Inland Revenue for the current financial period.

What is Deferred Tax?

Deferred tax is an estimate of income tax that will be payable or recoverable in respect of temporary differences relating to the accounting and tax values of the Group's assets and liabilities. Deferred tax also includes the value of tax losses that we consider we will use in the future to meet any income tax obligation.

Accounting Policy

The tax expense or benefit for the year comprises current and deferred tax. Tax is recognised in the calculation of profit for the year in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted at the year end. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

$NZ000's	May 2019	May 2018
Income tax benefit		
Current tax	-	-
Deferred tax	(13,576)	(1,096)
	(13,576)	**(1,096)**
Taxation expense is calculated as follows:		
Profit before income tax	31,795	75,876
Tax at the New Zealand tax rate of 28%	8,903	21,245
Adjusted by the tax effect of:		
Non-deductible impairment of goodwill	2,676	-
Non-deductible expenditure	208	102
Capitalised interest deductible for tax	(1,937)	(936)
Taxable deferred management fees	931	-
Non-assessable revaluation of investment property	(13,049)	(19,129)
Taxable depreciation	(2,856)	(3,397)
Accounting depreciation	2,294	2,447
Non-deductible impairment / (reversal of non-deductible impairment) of fixed asset	1,955	(320)
Adjustment for timing difference of provisions	215	607
Other	-	-
Losses recognised / (utilised)	660	(619)
Current tax expense	**-**	**-**
Impact of movements in investment property	(170)	(2,602)
Impact of movements in property, plant and equipment	(1,354)	296
Other adjustments	(185)	(577)
Deferred management fee	(931)	-
Prior period adjustments: treatment of DMF income	(6,138)	-
Prior period adjustments: other	(1,047)	112
Losses utilised or (recognised) / derecognised	(3,751)	1,675
Deferred tax benefit	**(13,576)**	**(1,096)**
Income tax benefit	**(13,576)**	**(1,096)**

5.1 Income Tax (continued)

Movement in the Deferred Tax Balance:

$NZ000's	Balance 1 June 2018	Recognised in Consolidated Statement of Comprehensive Income	Recognised in Other Comprehensive Income	Balance 31 May 2019
Investment property	(9,624)	360	-	(9,264)
Property, plant and equipment	(18,470)	1,636	(5,670)	(22,504)
Provisions and other assets / liabilities	4,759	760	604	6,123
DMF revenue in advance	-	7,069	-	7,069
Tax losses	-	3,751	-	3,751
Deferred tax liabilities	**(23,335)**	**13,576**	**(5,066)**	**(14,825)**

$NZ000's	Balance 1 June 2017	Recognised in Consolidated Statement of Comprehensive Income	Recognised in Other Comprehensive Income	Balance 31 May 2018
Investment property	(12,179)	2,555	-	(9,624)
Property, plant and equipment	(19,126)	358	298	(18,470)
Provisions and other assets / liabilities	4,158	522	79	4,759
DMF revenue in advance	-	-	-	-
Tax losses	2,339	(2,339)	-	-
Deferred tax liabilities	**(24,808)**	**1,096**	**377**	**(23,335)**

Recognition and Measurement

No income tax was paid or payable during the period (2018: nil).

Key Accounting Judgements

Deferred Tax on Investment Property

Deferred tax on investment property is assessed on the basis that the asset value will be realised through use ("Held for Use").

An initial recognition exemption has been applied to newly developed village sites in accordance with NZ IAS 12.

The Group's ORAs comprise two distinct cash flows (being an ORA deposit upon entering the unit and the refund of this deposit upon exit). In determining the tax base of investment property, the Group considered whether taxable cash flows are received at the end of the ORA period (i.e. upon refund of the ORA deposit by way of set off on exit by a resident) or at the beginning of the ORA period (i.e. at time of the receipt of the ORA deposit). The Group has carefully evaluated all the available information and considers it appropriate to recognise and measure the tax base and associated deferred tax based on the taxable cash flows being receivable at the end of the ORA period as this best represents the Group's contractual entitlement.

In calculating deferred tax under the Held for Use methodology, the Group has made significant judgements to determine taxable temporary differences. The carrying value of the Group's investment property is determined on a discounted cash flow basis and includes cash flows that are both taxable and non-taxable in the future. The Group has recognised deferred tax on the cash flows with a future tax consequence being DMF as provided by CBRE Limited, to the extent that it arises from depreciable components (i.e. buildings) of the investment property. The Group uses the council rateable valuations to estimate the apportionment of cash flows arising from the depreciable (i.e. buildings) and non-depreciable components (i.e. land).

Contractually, management fees are received upon refund of the ORA deposit by way of set off on exit of a unit by a resident.

Recognition of Deferred Tax on Deferred Management Fee

The interpretation of NZ tax laws in relation to DMF involves significant judgements and uncertainty. As at 31 May 2018, the Group recognised DMF for tax purposes in a manner consistent with the Group's revenue recognition policy. As explained in the 31 May 2018 consolidated annual financial statements, Inland Revenue was disputing the tax treatment adopted by the Group in respect of the 2016 income year.

During October 2018, the Group obtained a binding ruling from Inland Revenue, applicable for ORAs entered into after 1 June 2018 with certain revisions to the terms and conditions relating to the DMF. Pursuant to this ruling DMF revenue is recognised as derived on the exit of a unit or care suite by a resident. On 20 November 2018, as a result of the binding ruling and associated certainty of the tax position going forward, the Group resolved the dispute with Inland Revenue. The Group have included an adjustment in the 31 May 2018 tax return to recognise tax on DMF in accordance with the contractual term of the resident's ORA.

This resulted in the recognition of a tax liability of $6.1m, being the tax effect of the cumulative difference between the two treatments of $21.9m. This was fully met by the application of $21.9m of the $64.6m available tax losses that had not previously been recognised on the Consolidated Balance Sheet. A corresponding deferred tax asset of $6.1m was recognised at this point for tax paid on DMF revenue in advance of its accounting recognition. A movement of $0.9m has been recognised in the year to 31 May 2019 resulting in a closing deferred tax asset of $7.1m in respect of DMF revenue.

Recognition of Deferred Tax on Tax Losses

The Company and its subsidiaries exited the former Oceania Healthcare Holdings Limited ("OHHL") tax consolidated group from 31 May 2015. All tax losses incurred by the Company and its subsidiaries until 31 May 2015 are tax losses of the OHHL consolidated tax group (of which the Group is no longer a member).

On 5 September 2018 the Group forfeited all losses generated prior to the IPO of the Company as a result of the sale of 15.56% of OHHL's shareholding (refer note 5.5). This resulted in the cessation of shareholder continuity.

The Group also utilised $21.9m of losses to offset additional taxable income arising from the change in recognition of DMF revenue as noted above.

After allowing for the utilisation of losses to offset additional taxable income arising from the change in recognition of DMF revenue, the forfeiture of losses generated prior to IPO on 5 September 2018, and taking into consideration the new losses generated in the year to 31 May 2019, the Group now has an estimated $25.6m (2018: $64.6m) of available tax losses at 31 May 2019. Of these total available tax losses, $12.2m may be forfeited in the event of a further sale of shares by OHHL.

A deferred tax asset totalling $3.8m has been recognised as at 31 May 2019, being the tax effect of the remaining $13.4m of tax losses (2018:nil). These are effectively the tax losses generated after 5 September 2018 which will be retained by the Group in the event of any further sale of shares by OHHL provided there are no other significant shareholding changes.

NZ$000's	Tax Losses
Opening balance	64,583
Prior period adjustments: treatment of DMF income	(21,923)
Prior period adjustments: other	(3,743)
Losses as at 31 May 2018 per Inland Revenue	38,917
Losses utilised for the period to 5 September 2018	(11,039)
Losses forfeited during the year	(15,684)
Losses generated post 5 September 2018	13,395
Closing balance	**25,589**

5.2 Intangible Assets

Accounting Policy

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or business at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested at least once annually for impairment at 31 May, and carried at cost less accumulated impairment losses. Impairments are recognised in the Statement of Comprehensive Income. Gains and losses on the disposal of an entity or cash generating unit ("CGU") include the carrying amount of goodwill relating to the entity or CGU sold. Goodwill is allocated to CGUs and these CGUs are grouped where appropriate for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specified software. These costs are amortised on a straight line basis over their estimated useful lives (2.5 years).

$NZ000's	Goodwill	Software	Total
Year ended 31 May 2018			
Opening net book amount	16,817	236	**17,053**
Additions	-	486	**486**
Amortisation	-	(141)	**(141)**
Impairment charge	-	-	**-**
Closing net book amount	**16,817**	**581**	**17,398**
As at 31 May 2018			
At cost	207,387	3,680	**211,067**
Accumulated amortisation, disposal and impairment	(190,570)	(3,099)	**(193,669)**
Net book amount	**16,817**	**581**	**17,398**
Year ended 31 May 2019			
Opening net book amount	**16,817**	**581**	**17,398**
Additions	**-**	**1,140**	**1,140**
Amortisation	**-**	**(109)**	**(109)**
Impairment charge	**(8,149)**	**-**	**(8,149)**
Disposal	**(1,612)**	**-**	**(1,612)**
Closing net book amount	**7,056**	**1,612**	**8,668**
As at 31 May 2019			
At cost	**207,387**	**4,820**	**212,207**
Accumulated amortisation disposal and impairment	**(200,331)**	**(3,208)**	**(203,539)**
Net book amount	**7,056**	**1,612**	**8,668**

Impairment Test for Goodwill

The carrying value of goodwill has been assessed on a site by site basis taking into account the site's results as a whole.

The carrying amount of goodwill at each site is not significant in comparison to the total amount of goodwill. All goodwill is allocated to the care CGUs.

Key Judgements in Applying the Accounting Policies

Care CGUs Recoverable Amount

The recoverable amount of the individual care sites has been determined based on an external valuation of fair value less costs to sell by CBRE Limited as an external valuer. The fair value less costs to sell is considered level 3 in the fair value hierarchy. This has been used for comparison to current carrying value. The assumptions used in determining the fair value for care centres are disclosed in note 3.2.

The impairment of goodwill as at 31 May 2019 is predominantly due to increases in the fair value of land and buildings at sites with care suites. This increase in fair value has resulted in a corresponding impairment of goodwill.

See sensitivity analysis relating to freehold land and buildings in note 3.2.

5.3 Trade and Other Receivables

Accounting Policy

Trade receivables are amounts due from residents and various government agencies in the ordinary course of business and are recognised initially at fair value, being its transaction price, plus transaction costs. Trade receivables are held with the objective of collecting the contractual cash flows and therefore they are subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

Occupation licence payment receivables are recognised at the point in time that an ORA becomes unconditional and has either "cooled off" or where the resident is in occupation, and the resident has not yet made all of the contractual licence payment to the Group.

$NZ000's	May 2019	May 2018
Net trade and other receivables		
Trade receivables	**11,317**	11,678
Less: Loss allowance	**(428)**	(403)
	10,889	**11,275**
Occupation licence payment receivable	**31,282**	19,658
Prepayments	**1,370**	1,760
Trade and other receivables	**43,541**	**32,693**

Recognition, Measurement and Judgements in Applying Accounting Policies

The Group adopted NZ IFRS 9 *Financial Instruments* ("NZ IFRS 9") on 1 June 2018. Subsequent to the adoption of NZ IFRS 9 the Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and requires recognition from initial recognition of the trade receivable. To measure expected credit losses, trade receivables have been grouped and reviewed on the basis of the number of days since resident departure and the funding stream and type of debtor. Judgement is used in selecting the inputs to the impairment calculation and is based on past history and forward looking assumptions.

The Group has the following financial assets subject to the application of the expected credit loss model:

- Trade receivables from care operations for the provision of care fees revenue for rest home and hospital fees. These are split between private amounts owed by residents and amounts due from agencies such as the Ministry of Health and ACC.
- Trade receivables from village operations for the provision of weekly service fees and occupation licence payment receivables. These are receivable from residents.

The model requires an estimate of the debt to be made on resident admission rather than at the point that the debt turns "bad" or "doubtful". The following details the expected loss rate adopted by the Group based on historic impairments and any other known factors with respect to resident departure date.

Category of debt		**Expected Loss Rate**	
	Current	**Departure <90 days**	**Departure >90 days**
Care residents	1%	15%	75%
Ministry of Health / ACC	1%	1%	100%
Village Residents	-	-	-

Application of the NZ IFRS 9 impairment model has not had a material impact on the carrying value of expected credit losses. No material impact was noted with respect to the opening provision therefore no adjustments have been made to opening balances.

There is no significant concentration of credit risk as trade receivables relate to individual residents and government agencies.

5.4 Trade and Other Payables

Accounting Policy

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

Sundry payables include $0.1m (2018: $0.1m) relating to cash held on behalf of residents. The balance as at 31 May 2018 included $7.0m in relation to the purchase of land which has now settled.

Wages and Salaries, Annual Leave and Long Service Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for employee entitlements is carried at the present value of the estimated future cash flow.

The liability for long service leave is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

$NZ000's	May 2019	May 2018
Trade payables	**6,120**	3,770
Sundry payables and accruals	**17,473**	12,079
Payables in respect of unconditional land purchases	**-**	7,156
Accrued interest on external borrowings and derivatives	**131**	41
Employee entitlements	**14,841**	14,546
Trade and other payables	**38,565**	**37,592**

5.5 Related Party Transactions

The Group's largest shareholder is Oceania Healthcare Holdings Limited ("OHHL").

On 5 September 2018 OHHL sold 15.56% of its holding. On 22 May 2019 OHHL sold a further 0.49% holding resulting in a remaining 41.16% shareholding as at 31 May 2019 (2018: 57.21%). The below entities are subsidiaries of Oceania Healthcare Limited.

Name of Entity	Principal Activities	2019	2018	Class of shares
Oceania Group (NZ) Limited	Support office functions	100%	100%	Ordinary
Oceania Care Company Limited	Operation of aged care centres	100%	100%	Ordinary
Oceania Village Company Limited	Ownership and operation of retirement villages	100%	100%	Ordinary
OCA Employees Trustee Limited	Hold LTIP shares on behalf of employees	100%	100%	Ordinary

All subsidiaries are incorporated in New Zealand and have a balance date of 31 May. There are no significant restrictions on subsidiaries.

5.5 Related Party Transactions (continued)

Key Management Personnel Compensation

Key management personnel are all executives with the authority for the strategic direction and management of the Group.

$NZ000's	May 2019	May 2018
Directors' remuneration and expenses[1]	780	622
Salaries and other short term employee benefits	2,093	2,022
Dividends paid to employees	158	71
Termination benefits	-	-
	3,031	2,715

Dividends were also paid to Directors in their capacity as shareholders.

Transactions with Related Parties

There are no outstanding balances with related parties (2018: nil).

5.6 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risks (including cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swap contracts to hedge certain interest rate risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates to determine market risk and aging analysis for credit risk.

Classification and measurement

Financial assets are required to be classified into three measurement categories: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Trade receivables are amounts due from residents and various government agencies held to collect contractual cash flows in the ordinary course of business. These balances are held at amortised cost less a provision for impairment.

Risk management is carried out centrally by management under policies approved by the Board of Directors. The Directors provide written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

(a) Market Risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(b) Cash Flow Risk

The Group has no significant interest-bearing assets, as such the Group's income is substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The cash flow and interest rate risks are monitored by the Directors on a monthly basis. The Directors monitor the existing interest rate profile with reference to the Group's Treasury Policy and the Group's underlying interest rate exposure. Management present interest rate hedging analysis and strategies to the Directors for consideration and seek Director approval prior to entering into any interest rate swaps.

[1] Gregory Tomlinson and Sally Evans were appointed as Directors on 22 March 2018. Their remuneration in FY2018 is for a part year only.

The following table shows the sensitivity of the Group's Profit / (Loss) and equity to a movement in interest rates of +/-1%. This assumes all other variables remain constant.

	+1%		-1%	
NZ$000's	**Profit / (Loss)**	**Equity**	**Profit / (Loss)**	**Equity**
2019				
Interest expense	**(677)**	**(677)**	**677**	**677**
Change in fair value of cash flow hedges	**22**	**2,084**	**(22)**	**(2,084)**
2018				
Interest expense	(189)	(189)	189	189
Change in fair value of cash flow hedges	42	941	(43)	(952)

Interest Rate Swaps

It is the Group's policy to manage interest rate risk through the use of interest rate swaps to reduce the impact of changes in interest rates on its floating rate long term debt. The objective of the interest rate swaps is to protect the Group from the short to medium term impact to cash flows which arises out of variability in floating interest rates.

Interest rate swaps are initially recognised at fair value on the date a contract is entered into and are subsequently measured at fair value on each reporting date. The fair values of the interest rate swaps are determined based on cash flows discounted to present value using current market interest rates.

When interest rate swaps meet the criteria for cash flow hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while the ineffective portion is recognised in other expenses in the Consolidated Statement of Comprehensive Income. Amounts taken to the interest rate reserve are transferred out of the reserve and included in the measurement of the hedged transaction when the forecast transaction occurs. When interest rate swaps do not meet the criteria for cash flow hedge accounting, all movements in fair value of the hedging instruments are recognised in the Consolidated Statement of Comprehensive Income.

The Group adopted NZ IFRS 9 Financial Instruments ("NZ IFRS 9") on 1 June 2018. For existing swaps the Group applied the exemption to continue to apply NZ IAS 39 to swaps which matured on 31 May 2019. From this point forward all swaps are accounted for under NZ IFRS 9. After the adoption of NZ IFRS 9 the rules on hedge accounting have been amended to align accounting treatment with risk management practices of the reporting entity.

NZ IFRS 9 requires several new disclosures with respect to credit risk, expected credit losses and hedge accounting, from the point of time that new hedge arrangements are entered into.

Under the interest rate swap agreements, the Group has a right to receive interest at variable rates and an obligation to pay interest at fixed rates. At 31 May 2019, the Group's interest rate swaps of $100.0m had matured. New interest rate swaps of $175.0m have been put in place with an effective date of 1 June 2019 (with a trade date of 30 April 2019). Of the interest rate swaps in place at 1 June 2019, $175.0m (2018: $100.0m) are being used to cover approximately 66% (2018: 61%) of the loan principal outstanding. These agreements effectively change the Group's interest exposure on the principal covered by the interest rate swaps from a floating rate to a fixed rate. Bank loans of the Group currently bear an average fixed interest rate (including margin and line fees) of 4.1% (2018: 4.1%). The fair value of these agreements at 31 May 2019 is a $2.4m liability. The agreements cover notional amounts for a period of 3 years, 5 years, and 7 years.

The notional principal amounts and the period of expiry of the interest rate swap contracts are as follows:

	Average contracted fixed interest rate		Notional principal amount	
	May 2019 %	May 2018 %	**May 2019 $NZ000's**	May 2018 $NZ000's
Less than 1 year	**4.10**	4.10	**-**	100,000
Between 1 and 3 years	**4.03**	-	**75,000**	-
Between 3 and 5 years	**4.10**	-	**50,000**	-
Over 5 years	**4.19**	-	**50,000**	-

5.6 Financial Risk Management (continued)

(c) Credit Risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure from trade and other receivables.

In the normal course of business, the Group has no significant concentrations of credit risk. The Group requires settlement of the ORA before allowing occupation of its villas or apartments. Therefore, the Group does not face significant credit risk. The values attached to each financial asset in the Consolidated Balance Sheet represent the maximum credit risk. No collateral is held with respect to any financial assets. The Group enters into financial instruments with various counterparties in accordance with established limits as to credit rating and dollar limits and does not require collateral or other security to support the financial instruments.

Concentrations

Cash and cash equivalents of the Group are deposited with one of the major trading banks. Non-performance of obligations by the bank is not expected due to the credit rating of the counter party considered. The Standard and Poors credit rating of the counter party as at 31 May 2019 is AA- (2018: AA-).

The Group's receivables represent distinct trading relationships with each of the residents. There are no concentrations of credit risk with residents. Large receivables generally relate to the residential care subsidies which are received in aggregate via the various District Health Boards and Work and Income New Zealand. Neither of these entities has demonstrated, or is considered, a credit risk.

(d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Directors aim at maintaining flexibility in funding by keeping committed credit lines available.

Cash flow forecasting is regularly performed by management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

The table below shows the maturity analysis of the Group's contractual undiscounted cash flows.

NZ$000's	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2019				
Trade and other payables	**23,593**	**-**	**-**	**-**
Borrowings	**10,928**	**13,052**	**282,749**	**-**
Cash flow hedge - interest rate swaps	**796**	**1,009**	**1,551**	**(210)**
Refundable occupation right agreements	**436,481**	**-**	**-**	**-**
2018				
Trade and other payables	23,005	-	-	-
Borrowings	8,969	171,678	2,353	-
Cash flow hedge - interest rate swaps	315	-	-	-
Refundable occupation right agreements	358,213	-	-	-

The refundable ORAs are repayable to the resident on vacation of the unit, apartment, care suite or on the termination of the occupation right agreement and subsequent resale of the unit, apartment or care suite. The expected maturity of the refundable ORAs is shown in note 3.3.

(e) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The consolidated financial statements are prepared on a going concern basis.

5.7 New Accounting Standards

(a) New and amended standards adopted by the Group

In the current year, the Group adopted all mandatory new and amended standards and interpretations, including:

***NZ IFRS 9, Financial Instruments ("NZ IFRS 9")* (effective for the Group from 1 June 2018)**

This standard addresses the classification, measurement and recognition of financial assets (cash, trade receivables and sundry receivables) and financial liabilities, the impairment of financial assets and hedge accounting. See notes 5.3 and 5.6 for further details on its application to the Group.

***NZ IFRS 15, Revenue from contracts with customers ("NZ IFRS 15")* (effective for the Group from 1 June 2018)**

This standard addresses the recognition of revenue from contracts with customers. The standard is based on the principle that revenue is recognised when control of a good and service transfer to a customer and establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. See note 2.2 for further details on its application to the Group.

(b) Standards, amendments and interpretations to existing standards that are not effective for the year ended 31 May 2019 and have not been early adopted by the Group

The following relevant standard has not been early adopted by the Group but is to be adopted from 1 June 2019 which is the Group's mandatory adoption date.

***NZ IFRS 16, Leases ("NZ IFRS 16")* (effective for the Group from 1 June 2019)**

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective of the standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions.

The standard does not change the accounting treatment from the perspective of lessors and the Group confirms that it does not expect a change in recognition of rental and DMF income.

The standard requires a lessee to recognise a lease liability on the balance sheet reflecting the future lease payments and a right-of-use asset for all lease contracts, except those which are of low value or short term. This standard will affect primarily the accounting of the Group's operating leases. As at 31 May 2019 the Group had non-cancellable operating lease commitments of $13.1m under operating leases. Many of the Group's leases relate to leases of low value assets however the Group currently leases three care sites and two administrative buildings. The leases will be revalued with the fair value being recognised in the Consolidated Balance Sheet. The impact of recognising these properties on the Consolidated Balance Sheet will be material to the Group.

The Group has established the impact of NZ IFRS 16 with respect to those lease contracts which extend beyond 1 June 2019. Work has focused on the identification and understanding of the provisions of the standard which will most impact the Group, discount rate determination and the review of system requirements. As a result of this review, management have elected to apply the modified retrospective approach on adoption. There will be no restatement of comparative amounts for the period prior to first adoption. A lease management system was selected during the period and all current leases have been loaded to establish the financial impact of adoption.

The following impacts are noted in the context of 31 May 2019 balances. The tax impact is yet to be assessed.

a) The straight-line operating lease expense of $1.2m will be removed and a depreciation charge of $2.2m (currently $1.4m) and interest expense on lease liabilities of $1.0m (currently $0.5m) will be recognised;

b) The repayment of the principal portion of all lease liabilities will be classified as financing activities; and

c) The Consolidated Balance Sheet will be impacted by the recognition of additional right to use assets of $5.7m and corresponding additional lease liabilities of $8.7m in respect of leases currently classified as operating leases. Total right to use assets and corresponding lease liabilities will be $11.0m and $14.2m respectively. This will result in a decrease in opening retained earnings as at 1 June 2019 or approximately $3.2m.

The impact on each of these line items is significant, however management do not expect the overall effect on net profit attributable to shareholders to be material in future periods. The adoption of NZ IFRS 16 will have no impact on net cash flows of the Group.

5.8 Contingencies and Commitments

(a) Contingencies

At 31 May 2019, the Group had no contingent liabilities or assets (2018: nil).

(b) Capital commitments

At 31 May 2019, the Group has a number of commitments to develop and construct certain sites totalling $106.7m (2018: $104.6m) of which $106.7m (2018: $104.1m) relates to development sites.

(c) Lease Commitments

Finance Leases

Leases where the Group has substantially all the risk and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. See note 5.7 for the impact of NZ IFRS 16 Leases which is to be adopted on 1 June 2019.

Lease of Investment Property

On 28 October 2015, subsidiaries of the Group entered into an agreement with a third party to develop Everil Orr, an existing leasehold care site. The site will continue to operate as a leasehold care site and the Group will also perform village operations. Stage one of the village development was completed in February 2018 with stage two completed in May 2019 and a right to use asset was recorded for both stages. A commitment of $11.5m (2018: $17.7m) in relation to stage one of the development and $27.2m in relation to stage two in the form of future lease payments exists. Lease payment obligations arise as ORAs are sold.

See note 3.1 for further details.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

See note 5.7 for the impact of NZ IFRS 16 Leases which is to be adopted on 1 June 2019.

Commitments in relation to operating leases are payable as follows:

$NZ000's	May 2019	May 2018
Within one year	**1,456**	1,593
Later than one year but not later than five years	**3,964**	4,677
Later than five years	**7,656**	8,339
	13,076	**14,609**

The above mainly relates to land and buildings leased for the purpose of operating healthcare sites for the elderly. The leases vary from 5 year to 30 year terms. Lease rentals are subject to annual increases based on Consumer Price Index ("CPI") movements.

(d) Repairs and Maintenance

There are no significant unrecognised contractual obligations entered into for future repairs and maintenance at balance date.

5.9 Events After Balance Date

Dividends

On 25 July 2019 a full year dividend of 2.6 cents per share (not imputed) was declared and will be paid on 26 August 2019. The record date for entitlement is 12 August 2019.

Dividend Reinvestment Plan

On 25 July 2019, the Board approved the implementation of a dividend reinvestment plan, for New Zealand and Australian shareholders, to take effect from the dividend payable on 26 August 2019.

Employee Share Scheme

On 25 July 2019, the Board approved the introduction of an employee share scheme. All permanent employees will be invited to participate. Participants will receive an allocation of a specified amount of shares at nominal cost. The shares will be held in trust and will be transferred to the employee if the employee remains employed by Oceania (or any of its subsidiaries) for the following three years.

There have been no other significant events after balance date.

Independent Auditor's Report

To the shareholders of Oceania Healthcare Limited

We have audited the consolidated financial statements which comprise:

- the consolidated balance sheet as at 31 May 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Our opinion

In our opinion, the accompanying consolidated financial statements of Oceania Healthcare Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 May 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of trustee reporting, tax advisory and market research. The provision of these other services has not impaired our independence as auditor of the Group.

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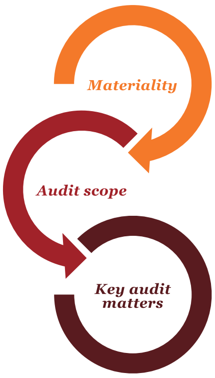
Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $1.9 million, which represents approximately 1% of revenue.

We chose revenue as the benchmark because, in our view, it is a key financial metric used in assessing the performance of the Group and is not as volatile as other profit or loss measures.

We have determined that there are two key audit matters:

- Valuation of investment property and freehold land and buildings
- Deferred tax on investment property

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property and freehold land and buildings As disclosed in note 3.1 and 3.2 of the consolidated financial statements: • the Group's investment property portfolio was valued at $881.7 million at 31 May 2019 and included completed investment property and investment property under development. • the Group's freehold land and buildings were valued at $423.4 million at 31 May 2019. This included freehold land and buildings operated by the Group for the provision of care services, care suites, and land and buildings to be developed into care facilities in the future (together referred to as freehold land and buildings). The Group's accounting policy is to measure these assets at fair value. Independent valuations of all investment property and freehold land and buildings were carried out by a third party valuer, CBRE Limited (the Valuer). Completed investment property and care suites are recorded in the consolidated financial statements at a Directors' valuation which is based on the value determined by the Valuer as at 30 April 2019, adjusted by management for: • the impact of any sale, resale and repurchase of Occupation Right Agreements (ORAs) for investment property between the date of the valuation and 31 May 2019; • the estimated costs to be incurred to complete development of any asset not complete at the date of the valuation, but valued by the Valuer as if it was complete; • for completed investment property, refundable occupation licence payments, residents' share of resale gains and management fees receivable which are recognised separately on the	Our audit procedures included the following: ***External valuations*** We read the valuation report and discussed it with the Valuer. We assessed the valuation approach and confirmed that this was in accordance with the relevant accounting standards. From our discussions with management and the Valuer, and from our review of the valuation report, assumptions (as detailed in the description of this Key Audit Matter) were made for each individual property to reflect its characteristics, its overall quality, geographic location and desirability as a whole. On a sample basis, we tested whether property specific information supplied to the Valuer by the Group reflected the underlying property records held by the Group. ***Valuation adjustments*** We tested, on a sample basis, the adjustments made to the valuations determined by the Valuer as at 30 April as detailed in the description of this Key Audit Matter. This testing included obtaining signed ORAs for a sample of sales and resales and supporting documentation for repurchases in May 2019 and obtaining quantity surveyors reports to support the estimated cost to complete developments at 31 May 2019. We also obtained supporting documentation for a sample of transactions included in work in progress at 31 May 2019. For sites in their first year of operation, we considered the reasonableness of the changes made by the Directors to the operating assumptions. ***Assumptions and estimates*** Our work over the assumptions focused on the largest properties within the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier compared to the rest of the portfolio and the market data for the sector. We engaged our in-house expert to challenge the work performed by the Valuer and assess the reasonableness of the assumptions used based on their knowledge gained from reviewing valuations of similar properties, known transactions and available market data.

Key audit matter	How our audit addressed the key audit matter
consolidated balance sheet and also reflected in the Valuer's cash flow model; • changes to the operating assumptions applied by the Valuer to sites in their first year of operation. For each completed investment property and each care suite, assumptions and estimates were made in respect of: • property price growth rate; • stabilised occupancy periods; and • discount rate. During the year, the Valuer performed a review of the care suite valuation methodology to more appropriately reflect the apportionment of the overall value between freehold land and buildings and goodwill. This resulted in an increase in the apportionment to freehold land and buildings and a reduction in the level of goodwill. Goodwill impairment of $8.1 million has been recognised as disclosed in note 5.2 of the consolidated financial statements. Investment property under development and land and buildings to be developed into care facilities in the future are recorded in the consolidated financial statements at a Directors' valuation which is based on a range of values determined by the Valuer as at 30 April 2019, adjusted by management for the cost of any work in progress. For each asset under development, assumptions and estimates were made in respect of the price per square metre of land. Freehold land and buildings operated by the Group for the provision of care services are recorded in the consolidated financial statements at a Directors' valuation which is based on the value determined by the Valuer as at 30 April 2019.	We understood the apportionment of the valuations to each class of assets and assessed the reasonableness of this, as well as the corresponding impairment of goodwill, through discussions with the Valuer and our in-house expert. ***Valuation estimates*** Because of the subjectivity involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, there is a range of values which can be considered reasonable when evaluating the independent property valuations used by the Group. If we identified an error in a property valuation or determined that the valuation was outside of a reasonable range, we evaluated the error or difference to determine if there was a material misstatement in the consolidated financial statements. We considered whether there were any events subsequent to the date of the Valuer's report which may have caused the valuation of investment property and freehold land and buildings to be materially different to those determined by the Valuer.

Key audit matter	How our audit addressed the key audit matter
For each property, assumptions and estimates are made in respect of: • forecast earnings before interest, tax, depreciation, amortisation, and rent; and • capitalisation rate. The valuation of the Group's property portfolio is inherently subjective. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in assumptions on individual properties, when aggregated, could result in material differences, is why we have given specific audit focus and attention to this area.	
Deferred tax on investment property and care suites As disclosed in note 5.1 of the consolidated financial statements, the Group assesses deferred tax on investment property and care suites on the basis that the asset value will be realised through use ('Held for Use'). In applying the Held for Use methodology, the Group makes three key assumptions which involve significant judgement: 1. Determining the amount of taxable cash flows; 2. Timing of taxable cash flows, being at the end of the Occupation Right Agreement (ORA) period; and 3. Apportionment of the value of investment property between land and buildings. Due to the significant judgement exercised by the Group in making and applying these assumptions to determine the deferred tax on investment property and care suites, we have given specific audit focus and attention to this area.	***Assumptions*** With respect to the assumptions used in the calculation of deferred tax, we engaged our in-house tax specialist and valuation expert to challenge the work performed and assess the reasonableness of the assumptions based on their knowledge of the tax legislation and other accepted approaches in the industry. ***1. Determining the amount of taxable cash flows*** We agreed the amount of taxable cash flows of investment property and care suites from the Valuer's report, which is based on materially the same assumptions and estimates used in the valuation of investment property and care suites described above. ***2. Timing of taxable cash flows*** We tested a sample of ORAs to confirm that the Deferred Management Fees (DMF) are contractually earned at the end of the ORA period. ***3. Apportionment of investment property*** For a sample of investment properties, we agreed the council rateable valuations to the council website and recalculated the apportionment between land and buildings.

Information other than the consolidated financial statements and auditor’s report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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

Responsibilities of the Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor’s report.

pwc

Who we report to

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

The engagement partner on the audit resulting in this independent auditor's report is Leopino Foliaki.
For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
25 July 2019

Auckland

Corporate Governance

This section of the Annual Report provides information on Directors' independence, diversity and inclusion policies, remuneration and statutory disclosures.

Oceania Healthcare's governance framework is guided by the recommendations set by the NZX Corporate Governance Code. Oceania Healthcare has prepared a statement on the extent to which it has followed the recommendations in the NZX Corporate Governance Code. The Corporate Governance Statement is current as at 31 May 2019. Oceania Healthcare considers that it has followed the recommendations in the NZX Corporate Governance Code in all respects during FY2019.

For detailed information on Oceania Healthcare's corporate governance policies, practices and processes please refer to the Investors section on the Oceania Healthcare website – **www.oceaniahealthcare.co.nz/investor-centre/governance**.

This contains the following documents:

Corporate Governance Statement

Constitution

Charters

- Board Charter
- Audit Committee Charter
- Remuneration Committee Charter
- Clinical and Health and Safety Committee Charter
- Development Committee Charter

Policies

- Code of Values and Conduct
- Health and Safety Policy
- Occupational Rehabilitation Policy
- Fraud Policy
- Whistleblowing Policy
- Diversity Policy
- Market Disclosure Policy
- Remuneration Policy
- Trading in Company Securities Policy
- External Auditor Independence Policy
- Privacy Policy

Director Independence

As at 31 May 2019, the Board comprised seven Directors. All of the Directors are non-executive Directors. The Board has considered which of the Directors are independent Directors for the purposes of the NZX Listing Rules and has determined that, as at 31 May 2019, four Directors are independent Directors, including the Chair and the Chair of the Audit Committee. As at the date of this Annual Report, the Directors are:

Elizabeth Coutts	Chair, Independent Director	Appointed in November 2014
Alan Isaac	Independent Director	Appointed in October 2015
Dame Kerry Prendergast	Independent Director	Appointed in December 2016
Sally Evans	Independent Director	Appointed in March 2018
Hugh FitzSimons	Non-Executive Director	Appointed in October 2012
Patrick McCawe	Non-Executive Director	Appointed in February 2017
Gregory Tomlinson	Non-Executive Director	Appointed in March 2018

Corporate Governance (continued)

Director Independence (continued)

The factors relevant to determining whether a Director is an independent Director are the criteria in the NZX Listing Rules for Director independence, having regard to the factors described in the NZX Corporate Governance Code that may impact Director independence.

Committee Membership

The Board has four standing committees to assist in the execution of the Board's duties, being the Audit Committee, the Remuneration Committee, the Clinical and Health and Safety Committee and the Development Committee.

As at 31 May 2019, membership of the committees was as follows:

Audit Committee – Alan Isaac (Chair), Elizabeth Coutts, Sally Evans

Remuneration Committee – Sally Evans (Chair), Elizabeth Coutts, Alan Isaac

Clinical and Health and Safety Committee – Dame Kerry Prendergast (Chair), Elizabeth Coutts, Sally Evans

Development Committee – Gregory Tomlinson (Chair), Elizabeth Coutts

Diversity

Oceania Healthcare's Diversity Policy is available on its website. The Diversity Policy aims to ensure that Oceania Healthcare has a focus on diversity throughout the organisation. This recognises that a diverse workforce contributes to business growth and performance, helping to drive an inclusive, high performance environment.

The Board considers that the Diversity Policy has been successfully implemented across the business with an excellent balance of gender and ethnicity at Director and officer levels. As at 31 May 2019 (and 31 May 2018 for the prior comparative period), the gender breakdown of the Directors, officers (as that term is defined in the NZX Listing Rules) and employees is as follows:

	31 May 2019		31 May 2018	
Gender	**Male**	**Female**	**Male**	**Female**
Directors	**4**	**3**	4	3
Officers	**5**	**5**	6	6
Employees	**344**	**2,268**	349	2,390

Oceania Healthcare is developing further internal systems and processes to allow regular and efficient monitoring of policy objectives.

Remuneration Report

Directors' Fees

Directors' remuneration is paid in the form of fees. A higher level of fees is paid to the Chair to reflect the additional time and responsibilities that this position involves. Additional fees are payable in respect of work carried out by the Chairs of the Audit Committee, Remuneration Committee and the Clinical and Health and Safety Committee.

Director Remuneration paid in the year ended 31 May 2019

Director	Board Fees	Audit Committee	Clinical and Health and Safety Committee	Remuneration Committee	Total Remuneration
Elizabeth Coutts (Chair)	$180,000	-	-	-	$180,000
Alan Isaac	$90,000	$20,000	-	-	$110,000
Dame Kerry Prendergast	$90,000	-	$15,000	-	$105,000
Sally Evans	$90,000	-	-	$7,500	$97,500
Hugh FitzSimons	$90,000	-	-	-	$90,000
Patrick McCawe	$90,000	-	-	-	$90,000
Gregory Tomlinson	$90,000	-	-	-	$90,000

The above fees exclude GST and expense reimbursements.

Employees' Remuneration

Oceania Healthcare did not employ people directly in the year ended 31 May 2019. All employees are employed by the subsidiaries of Oceania Healthcare. The number of employees and former employees of Oceania Healthcare's subsidiaries, not being a Director of Oceania Healthcare, who received remuneration and other benefits the value of which was or exceeded $100,000 during the financial year ended 31 May 2019 is set out in the table of remuneration bands below.

The remuneration figures shown in the "Remuneration" column include all monetary payments actually paid during the course of the year ended 31 May 2019, which include performance incentive payments for the year ended 31 May 2018. The table does not include amounts paid after 31 May 2019 that relate to the year ended 31 May 2019.

Remuneration	Number of Employees
$100,000 – $109,999	15
$110,000 – $119,999	9
$120,000 – $129,999	6
$130,000 – $139,999	4
$140,000 – $149,999	4
$150,000 – $159,999	2
$160,000 – $169,999	3
$170,000 – $179,999	2
$180,000 – $189,999	2
$190,000 – $199,999	3
$200,000 – $209,999	1
$210,000 – $219,999	2
$240,000 – $249,999	1
$260,000 – $269,999	1
$320,000 – $329,999	1
$420,000 – $429,999	1
$450,000 – $459,999	1
$510,000 – $519,999	1
$740,000 – $749,999	1

Corporate Governance (continued)

Chief Executive Officer's Remuneration

The remuneration of the Chief Executive Officer ("CEO") for the year ended 31 May 2019 is as follows:

Base Salary	Other Benefits	STI	Subtotal	LTIP	Remuneration Total
$507,001	$28,743	$208,576	$744,320	$36,827	$781,147

Mr Gasparich received a short term incentive of $208,576. This was based on achievement of financial performance (EBITDA performance against budget), health and safety performance (injury and reporting rates), personal goals and a discretionary component for the year ended 31 May 2018.

The remuneration of the CEO for the year ended 31 May 2018 (being the prior comparative period) is as follows:

Base Salary	Other Benefits	STI	Subtotal	LTIP	Remuneration Total
$490,172	$27,510	$75,938	$593,620	$36,827	$630,447

Mr Gasparich received a short term incentive of $75,938. This was based on achievement of financial performance (EBITDA performance against budget), health and safety performance (injury and reporting rates), personal goals and a discretionary component for the year ended 31 May 2017.

The remuneration of the CEO comprises a fixed remuneration and performance payments. Fixed remuneration includes a base salary, the provision of a carpark and a vehicle allowance.

Mr Gasparich was invited to participate in a long term incentive plan which was established concurrent with the IPO in 2017. As part of this, Earl Gasparich, Celia Gasparich and Carla Pearce as trustees of the Gasparich Family Trust were provided with an interest free loan of an amount of $550,000 to acquire 696,203 ordinary shares in Oceania Healthcare. These shares are held by OCA Employees Trustee Limited on behalf of the participants. Further details about this Long Term Incentive Plan (including the performance criteria relevant to participants' entitlements) are set out in Oceania Healthcare's Corporate Governance Statement, which is available on its website.

Statutory Disclosures

Disclosure of Directors' Interests

The following particulars were entered in the Interests Register kept for Oceania Healthcare and its subsidiaries during the year ended 31 May 2019:

Elizabeth Coutts: Disclosed she ceased to hold the following position: Director of companies in the Yellow Pages Group.

Alan Isaac: Disclosed he ceased to hold the following positions: Director of New Zealand Vault Limited, Director of New Zealand Vault Depository Limited, Director of AKA Investments Limited.

Dame Kerry Prendergast: Disclosed she ceased to hold the following positions: Chair of Tourism New Zealand, Chair of Environmental Protection Authority and Trustee of Compass Health Board.

Disclosed the following new positions: Member of KiwiRail Tourism Advisory Board, Trustee of Wellington International Arts Foundation, Trustee of Capital Kiwi, Member of Anne Frank NZ Holocaust Advisory Board and Member of the Centre for Women's Health Research Advisory Board.

Sally Evans: Disclosed she ceased to hold the following positions: Director of Gateway Lifestyle Operations Limited and Member of the Consumer and Industry Advisory Group for Australian Treasury on the proposed framework for retirement incomes.

Disclosed the following new positions: Director of Rest (Australian Super Fund), Director of Healius Limited and member of the Australian Aged Care Quality and Safety Advisory Council.

Gregory Tomlinson: Disclosed he ceased to hold the following position: Director of Oceania Healthcare Holdings Limited.

Specific Disclosures

There were no specific disclosures made by Directors during the year ended 31 May 2019 of any interests in transactions with Oceania Healthcare or any of its subsidiaries.

Use of Company Information

During the year ended 31 May 2019, the Board did not receive any notices from Directors requesting use of Oceania Healthcare's or any of its subsidiaries' information.

Securities Dealings of Directors

Dealings by Directors of Oceania Healthcare in relevant interests in Oceania Healthcare's ordinary shares during the year ended 31 May 2019 are entered in the Interests Register:

Director	Number of Ordinary Shares	Nature of Relevant Interest	Acquisition / Disposal	Consideration (Per Share)	Date of Transaction
Elizabeth Coutts	350,000	Beneficial interest	Acquisition	$1.10	6 September 2018
Gregory Tomlinson	2,000,000	Beneficial interest	Acquisition	$1.10	6 September 2018
Patrick McCawe	95,000,000	Shares held by OHHL[1]	Disposal	$1.10	6 September 2018
Hugh FitzSimons	95,000,000	Shares held by OHHL[1]	Disposal	$1.10	6 September 2018
Alan Isaac	50,000	Beneficial interest	Acquisition	$1.14	30 October 2018
Elizabeth Coutts	50,000	Beneficial interest	Acquisition	$1.04	31 January 2019
Kerry Prendergast	75,000	Registered and beneficial interest	Acquisition	$1.05	31 January 2019
Sally Evans	20,000	Registered and beneficial interest	Acquisition	$1.10	25 February 2019
Alan Isaac	40,000	Beneficial interest	Acquisition	$1.04	13 March 2019
Gregory Tomlinson	2,000,000	Beneficial interest	Acquisition	$1.01	19 & 20 March 2019
Elizabeth Coutts	50,000	Beneficial interest	Acquisition	$1.02	15 April 2019
Patrick McCawe	2,972,439	Shares held by OHHL[1]	Disposal	N/A	22 May 2019
Hugh FitzSimons	2,972,439	Shares held by OHHL[1]	Disposal	N/A	22 May 2019
Gregory Tomlinson	2,972,439	Beneficial interest	Acquisition	N/A	22 May 2019

[1] Oceania Healthcare Holdings Limited ("OHHL") holds shares in Oceania Healthcare. OHHL is owned indirectly by three institutional funds that are managed by specialist management companies within the Macquarie Infrastructure and Real Assets division of Macquarie Group Limited. The fund investments are held through various sub trusts. The Trust Company Limited, as custodian, holds OHHL shares on behalf of the sub trusts. As Directors of OHHL, each of Patrick McCawe and Hugh FitzSimons have the power to control the exercise of the rights attaching to the shares held by OHHL, and the power to control the acquisition or disposition of such shares.

Directors' Interests in Shares

Directors of Oceania Healthcare have disclosed the following relevant interests in shares as at 31 May 2019:

Director	Number of shares in which a relevant interest is held
Elizabeth Coutts	900,000 shares
Alan Isaac	200,000 shares
Dame Kerry Prendergast	100,000 shares
Sally Evans	20,000 shares
Hugh FitzSimons	250,000 shares 251,202,979 shares held by Oceania Healthcare Holdings Limited[2]
Patrick McCawe	250,000 shares 251,202,979 shares held by Oceania Healthcare Holdings Limited[2]
Gregory Tomlinson	10,476,699 shares

[2] Oceania Healthcare Holdings Limited ("OHHL") holds 41.16% of shares in Oceania Healthcare. OHHL is owned indirectly by three institutional funds that are managed by specialist management companies within the Macquarie Infrastructure and Real Assets division of Macquarie Group Limited. The fund investments are held through various sub trusts. The Trust Company Limited, as custodian, holds OHHL shares on behalf of the sub trusts. As Directors of OHHL, each of Patrick McCawe and Hugh FitzSimons have the power to control the exercise of the rights attaching to the shares held by OHHL, and the power to control the acquisition or disposition of such shares.

Corporate Governance (continued)

Indemnity and Insurance

Oceania Healthcare has granted indemnities, as permitted by the Companies Act 1993 and the Financial Markets Conduct Act 2013, in favour of each of its Directors. Oceania Healthcare also maintains Directors' and Officers' liability insurance for its Directors and officers.

Auditor's Fees

Oceania Healthcare's external auditor is PricewaterhouseCoopers. Total fees paid to PricewaterhouseCoopers in its capacity as auditor during the financial year ended 31 May 2019 were $404,775. Total fees paid to PricewaterhouseCoopers for other professional services (being trustee reporting, taxation services and research on new markets) during the financial year ended 31 May 2019 were $53,550. No other fees were paid to PricewaterhouseCoopers for other professional services.

Donations

During the year ended 31 May 2019, Oceania Healthcare paid a total of $13,657 in donations.

Stock Exchange Listings

Oceania Healthcare's shares are listed on the NZX and the ASX. Oceania Healthcare is listed on ASX as a Foreign Exempt Listing, which means that Oceania Healthcare is required to comply with the NZX Listing Rules but it is exempt from the majority of the ASX Listing Rules. In accordance with ASX Listing Rule 1.15.3, Oceania Healthcare confirms that it has complied with the NZX Listing Rules for the financial year ended 31 May 2019.

NZX Waivers

Oceania Healthcare does not have any waivers from the requirements of the NZX Listing Rules.

Credit Rating

Oceania Healthcare has no credit rating.

Former Directors

No Directors of Oceania Healthcare or any of its subsidiaries resigned (or otherwise ceased to hold office) during the financial year ended 31 May 2019.

Subsidiary Company Directors

Earl Gasparich and Matthew Ward are the Directors of all Oceania Healthcare's subsidiaries as at 31 May 2019, with the exception of OCA Employees Trustee Limited (the Directors of which are Elizabeth Coutts and Hugh FitzSimons).

No remuneration is payable, and there is no entitlement to other benefits, for any directorship of a subsidiary.

SHAREHOLDER INFORMATION

Twenty Largest Shareholders

(as at 30 June 2019)

Registered Shareholder		Number of Shares	% Shares
1	Oceania Healthcare Holdings Limited	251,202,979	41.16
2	New Zealand Central Securities Depository Limited	76,371,537	12.51
3	FNZ Custodians Limited	33,047,184	5.41
4	Custodial Services Limited	13,349,461	2.18
5	Custodial Services Limited	13,165,842	2.15
6	Investment Custodial Services Limited	12,693,122	2.07
7	Tomlinson Group Investments Limited[3]	6,972,439	1.14
8	Custodial Services Limited	6,554,906	1.07
9	PT (Booster Investments) Nominees Limited	5,913,925	0.96
10	Custodial Services Limited	4,015,026	0.65
11	New Zealand Depository Nominee Limited	3,765,917	0.61
12	Harrogate Trustee Limited[3]	3,504,260	0.57
13	Custodial Services Limited	3,171,002	0.51
14	OCA Employees Trustee Limited	3,164,557	0.51
15	Custodial Services Limited	3,025,059	0.49
16	Philip George Lennon	3,000,000	0.49
17	FNZ Custodians Limited	2,736,283	0.44
18	Leveraged Equities Finance Limited	2,385,300	0.39
19	Earl Gasparich, Celia Gasparich and Carla Pearce	2,023,078	0.33
20	FNZ Custodians Limited	1,786,096	0.29
Total		**451,847,973**	**73.93**

[3] Gregory Tomlinson's relevant interests are held by Tomlinson Group Investments Limited and Harrogate Trustee Limited.

Corporate Governance (continued)

New Zealand Central Securities Depository Limited provides a custodial depository service that allows electronic trading of securities to its members. It does not have a beneficial interest in these shares.
Its major holdings of Oceania Healthcare shares are held on behalf of:

Name		Number of Shares	% Shares
1	Citibank Nominees (New Zealand) Limited	11,566,603	1.90%
2	HSBC Nominees (New Zealand) Limited	10,883,463	1.78%
3	ANZ Wholesale Trans-Tasman Property Securities Fund	8,139,020	1.33%
4	MFL Mutual Fund Limited	6,924,751	1.13%
5	ANZ Wholesale Australasian Share Fund	6,218,001	1.02%
6	Accident Compensation Corporation	5,250,000	0.86%
7	BNP Paribas Nominees (NZ) Limited	4,587,899	0.75%
8	Generate Kiwisaver Public Trust Nominees Limited	3,695,546	0.61%
9	BNP Paribas Nominees (NZ) Limited	3,385,306	0.55%
10	JP Morgan Chase Bank NA NZ Branch	3,006,509	0.49%
11	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	2,487,953	0.41%
12	HSBC Nominees (New Zealand) Limited	1,948,393	0.32%
13	ANZ Wholesale Property Securities	1,882,279	0.31%
14	Mint Nominees Limited	1,322,407	0.22%
15	Tea Custodians Limited	1,224,982	0.20%
16	ANZ Wholesale NZ Share Fund	1,000,296	0.16%
17	Queen Street Nominees ACF Mint	771,756	0.13%
18	New Zealand Permanent Trustees Limited	692,767	0.11%
19	Public Trust RIF Nominees Limited	504,358	0.08%
20	National Nominees New Zealand Limited	337,916	0.06%

Spread of Holdings

(as at 30 June 2019)

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 – 1,000	458	7.93	335,930	0.06
1,001 – 5,000	1,407	24.36	5,074,422	0.83
5,001 – 10,000	1,221	21.14	10,236,098	1.68
10,001 – 100,000	2,432	42.11	74,864,500	12.27
100,001 and over	258	4.47	519,743,585	85.17
Totals		**100**		**100**

Substantial Product Holders

According to Oceania Healthcare's records and notices given under the Financial Markets Conduct Act 2013, the following were substantial product holders of Oceania Healthcare as at 31 May 2019:

Substantial Product Holder	Number of Shares (out of 610,254,535, being the total number of Shares as at 31 May 2019)	%	Date of Notice
Oceania Healthcare Holdings Limited	251,202,979	41.16	7 September 2018[1]

[1] Subsequent to Oceania Healthcare Holdings Limited ("OHHL") releasing this notice, a subsequent movement of less than 1% in OHHL's substantial shareholding was disclosed by directors of OHHL (which is reflected in the figures for OHHL in the above table). Oceania Healthcare understands that, in accordance with the Financial Markets Conduct Act 2013, this movement was not required to be disclosed by OHHL itself.

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